



ED/2012/1 Annual Improvements to IFRSs  
(2010-2012 Cycle)

Comment Letters  
European Financial Reporting Advisory Group  
35 Square de Meeûs  
Brussels B-1000  
Belgium

Dear Madam/Sir,

In the present letter ICAC gives its view on some specific issues raised on IASB's Exposure Draft ED/2012/1 Annual Improvements to IFRSs 2010-2012 Cycle.

First of all, we would like to highlight that we are of the view that any change to the Standards should be argued and justified enough.

Nevertheless, we will support the IASB on changes that would solve any possible deficiencies detected in current standards for improving accounting standards.

In general terms ICAC agrees with most of the proposals in the ED, although we would like to draw the attention to the following issues:

- **Regarding IFRS 3 Business Combinations:**

1. We generally support the amendments proposed by the ED on IFRS 3. Nevertheless, we support EFRAG' suggestion (paragraphs 10-11 of its Draft Comment Letter) to make the consequential amendments to IAS 39 in order to align it with the proposals set for IFRS 9.
2. Also regarding paragraph 58 of IFRS 3, we believe it would be also subject to improvement by clarifying its main paragraph:

Paragraph 58 clearly distinguishes on its wording two different types of changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date:

- a) Those that may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 45-49.



- b) And those changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments.

Despite this clarity on the wording, it is not so clear in practice when distinguishing the two types of events in some circumstances; for example, if a contingent consideration arrangement as part of the consideration transferred in exchange for the acquiree consists in transferring additional assets if the EBITDA reaches certain amount after the acquisition date but before the measurement period finalises: how should these changes be accounted for, goodwill?

We believe that some examples in this paragraph would ease considerably the application of the standard, moreover when this situation is quite frequent in practice.

Therefore we propose to the IASB to include examples in paragraph 58 to improve and clarify its understanding.

- **Regarding the improvements to IFRS 9:**

Changes proposed to clarify that contingent consideration will be generally measured at fair value through profit or loss (taking into account BC4 of the ED), bring us to an issue that would be also subject of clarification by the Board: it may be appropriate to precise in IFRS 9, if for those financial instruments that have a contingent consideration, should also be recognised at fair value through profit or loss: for example: a loan with settlement period of 15 years which gives a remuneration that is a percentage (proportional) to the entity's revenue.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Ana Martínez-Pina  
Chairman of ICAC

Madrid, 3<sup>rd</sup> September 2012