



DRSC e. V. • Zimmerstr. 30 • 10969 Berlin

Telefon +49 (0)30 206412-12

Telefax +49 (0)30 206412-15

E-Mail info@drsc.de

Wayne Upton
Chairman of the
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH

Berlin, 17 January 2013

United Kingdom

Dear Wayne,

IFRS 3 / IFRS 2 – Accounting for reverse acquisitions that do not constitute a business

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IFRSIC's tentative agenda decision, published in the November 2012 *IFRIC Update* on the above captioned issue.

We understand that transactions in line with the given fact pattern fall into the scope of IFRS 3 *Business Combinations*, and – in accordance with IFRS 3.B15 – the issuing entity is the acquiree. Such situations are commonly referred to as 'reverse acquisitions'. IFRS 3.B19 further depicts that the accounting acquiree must meet the definition of a business for the transaction to be accounted for as a reverse acquisition. According to the fact pattern provided, this is not the case. Hence, IFRS 3 does not provide guidance as to how to account for such situations (please refer to the last sentence of IFRS 3.B19).

On this basis the IC noted that those types of transactions represent share-based payment transactions that should be accounted for in accordance with IFRS 2. However, according to the tentative agenda decision the guidance of IFRS 2 is to be applied to the transactions considering the guidance in IFRS 3 for reverse acquisitions by analogy.

We challenge this approach and ask the IC to reconsider its tentative conclusion since 'reverse acquisitions' are not part of IFRS 2, but are dealt with in IFRS 3 only and may thus not be applied by analogy to IFRS 2.



Secondly, we suggest the Interpretations Committee consider adding to IFRS 3.B19 explicit guidance how to account for transactions in which the accounting acquiree does not meet the definition of a business. We would prefer such an approach since it would add clarity and pervasive guidance to the IFRS literature instead of mentioning guidance solely in a rejection notice, which is a less prominent place to put it. The Annual Improvements Process of the IASB would be a proper means to process the proposed change.

If you would like further clarification of the issue set out in this letter, please do not hesitate to contact me.

With best regards,

Liesel Knorr
President