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Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
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Berlin, 10 November 2003

Dear Sir David

Business Combinations Project (Phase I)

GASB considered the tentative decisions reached by IASB in September and October 2003 with regard to the business combinations project (Phase I) and once again would like to express its concerns about the recognition criteria for intangible assets.

IASB confirmed its proposal that the probability recognition criterion will always be satisfied for intangible assets acquired in a business combination as the effect of probability would be reflected in the fair value measurement of an intangible asset. GASB, however, does not agree that the probability criterion will always be satisfied for intangible assets acquired in a business combination.

GASB welcomes IASB's tentative decision not to proceed with the presumption that sufficient information always exists to measure reliably the fair value of an intangible asset acquired in a business combination. However, GASB does not agree with the proposed clarifications that the fair value of an intangible asset acquired in a business combination can "normally" be measured with sufficient reliability and that there is a presumption that the fair value of an intangible asset with a finite useful life can be measured with sufficient reliability to qualify for recognition separately from goodwill. Furthermore, GASB is concerned about clarifying explicitly the only circumstance in which it might not be possible to measure reliably the fair value of an intangible asset.



GASB is still of the opinion that IASB's tentative decisions are inconsistent with the Framework, which envisages that every asset must pass the probability and reliability test to meet the recognition criteria. IASB's proposal would entail dissimilar treatment of acquired intangible assets on the one hand and self-generated intangible assets and other assets on the other hand. This affects conceptual questions which should be answered consistently for *all* assets as part of a revision of the Framework and not separately as part of the business combinations project.

Yours sincerely,

Klaus Pohle

cc: Antoine Bracchi, Chairman, Conseil National de la Comptabilité
Paul Cherry, Chairman, Canadian Accounting Standards Board
Robert Herz, Chairman, Financial Accounting Standards Board
Mary Keegan, Chairman, Accounting Standards Board
Ruth Picker, Acting Chair, Australian Accounting Standards Board
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