



Post-implementation Review of IFRS 3 Business Combinations

Advisory Council

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Post-implementation Reviews (PiRs) per the Due Process Handbook (the Handbook)

- The *Handbook* states that the PiRs “must consider the issues that were important or contentious during the development of the publication (which should be identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis of the relevant Standard), as well as issues that have come to the attention of the IASB after the document was published”.
- The *Handbook* also states that a PiR “normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date” and that each review has two phases:

6.54 [...] The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the IASB in the form of a Request for Information. In the second phase, the IASB considers the comments it has received from the Request for Information along with the information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

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PiR of IFRS 3 *Business Combinations*

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- The PiR of IFRS 3 *Business Combinations* is the IASB's second review. The *Report and Feedback Statement* of the first Standard to be subject to a PiR, IFRS 8 *Operating Segments*, was published in July 2013.⁽¹⁾
- The IASB discussed the PiR of IFRS 3 at its July 2013 meeting. The topics discussed included:⁽²⁾
 - the scope of the review;
 - the consultation and activities to be undertaken during Phase I of the PiR and their corresponding timing; and
 - an initial staff's assessment of the areas in which implementation of IFRS 3 may have been challenging.
- The staff presented to the IFRS Interpretations Committee a paper on the PiR of IFRS 3, asking for any additional matters that the staff should consider during Phase I of the PiR.⁽³⁾

(1): The Report and Feedback Statement of the PiR of IFRS 8 can be found at the following link: <http://www.ifrs.org/Current-Projects/IASB-Projects/PIR/IFRS-8/Documents/PIR-IFRS-8-Operating-Segments-July-2013.pdf>

(2): The Agenda Paper discussed at the IASB meeting in July can be found at: <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/July/12-Post-implementation%20Review.pdf>

(3): The Agenda Paper discussed at the IFRS Interpretations Committee meeting in September can be found at: <http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2013/September/AP18%20IFRS%203%20Scope%20of%20PIR.pdf>

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Scope of the PiR of IFRS 3

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- At its July meeting, the IASB tentatively agreed that the scope of the PiR of IFRS 3 will include:
 - the whole Business Combinations project (ie the first and second phases of the project) which resulted in the issuance of IFRS 3 (2004) and IFRS 3 (2008); and
 - any consequential amendments resulting from the Business Combinations project (ie amendments to IAS 12 *Income Taxes*, IAS 27 *Consolidated and Separate Financial Statements*, IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*)

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Timeline of the PiR of IFRS 3

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- The IASB discussed the following timeline for the PiR of IFRS 3:

Activity	Timing
Phase I of the PiR	July 2013–November 2013
Publication of Request for Information (RFI)	December 2013–January 2014
Phase II of the PiR	
Public consultation (120 days)	Comment deadline April 2014–May 2014
Analysis of public comments and extensive outreach	Undertaken during 1 st half of 2014
Publication of Feedback Statement	3 rd quarter of 2014



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Consultation activities within Phase I of the PiR of IFRS 3

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- At its meeting in July, the IASB tentatively agreed with the following consultations and activities to be undertaken during Phase I of the PiR:

PLANNING OF CONSULTATIONS AND ACTIVITIES IN PHASE I

CONSTITUENTS / ACTIVITIES	TIMING
Accounting firms Input from the large international audit networks	July 2013
Investors Input from main investors groups: * Corporate Reporting Users' Forum (CRUF) * European Society of Financial Analysts Societies (EFFAS) * CFA Institute * Joint investors outreach with FASB	July 2013 and ongoing
National Standard-Setters Input from the following organisations: * Financial Accounting Foundation (FAF), as the organisation responsible for the review of Statement 141R (see paragraph 23 of this paper) * National Standard-Setters and endorsement advisory bodies (through meetings with the International Forum of Accounting Standard Setters (IFASS), the World Standard-Setters (WSS) and by teleconference) (1)	May 2013 and ongoing July 2013 and ongoing
Valuation specialists Input from the International Valuation Standards Council (IVSC)	September 2013
Regulators Input from the following organisations: * European Securities and Markets Authority (ESMA) * International Organization of Securities Commissions (IOSCO)	September 2013 October 2013
Academic research	July and ongoing
Internal input * IFRS Interpretations Committee * IFRS Advisory Council * Capital Markets Advisory Committee (CMAC) * Global Preparers Forum (GPF) meeting	September 2013 October 2013 October 2013 November 2013

(1): Accounting Standards Advisory Forum (ASAF) members will be consulted through IFASS.

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Liaison with FAF and FASB

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- The Financial Accounting Foundation (FAF) has already undertaken the review of FASB Statement No. 141 (revised 2007), Business Combination (Statement 141R). This led to the publication of the *Post-Implementation Review Report* on Statement 141R in May 2013.⁽⁴⁾
- The IASB will conduct its own PiR of IFRS 3, but we plan to interact with the FAF staff and the FASB staff during our review. We have already had calls with the FAF staff to learn about their findings and with FASB staff about how we can work with them to receive input for US-based stakeholders.
- The FASB, in responding to the FAF's review of Statement 141R, has stated that it will wait for completion of our PiR on IFRS 3 and will co-ordinate with us before deciding whether to undertake any standard-setting action.⁽⁵⁾

(4): The FAF's report on Statement 141R can be found at:

http://www.accountingfoundation.org/cs/ContentServer?c=Document_C&pagename=Foundation%2FDocument_C%2FFAFDocumentPage&cid=1176162641881

(5): The FASB's response to the FAF's report on Statement 141R can be found at:

http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176162713156

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Next steps

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- We will bring the result of the consultations and activities undertaken during Phase I to the November 2013 IASB meeting.
- At that meeting we will propose to the IASB a scope for Phase II of the PiR that focuses on the areas that have resulted in the greatest challenges in the implementation of the Standard.

