

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **Definition of a Business (Amendments to IFRS 3)**

### **Cover note and summary of responses**

#### **Objective**

- 1 The objectives of this session are to:
  - (a) consider the comments received in response to EFRAG's Invitation to Comment on its Draft Endorsement Advice on *Definition of a Business (Amendments to IFRS 3)* ('the Amendments'); and
  - (b) agree to recommend to the EFRAG Board a Final Endorsement Advice.

#### **Background**

- 2 The IASB issued the Amendments on 22 October 2018. The Amendments respond to concerns reported by stakeholders during the Post-implementation Review of IFRS 3 about how to interpret and apply the definition of a business. A summary of the Amendments was included in [EFRAG TEG meeting 20 December 2018, agenda paper 05-02, Appendix 1](#).
- 3 The Amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Earlier application of the Amendments is permitted and must be disclosed.
- 4 The European Commission issued a letter requesting advice on the endorsement of the Amendments on 12 November 2018. The letter did not identify specific matters to be assessed.
- 5 EFRAG issued its Draft Endorsement Advice on 14 January 2019, which was open for consultation until 4 March 2019. In the letter, EFRAG's preliminary assessment was that the Amendments satisfy the criteria for endorsement for use in the EU and therefore EFRAG recommended their endorsement.

#### **Summary of responses received**

- 6 EFRAG received four comment letters from respondents representing three preparers and one national standard-setter (see list of respondents and links to the comment letters in Appendix 1).
- 7 All respondents agreed with EFRAG's initial assessment with no further comments. The Accounting Standards Committee of Germany (DSRC) informed EFRAG by email that they agree with the endorsement of the Amendments.
- 8 Therefore, the EFRAG Secretariat suggests no changes to the assessment in EFRAG's Final Endorsement Advice, except for the addition, in the first page of the cover letter to the European Commission, of a standard paragraph describing the endorsement advice consultation process (see mark-up).

*Definition of a Business (Amendments to IFRS 3)*  
*Cover note*

**Question to EFRAG TEG**

- 9 Does EFRAG TEG agree to recommend the final endorsement advice contained in agenda paper 04-02, to the EFRAG Board?

**Agenda papers**

- 10 In addition to this cover note, agenda paper 04-02 *Final Endorsement Advice on Definition of a Business (Amendments to IFRS 3)* has been provided for the session.

## Appendix: List of respondents

- 1 Responses to EFRAG's Invitation to Comment were received from the following organisations (links to the letters are provided with the respondents' names):

Respondent	Type	Country
<a href="#">Bayer AG</a>	Preparer	Germany
<a href="#">Daimler AG</a>	Preparer	Germany
<a href="#">Siemens AG</a>	Preparer	Germany
<a href="#">Organismo Italiano Contabilità</a>	National Standard Setter	Italy