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ACCA calls for IFRS 3 to be reconsidered

by Richard Crump

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THE GLOBAL accounting standard for the acquisition of [businesses](#) needs to be reconsidered, ACCA has said.

Elements of IFRS 3 - which deals with the acquisition of businesses - such as arguments for an amortisation approach need to be reconsidered, as well as cost/benefit assessments of whether certain intangible assets should continue to be recognised separately from goodwill, the institute said.

ACCA was providing feedback to the IASB as part of a post implementation feedback review (PIR) into changes made to IFRS 3 in 2009.

"Some fundamental aspects of IFRS3 and related standards need to be reconsidered by IASB," said Richard Martin, head of corporate reporting at ACCA.

"Though we support in principle the impairment-only approach to the accounting for goodwill we recognise there are arguments for an amortisation approach and IASB needs to consider the evidence raised in the response to this PiR on that question. If the impairment-only model is retained then some reconsideration of IAS36 may be needed, of the disclosure requirements but also of whether the subjective elements of the standard are allowing impairments to be avoided."

ACCA also believes that the IASB need to revisit the cost/benefit assessment of whether certain intangible assets should continue to be recognised separately from goodwill.

"Intangibles such as brands and [customer relationships](#) may be difficult to separate from the business and the goodwill attached to that. They are often not considered separately in the commercial decision-making in the acquisition and are hard to value as a result," Martin said.

"Furthermore it is not clear that the separate recognition and valuation yields useful information to readers of the accounts. Some of these issues may be reflected in the disclosure shortcomings that can be observed."

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