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Advisory Council June 2013 meeting— follow up

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- At the June 2013 meeting, the matter was raised of whether sufficient volume of transactions had occurred during the period in which the Standard has been effective to warrant its review.
- Even though the volume of acquisition activity during the financial crisis has decreased, none of the consulted parties so far seemed to think that that decrease would be a good enough justification to not undertake the PiR of IFRS 3.⁽⁶⁾ Acquisition transactions have occurred and for some companies those have been material.
- Appendix 1 to this presentation includes cross-border merger and acquisition activity from 1990-2011.

(6): IFRS 3 (revised 2008) was effective from annual periods commencing 1 July 2009. 2010 was the first calendar year for which the revised IFRS 3 was applied. The post-financial crisis level of cross-border acquisition activity observed in 2010, when measured based on number of deals, had recovered to levels consistent with 2005 and 2006 for developed economies and the whole world, respectively. When measured based on deals value, the cross-border acquisition activity observed in 2010 had recovered to levels consistent with 2004 for developed economies and the whole world (see graphs in Appendix 1).

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Questions for the Advisory Council

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- Do you have any additional feedback that we should consider during the PiR of IFRS 3?
- Do you have any questions about the PiR of IFRS 3 at this stage?

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Where to go for more information

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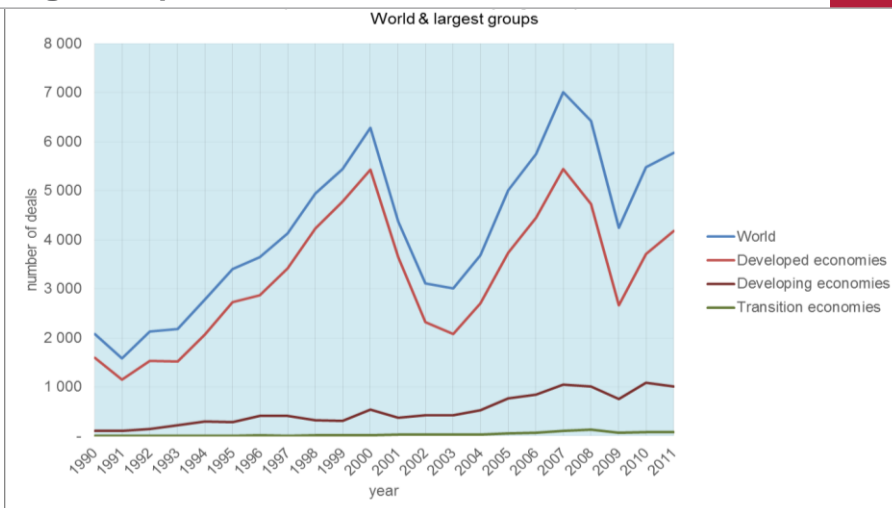
- Project page on the IFRS website:
 - <http://www.ifrs.org/Current-Projects/IASB-Projects/PIR/PIR-IFRS-3/Pages/PIR-IFRS-3.aspx>
- Contacts:
 - Mariela Isern: Senior Technical Manager (misern@ifrs.org)
 - Michael Stewart: Director of Implementation Activities (mstewart@ifrs.org)



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Appendix 1—Cross-border MA purchases, by region of purchaser⁽⁷⁾

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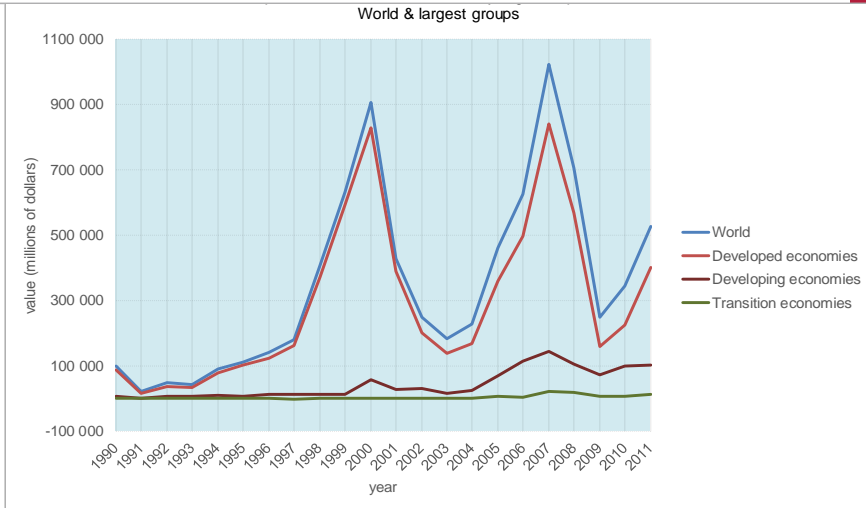
(7): Data source: United Nations Conference on Trade and Development
<http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>

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Appendix 1—Value cross-border MA, by region of purchaser⁽⁸⁾

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(8): Data source: United Nations Conference on Trade and Development
<http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>

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Thank you

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