October 17, 2016

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Exposure Draft ED/2016/1 Definition of a Business and Accounting for Previously Held Interests

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments (Attachment 1) are our comments to this exposure draft. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email:margaret@ardf.org.tw).

Sincerely Yours,

Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

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Attachment 1
Exposure Draft ED/2016/1 Definition of a Business and Accounting for Previously Held Interests

Definition of a Business and Accounting for Previously Held Interests

Question 1
The Board is proposing to amend IFRS3 to clarify the guidance on the definition of a business (see paragraphs B7-B12C and BC5-BC31). Do you agree with these proposed amendments to IFRS3? In particular, do you agree with the Board's conclusion that if substantially all the fair value of the gross assets acquired (ie the identifiable assets and non-identifiable assets) is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities and assets is not a business (see paragraphs B11A-B11C)? Why or why not? If not, what alternative would you propose, if any, and why?

Response to the above Question:

We agree with the proposal to clarify the guidance on the definition of a business. We believe that the proposed amendments are helpful for determining whether a transaction is the acquisition of a business. We specifically agree that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities and assets is not a business. The quantity threshold is easy to apply and is normally consistent with the proposed guidance on substantive process because the fair value of a substantive process should be more than insignificant.

Question 2
The Board and FASB reached substantially converged tentative conclusions on how to clarify and amend the definition of a business. However, the wording of the Board's proposals is not fully aligned with the FASB's proposals. Do you have any comments regarding the differences in the proposals, including any differences in practice that could emerge as a result of the different wording?

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Response to the above Question:

The Board proposed to revise the definition of inputs as "Any economic resource that creates, or has the ability to contribute to creation of output when one or more processes are applied to it." However, FASB did not propose the same amendment. In the FASB Exposure Draft, The definition of inputs is "Any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it." This difference also occurs in the definition of process. As IASB explained in paragraph BC10, the Board decided that an input and substantive process together are required to contribute to the ability to create outputs, but need not be sufficient to create the outputs.

We are concerned it is possible that diversity between IFRS and US GAAP entities could arise in practice because of the different wording. We suggest that the Boards should use identical wording for these definition to avoid potential inconsistencies.

Question 3
To address diversity of practice regarding acquisitions of interests in businesses that are joint operations, the Board is proposing to add paragraph 42A to IFRS3 and amend paragraph B33C of IFRS11 to clarify that: (a) on obtaining control, an entity should remeasure previously held interests in the assets and liabilities of the joint operation in the manner described in paragraph 42 of IFRS3; and (b) on obtaining joint control, an entity should not remeasure previously held interests in the assets and liabilities of the joint operation. Do you agree with these proposed amendments to IFRS3 and IFRS11? If not, what alternative should you propose, if any, and why?

Response to the above Question:

We agree these proposed amendments to IFRS3 and IFRS11. It is consistent with the concept that a change from holding a non-controlling investment in an entity to obtaining control of that entity is a significant change in the nature of and economic circumstances surrounding that investment.

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Question 4
The Board is proposing the amendments to IFRS3 and IFRS11 to clarify the guidance on the definition of a business and the accounting for previously held interests be applied prospectively with early application permitted. Do you agree with these proposed transition requirements? Why or why not?

Response to the above Question:

We agree that these proposed transition requirements. They are consistent with the transition requirements of IFRS3.

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