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Sent: Wednesday, 30 April 2014 5:03 PM
To: AASB Mailbox
Cc: Ben Loughton; Luisa Ryan; Jonathon Khoo; Jenny Foster; Brigitte Batschi
Subject: Notification: Australian Bureau of Statistics comments on Post-Implementation Review: IFRS 3 Business Combinations [SEC=UNCLASSIFIED]

Dear Chairman of the Australian Accounting Standards Board,

The Australian Bureau of Statistics (ABS) wishes to thank the Australian Accounting Standards Board (AASB) for the opportunity to attend the AASB Discussion Forum on IFRS 3 Business Combinations on 29 April 2014 as an observer, and to provide comments on the IASB *Request for information on the Post-Implementation Review: IFRS 3 Business Combinations*.

The ABS has no comment on the specific questions contained in the *Request for information on the Post-Implementation Review: IFRS 3 Business Combinations*. However the ABS would like to state the following:

- The ABS encourages the separate recording of intangible assets as this treatment aligns with the statistical objectives contained in the *System of National Accounts, 2008*;
- The ABS values all assets and liabilities at current market values; and
- For information, the following excerpt outlines the statistical treatment of goodwill as stated in paragraphs 10.196 - 10.199 of the *System of National Accounts, 2008*. Goodwill is not currently identified as a separate line item in ABS outputs due to data limitations.

Goodwill and marketing assets

10.196 Potential purchasers of an enterprise are often prepared to pay a premium above the net value of its individually identified and valued assets and liabilities. This excess is described as “goodwill” and reflects the value of corporate structures and the value to the business of an assembled workforce and management, corporate culture, distribution networks and customer base. It may not have value in isolation from other assets, but it enhances the value of those other assets. Looked at another way, it is the addition to the value of individual assets because they are used in combination with each other.

10.197 Goodwill cannot be separately identified and sold to another party. The value has to be derived by deducting from the sale value of the corporation the value of assets and liabilities classified elsewhere within the asset boundary of the SNA. (In practice, since it is estimated as a residual, an estimate of goodwill will also reflect errors and omissions in the valuation of other assets and liabilities.)

10.198 As well as residual errors, the value of goodwill may include the value to the corporation of items known as marketing assets. *Marketing assets consist of items such as brand names, mastheads, trademarks, logos and domain names*. A brand can be interpreted as far more than just a corporate name or logo. It is the overall impression a customer or potential customer gains from their experience with the company and its products. Interpreted in that wider sense it can also be seen to encompass some of the characteristics of goodwill such as customer loyalty.

10.199 *The value of goodwill and marketing assets is defined as the difference between the value paid for an enterprise as a going concern and the sum of its assets less the sum of its liabilities, each item of which has been separately identified and valued.* Although goodwill is likely to be present in most corporations, for reasons of reliability of measurement it is only recorded in the SNA when its value is evidenced by a market transaction, usually the sale of the whole corporation. Exceptionally, identified marketing assets may be sold individually and separately from the whole corporation in which case their sale should also be recorded under this item.

Kind regards,

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