



ED/2012/2
Annual Improvements to IFRSs 2011-2013 Cycle.
Comment Letters
European Financial Reporting Advisory Group
35 Square de Meeûs
Brussels B-1000
Belgium

Dear Sir/Madam,

In the present letter ICAC gives its view on IASB's Annual Improvements to IFRSs 2011-2013 Cycle.

In general terms we agree with the amendments proposed by the IASB, nevertheless we would like to point out some observations regarding proposed amendments to **IAS 40 "Investment Property"**:

First of all, we are of the view that it is a clarification amending IAS 40 in order to state explicitly that judgment is also needed to determine whether the transaction is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property, taking as the basis for that judgment, the guidance in IFRS 3.

Notwithstanding the above, we would like to add the following observations:

On the one hand, according to the definition of a "business" in IFRS 3, *"it is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants."*



When the assets acquired are not a business, the standard does not allow recognizing goodwill.

On the other hand, IFRS 3 defines "goodwill" as "*an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.*" Consequently, goodwill attaches to the elements acquired, risks and benefits that are other than those inherent to each asset and each liability acquired, individually considered.

Having said that, we believe that it might be deducted from the above paragraphs, that investment property should not generally qualify as a "business" itself if it is only exposed to the risks and benefits of "price" or "fair value"(as it generally occurs).

In our view IAS 40 should include this presumption, as a general principle, unless there was clear evidence, in view of the nature of the asset and according to IFRS 3 guidance, that it is a business.

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

Yours sincerely,

Ana Mª Martínez-Pina

Chairman of ICAC