VMEBF
Bilanzierung in Familienunternehmen

Project Manager
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

Weinheim, 05/09/12

Dear Sir or Madam,

ED/2012/1 – ANNUAL IMPROVEMENTS TO IFRSS 2010 – 2012 CYCLE

We appreciate the opportunity to comment on the board´s exposure draft (ED) on “Annual Improvements to IFRSs 2010 – 2012 Cycle” (ED/2012/1).

The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents a large part of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international accounting more visible and to act as a constructive partner for the standard setters. We work closely together with the German standard setter GASC and the German Institute of Chartered Auditors (IDW) as well as other political institutions.

As we only have comments on some specific topics within the ED, we refrain from answering all questions asked. Instead, this comment letter is intended to point out our major concerns as related to the issues explained below.

<u>IFRS 3 – Business Combinations</u>

While we agree the proposed changes are an improvement over the current ambiguous phrasing we believe that the IASB should not (yet) delete the reference to “other applicable IFRSs” in determining whether contingent consideration is classified as a liability or an equity instrument. From our point of view, further in-depth research on accounting for contingent consideration across all relevant IFRSs is required before deleting the above-mentioned reference. For example, the IASB should await the results of the current discussions lead by the IFRS Interpretations Committee on accounting for contingent payments for the separate purchase of property, plant &

Vereinigung zur Mitwirkung an der Entwicklung des Bilanzrechts für Familiengesellschaften e.V.
VMEBF e.V., c/o Freudenberg & Co. Kommanditgesellschaft, 69465 Weinheim, Germany

Managing board: Frank Reuther (Chairm.) · Phone: +49 (6201) 806843 · E-Mail: frank. reuther@freudenberg.de
Prof. Dr. Dieter Truxius (Vice Chairm.) · Phone: +49 (831) 5916290 · E-Mail: dieter.truxius@dachser.com
Peter Notz · Phone: +49 (40) 44188335 · E-Mail: peter.notz@ganske.de
Prof. Dr. Norbert Winkeljohann · Phone: +49 (541) 3304517 · E-Mail: norbert.winkeljohann@de.pwc.com

Banking account: Deutsche Bank AG, Mannheim · account no. 040158800 · BLZ 670 700 10

equipment and intangible assets. Additionally, the post-implementation review of IFRS 3 could be used to enlarge upon accounting for contingent consideration in practice.

Moreover, the board should take into account amending IAS 39 corresponding to the consequential amendments to IFRS 9. If an entity does not make use of the possibility to apply IFRS 9 early, it is likely to experience the same issues being addressed by ED/2012/1 with regard to IFRS 9.

IFRS 8 – Operating Segments
We disagree with the proposed amendment of par. 22 as from our point of view the benefits with regard to decision-usefulness are minimal. On the contrary the information "noise" created by this kind of notes prevents the addressee from identifying more relevant information.

IFRS 13 – Fair value measurement
We agree with the proposed amendment.

IAS 1 – Presentation of Financial Statements
While we agree with the proposed changes in substance we ask the board to consider the implications for loan transactions within the same group. In many groups loans may be transferred to a different group entity. We do not see the differences in the economic substance of such a transaction (resulting from the different lender) justifying classification of a loan as non-current.

IAS 7 – Statement of Cash Flows
We disagree with the proposals. We understand the capitalisation of borrowing costs to happen on an accruals basis. Therefore, we doubt that IAS 7 and IAS 23 can be interlinked that easily. Moreover, a distinct allocation of interest paid to just one cash flow category (operating, investing or financing) could be difficult within complex contract structures.

Should you have any further questions, please do not hesitate to contact us.

Kind regards,

Vereinigung zur Mitwirkung an der Entwicklung des
Bilanzrechts für Familiengesellschaften e.V. (VMEBF)

Frank Reuther   Prof. Dr. Dieter Truxius   Peter Notz   Prof. Dr. Norbert Winkeljohann