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Berlin, 27. September 2019

Dear Hans,

IASB Exposure Draft ED/2019/3 *Reference to the Conceptual Framework – Proposed amendments to IFRS 3*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the Exposure Draft ED/2019/3 *Reference to the Conceptual Framework – Proposed amendments to IFRS 3* issued by the IASB on 30 May 2019 (herein referred to as 'ED'). We appreciate the opportunity to comment on the ED.

The IASB proposes to amend IFRS 3 with the aim of updating the references to the 2018 Conceptual Framework replacing the 1989 Framework in a manner that would not have any significant changes in accounting. Therefore, the acquirer shall apply IAS 37 or IFRIC 21 instead of the 2018 Conceptual Framework when identifying the obligations assumed in a business combination.

We regard this pragmatic approach chosen by the IASB to be an appropriate temporary solution and agree with the proposed amendments. In the longer term we consider it necessary to align the liability definition in IAS 37 (including IFRIC 21) with that in the 2018 Conceptual Framework. Hence, we welcome that the IASB has a project on provision on its work plan.

Our response to the ED questions is laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Kristina Schwedler (schwedler@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

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Appendix – Answers to the questions in the DP

Question 1

The Board proposes to:

(a) update IFRS 3 so it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

(b) add to IFRS 3 an exception to its recognition principle. For liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if incurred separately, an acquirer should apply IAS 37 or IFRIC 21 respectively, instead of the Conceptual Framework, to identify the obligations it has assumed in a business combination.

(c) add to IFRS 3 an explicit statement that an acquirer should not recognise contingent assets acquired in a business combination.

Do you agree with these proposals? If not, why not, and what do you recommend instead?

Paragraphs BC21–BC29 describe alternative approaches considered by the Board and explain why the Board is not proposing them.

We agree with the proposed amendments.

With regard to sub-question (a)

We support IASB's intention to update IFRS 3 and refer to the 2018 Conceptual Framework instead of the 1989 Framework. Having different versions of the Conceptual Framework is confusing. It contradicts the fundamental objective of the framework of constituting a consistent basis and established principles for the development of coherent accounting standards.

With regard to sub-question (b)

The solution chosen can only be a temporary means. In the longer term we consider it necessary to align the liability definition in IAS 37 (including IFRIC 21) with that in the 2018 Conceptual Framework to achieve consistency in financial reporting. Hence, we welcome that the IASB has a project on provision on its work plan.

With regard to sub-question (c)

We also support the proposed addition of an explicit statement that an acquirer should not recognise contingent assets acquired in a business combination. This contributes to clarity and promotes consistent application in practice.



Question 2

Do you have any other comments on the proposals in this Exposure Draft?

We do not have other comments.