

Mr Jean-Paul Gauzès
Acting President of the EFRAG Board
EFRAG
Square de Meeûs 35
B-1000 BRUXELLES
Belgium

Sent by email:
Commentletters@efrag.org

Brussels, 18 October 2016

Subject: The Federation of European Accountants comments on EFRAG's draft comment letter on Exposure Draft ED/2016/01 Definition of a Business and Accounting for Previously Held Interests

Dear Mr Jean-Paul Gauzès,

The Federation of European Accountants (www.fee.be) is pleased to provide you below with its views and comments to the questions raised by EFRAG in its comment letter on the Exposure Draft (ED) ED/2016/01 Definition of a Business and Accounting: Proposed amendments to IFRS 3 and IFRS 11.

- (1) We agree with most of the comments and concerns expressed in your draft comment letter. However, it appears that we have some differences of views, as summarised below.
- (2) We acknowledge that the proposed guidance will help stakeholders assessing whether the acquisition of a set of activities and assets is a business. However, this is based on a guidance which we believe has become too much rule driven. We recommend a more principles based approach, especially with respect to the 'screening test' and the need to have an organised work force when there is no output. Refer to our response to the IASB where we elaborate our view.
- (3) EFRAG is tentatively recommending the IASB to provide further guidance to assess when identifiable assets are "similar". We believe that this principle, along with the illustrative examples, should be sufficient to allow stakeholders to exercise their judgement. Hence, we do not believe that additional guidance is needed.
- (4) For further details, we attach our response letter to the IASB where we elaborate on our views. You will notice that the Federation has expressed other concerns, including:
 - a. The need to clarify the notion of goodwill when the goodwill would arise primarily from the recognition of deferred tax liabilities, which we do not believe would be an appropriate indicator of a substantive process;
 - b. The need to clarify the notion of work force, as it is not clear whether the IASB is referring to the criticality of a specific work force (not replaceable) or to the functionality of the work force (replaceable). Also, it is not clear how the existence of an organized work force, which is considered to be an input by the IASB, can allow to meet the "substantive process" criteria to conclude that it is a business when there is no output.

(5) We hope that you find our comments helpful in finalising the EFRAG comments to the IASB.

For further information on this letter, please contact Eleni Ashioti on +32 (0)2 8933387 or via email at eleni.ashioti@fee.be from the Federation's team.

Kind regards,

On behalf of the Federation of European Accountants,

A handwritten signature in black ink, appearing to read 'Petr Kriz', with a stylized, cursive style.

Petr Kriz
President

A handwritten signature in blue ink, appearing to read 'Olivier Boutellis-Taft', with a stylized, cursive style.

Olivier Boutellis-Taft
Chief Executive