

Accounting Standards Board of Japan (ASBJ)

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IFRS Interpretations Committee
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Tentative Agenda Decision Relating to IFRS 3 *Business Combinations* — Acquisition of a group of assets that does not constitute a business

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcomes the opportunity to comment on the IFRS Interpretation Committee’s (the “Committee”) tentative agenda decision relating to IFRS 3 *Business Combinations* — Acquisition of a group of assets that does not constitute a business in the June 2017 IFRIC Update.
2. Given that several approaches were observed in practice, in our discussions, we could not reach a consensus regarding the two approaches outlined as possible solutions. Nevertheless we would like to share with you the following views for the Committee’s future consideration:
 - (a) The tentative agenda decision allowing both approaches is acceptable because it takes into account the existing accounting treatments observed in practice.
 - (b) Only the first approach is the appropriate approach, for the reasons provided by IASB staff in the staff paper.
 - (c) The second approach is more appropriate because there are concerns about the first approach that it may result in a gain or loss on initial recognition.
3. However, we note that, even for those who agree with the tentative agenda decision are not convinced with the Committee’s rationale for not adding this issue to its standard-setting agenda, stating that it “has not obtained evidence that the outcomes of applying the two approaches outlined in this agenda decision would be expected

to have a material effect on the amounts that entities report”. This is because the materiality of the accounting treatment may differ among entities.

4. Although we could not reach a consensus regarding the two approaches outlined in the tentative agenda decision, we all agreed that if the IASB were to make any clarifications related to this issue, such clarification should not be made using an agenda decision but should be made through the normal standard-setting process to amend IFRS 3, which would include extensive discussions by the IASB and full due process. This is because the issue addresses how multiple IFRS standards should be applied to the transaction in question.
5. We hope our comments are helpful for the Committee’s and the IASB’s consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yukio Ono', with a stylized flourish at the end.

Yukio Ono
Chairman of the Accounting Standards Board of Japan