



DRAFT COMMENT LETTER ON IASB'S EXPOSURE DRAFT REFERENCE TO THE CONCEPTUAL FRAMEWORK (PROPOSED AMENDMENTS TO IFRS 3)

Issued 19 August 2019

ICAEW welcomes the opportunity to comment on EFRAG's *Draft comment letter on IASB's exposure draft, - Reference to the Conceptual Framework (Proposed amendments to IFRS 3)* published in June 2019, a copy of which is available from this [link](#).

We agree with EFRAG's comments regarding the IASB's exposure draft *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*. In ICAEW's draft response to the IASB's we broadly support the proposals but suggest that further consideration is given to how they interact with current IFRS 3 *Business Combinations* requirements for 'indemnification assets'.

This response of 19 August 2019 has been prepared by the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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COMMENTS

1. We agree with EFRAG's comments regarding the IASB's exposure draft *Reference to the Conceptual Framework (Proposed amendments to IFRS 3)*.
2. In ICAEW's draft response to the IASB exposure draft we broadly support the proposed amendments to IFRS 3 *Business Combinations*. However, we suggest that further consideration is given to how the proposed amendments interact with the current IFRS 3 requirements for 'indemnification assets' and whether further clarification is needed. In our view, there could be a potential tension between proposed paragraph 23A, which would prohibit recognition of contingent assets in all circumstances, and the current IFRS 3 requirements on 'indemnification assets' as outlined in paragraphs 3.27-28. This tension would exist if the 'indemnification asset' relates to a contingent liability that is recognised in a business combination in accordance with paragraph 3.23. In this case, the 'indemnification asset' could be considered to be a contingent asset, which would then be in conflict with the proposed guidance in IFRS 3.