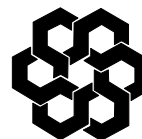


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This document is provided as a convenience to observers at IASB meetings to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

INFORMATION FOR OBSERVERS

Board Meeting:	January 2006, London
Project:	Business Combinations II
Agenda Item:	6
Subject:	Analysis of comment letters and preliminary planning for redeliberations

Introduction

1. At the 24 January 2006 meeting of the IASB and the 25 January 2006 meeting of the FASB the Boards will begin redeliberating the exposure drafts that the Boards published as part of the Business Combinations II project.
2. To that end, the IASB will begin redeliberating the proposed revised IFRS 3 *Business Combinations* and the proposed amendments to IAS 27 *Consolidated and Separate Financial Statements*. The FASB will begin redeliberating its exposure drafts, Business Combinations (BC ED), and Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries (NCI ED).
3. At those meetings the Boards will discuss:
 1. the objectives of the project;
 2. the comments received from constituents on the proposals in the comment letters and at the round-tables; and
 3. the preliminary planning schedule for redeliberating the proposals.
4. The Boards have been provided with four papers for the meeting, Agenda papers 6, 6a, 6b and 6c.

Agenda paper 6

5. Agenda paper 6 provides an overview of the redeliberation strategy proposed by the staff. Observers have not been provided with that paper.
6. To assist observers following the debate, the key issues developed in that paper are summarised next.

Project objectives

- (a) The staff outlines the redeliberation process and asks the Boards if they continue to support the objectives of the project.
- (b) The primary objective of the business combinations project is to develop a single high-quality standard for accounting for business combinations that can be used for both domestic and cross-border financial reporting. To accomplish that objective, the staff plan to develop FASB and IASB standards on business combinations and noncontrolling interests that:
 - (i) Are converged on a common set of principles that provide decision-useful information.
 - (ii) Contain converged guidance that minimizes exceptions to those principles.
 - (iii) Are written in plain English, and use the same language to the extent possible to minimise differences in the application in the US and internationally.
 - (iv) Provide authoritative implementation/application guidance to the extent necessary for consistent application by different entities.

Comments Received on the BC ED and the NCI ED

- (c) The comment period for the BC ED and NCI ED ended on 28 October 2005. The Boards received 282 comment letters on the BC ED. The IASB received 95 comment letters on its proposed amendments to IAS 27 and the FASB received 49 comment letters on its NCI ED. The Boards held five round-table discussion meetings with approximately 50 of those respondents.
- (d) The Business Combinations II proposals were written jointly with the FASB. Therefore, the 282 comment letters received include the comment letters directed to the FASB. The NCI ED and the proposed amendments to IAS 27 are not joint documents.
- (e) The Boards will discuss the significant comments raised by respondents. See Agenda papers 6a, 6b and 6c.

Preliminary Planning Schedule

- (f) The staff expects that redeliberations will take approximately one year and that final Standards (IASB) and Statements (FASB) will be issued in the first half of 2007. Therefore, the staff does not expect to publish final business combinations and non-controlling interests Standards or Statements before the end of 2006. The staff plans to ask the Boards to discuss the effective date of those Standards and Statements near the end of redeliberations.
- (g) The staff plans to take some of the more fundamental issues to the Boards in the early months of redeliberations (for example, the full goodwill method). The staff would like the Boards to resolve some of the fundamental issues early in the process to give constituents more time to consider those issues but also because many of the fundamental issues have broader implications on other aspects of the project.

Agenda paper 6a

- 7. Agenda paper 6a summarises the comment letters received by the IASB and the FASB on the proposals as they relate to the proposed revised IFRS 3 *Business Combinations* (IASB) and the proposed SFAS 141r *Business Combinations* (FASB). Observers have access to that paper.

Agenda paper 6b

- 8. Agenda paper 6b presents comment letter analysis by the FASB on its non-controlling interests proposals. The paper will be considered by the FASB Board. The paper has also been provided to the IASB Board for its information. Observers have also been given access to the paper.

Agenda paper 6c

- 9. Agenda paper 6c is the IASB staff analysis of the comment letters received on the proposed amendments to IAS 27 *Consolidated and Separate Financial Statements*. The paper has also been provided to the FASB Board for its information and observers have access to an edited version of the paper.