

EFRAG
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Our ref : RJ-EFRAG
Direct dial : 0031 20 301 0391
Date : Amsterdam, 26 October 2016
Re : Suggestions to the draft comment letter of EFRAG on the Exposure Draft ED/2016/1
Definition of a Business and Accounting for Previously Held Interests

Dear members of the EFRAG Technical Expert Group,

DASB welcomes the opportunity to comment on the proposed amendments. We believe that the key reason for inconsistency in practice stems from the treatment of deferred taxes on the initial recognition of assets and liabilities. In our opinion, the IASB should address that issue in the first place.

We support most of the comments made by EFRAG in your draft comment letter. For most transactions we agree with the IASB's conclusion that if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets is not a business. However, we are concerned that the screening test as included in the Exposure Draft may be too rule-based and do not leave sufficient room for professional judgement in more complex transactions. We would therefore propose to start with the basic principle as outlined in the first sentence of paragraph B11A 'A transaction is not a business combination if the transaction is primarily a purchase of a single asset or group of assets.' We believe that the screening test should be considered a strong indicator that a transaction is a business combination or not. We also believe that the presence of a workforce and other factors mentioned in the Exposure Draft could then be added as indicators that a transaction is a business combination or not.

We have the following answers to the questions that you have asked in your draft comment letter:

<p>40 Do you consider that the proposed illustrative examples are sufficient to illustrate how the proposed guidance on what is considered a business should be applied? If not, which areas of the proposed guidance should be clarified further in the illustrative examples?</p>

We are not in favour of adding a large number of examples to these principles, as we agree with EFRAG that some of the examples may lead to confusion. We have therefore suggested to the IASB to limit examples as much as possible, and that the IASB, when assessing which examples are to be removed, takes into account the response of EFRAG.

46 Do you anticipate any difference in practice in applying IFRS or US GAAP as a result of the differences in wording?

DASB does expect differences in application between IFRS and US GAAP. In principle any different wording can reside to different accounting treatment or assessment, due to the fact that different wording will cause debate on how those words should be interpreted. In general DASB is in favour of principle-based guidance rather than rule-based guidance.

We will be pleased to give you any further information that you may require.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sampers', with a long horizontal flourish extending to the right.

prof. dr. Peter Sampers
Chairman Dutch Accounting Standards Board