

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

MILAN

27 JANUARY 2014

Agenda ref **3B**
Supplement

PRESENTERS DAVID LOWETH/ALAN TEIXEIRA

Post-Implementation Review of IFRS 3 *Business Combinations*: forthcoming publication of Request for Information (RfI)

Introduction

1. The purpose of this paper is to inform the DPOC of the forthcoming publication of a Request for Information (RfI) on IFRS 3 *Business Combinations* on Thursday 30 January, with a 120-day comment period.
2. Agenda paper 3B for the meeting of the DPOC in Milan refers to the post-implementation review of IFRS 3 *Business Combinations*. The paper notes that we expect to publish a Request for Information early in 2014. The paper notes:
 84. In July 2013 the IASB launched its PiR of IFRS 3 *Business Combinations*. The review will include both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (eg IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets* etc) as a result of the Business Combinations project.
 85. The first phase of the review will be the publication of a Request for Information (RfI). The IASB considered (in both its November and December meetings) the tentative questions to be included in the RfI. It is anticipated that the RfI will be published in early 2014.
 86. The ASAF was asked for its advice on the tentative questions to be included in the RfI at its December meeting. The ASAF members generally supported the areas covered and made some further recommendations.
3. We are now close to finalising that Request for Information and we expect to publish it shortly after the Trustee meeting. We therefore thought it would be appropriate to update you on the steps we have taken so far.
4. The table at Appendix A summarises the due process steps that have been taken in preparing the RfI. The table at Appendix B sets out the extent of the consultations undertaken by the staff in the first phase of this PiR.

Appendix A

Post-implementation Review of IFRS 3 – Phase 1 (Initial Assessment and Planning and Development of a RfI)

Date: 24 January 2014

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
Planning and development of a Request for Information(RfI)				
Timetable for PIR is established.	Required	The PIR has been discussed in a public meeting and included in the IASB work programme.	The IASB has reported on progress as part of its quarterly report at Trustee meetings.	The plan for the PIR of IFRS 3 was first presented to the IASB at its July 2013 meeting, including the proposed timeline (Paper 12 refers). The DPOC was informed in a paper for its July 2013 meeting (paper 3B refers) that preparatory for the PIR on IFRS 3 was underway. Progress on the PIR was reported in October to the Trustees (Paper 2 refers) and the DPOC (Paper 3B refers).
Establishment of scope, including identifying the important or contentious issues that came up during the development of the publication.	Required	The initial review should draw on the broad network of IFRS-related bodies and interested parties. Contentious issues are identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis. Significant issues that have come to the attention of the IASB after the document was published.	The IASB has reported on progress as part of its quarterly report at Trustee meetings, including the extent of the IASB consultation in establishing the scope of the review.	The proposed scope for the PIR was considered by the IASB at its meeting in July 2013 (Paper 12 refers). At its July 2013 meeting, the IASB tentatively agreed that the scope of the PIR will entail the whole Business Combinations project, which resulted in the issuance of IFRS 3 (2004), IFRS 3 (2008) and any resulting consequential amendments to other Standards. At its November 2013 meeting considered a paper (Paper 13 refers) on the input obtained from the staff's consultation activities undertaken to date, together with a tentative list of questions to ask in the RfI. A revised set of proposed questions for the RfI was presented to the IASB in a paper at its December 2013 meeting (Paper 13 refers). In that paper, the staff sought the IASB's permission to publish the RfI, which was forthcoming.
After the initial assessment, one of two routes may be taken: • RfI published to invite public comment, with appropriate comment period; or	Required	The RfI explains why the IASB is seeking feedback on the specified matters and includes any initial assessment by the IASB of the Standard under review.	The DPOC has been informed that an RfI is to be released, with a summary of the extent of the IASB's deliberations. The DPOC has been consulted on any unusually short	The initial assessment confirmed that a RfI would be published, and an initial list of tentative questions was presented to the IASB at its November 2013 meeting (Paper 13 refers). As noted

Step	Required/Optional	Metrics or evidence	Evidence provided to DPOC	Actions
<ul style="list-style-type: none"> on the basis of its initial assessment, the IASB may decide that it would be premature to undertake a review at the time. 		<p>The RfI describes the process that the IASB followed to establish the scope of the review.</p> <p>The IASB sets a comment period for the response, normally a minimum of 120 days. If outside the normal comment period, an explanation has been provided from the IASB to the DPOC, and the decision has been approved.</p> <p>If the second option is appropriate, the IASB has informed the DPOC of its intention to defer the PIR and explain why this conclusion was reached and when it expects to resume the review.</p>	<p>comment period.</p> <p>The DPOC has received notice of the IASB's intention to defer a PIR, along with the reasons why the conclusion was reached and when the review is expected to resume. The DPOC must approve any such delay.</p>	<p>above, a revised set of questions for the RfI was presented to the IASB at its December 2013 meeting (Paper 13 refers).</p> <p>The RfI is scheduled to be published on 30 January 2014 and will have a 120-day comment period.</p> <p>Extent of the IASB's deliberations are summarised in this table and the extent of consultations summarised in the table at Appendix B.</p>
<p>The IASB considers whether it is necessary to supplement the RfI with other evidence, such as an analysis of financial information, a review of academic or other related research to the implementation of the Standard being reviewed, or consultations with relevant parties.</p>	Optional	<p>Staff Paper has been provided to the IASB analysing its assessment of academic and other research.</p>	<p>The IASB has reported on progress as part of its quarterly report at Trustee meetings.</p>	<p>The plan for the conduct of the PIR presented to the IASB at its July 2013 meeting (Paper 12 refers) outlined the proposed consultation to be undertaken in advance of the publication of a RfI, together with the proposed liaison with the US Financial Accounting Standards Board (FASB) and Financial Accounting Foundation (FAF), given the PIR on business combinations that had been undertaken by the FAF. The IASB agreed with the staff proposals.</p> <p>The proposal for the conduct of the PIR was discussed with the IFRS Advisory Council at its October 2013 meeting.</p> <p>The proposal was also discussed at the October 2013 meeting of the Capital Markets Advisory Committee (CMAC) and the November 2013 meeting of the Global Preparers Forum (GPF).</p> <p>At its meeting in November 2013 (Paper 13 refers) the IASB considered the input received from the consultative activities to date, including a preliminary review of the relevant academic literature.</p> <p>This input was discussed with the Accounting Standards Advisory Forum (ASAF) at</p>

<i>Step</i>	<i>Required/O ptional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
				its December 2013 meeting. It was reported to the IASB at its December 2013 meeting that noted that the ASAF members generally agreed with the areas covered and with the tentative questions suggested.

Appendix B

Extent of consultations in the initial phase

Constituents	Activities
Users	<p>We have had meetings and/or conference calls with:</p> <ul style="list-style-type: none"> • individual members of the Corporate Reporting Users' Forum (CRUF) and Capital Markets Advisory Committee (CMAC); • CFA Institute (both International and UK branches); • EFRAG User Panel; • CMAC; • User Advisory Council (UAC) of the Canadian Accounting Standards Board (AcSB); and • European Federation of Financial Analysts Societies (EFFAS).
Preparers ¹	<p>We have had meetings and/or conference calls with:</p> <ul style="list-style-type: none"> • preparers from the pharmaceutical industry; • a European group of preparers (written input); and • Global Preparers Forum (GPF).
Accounting firms	<p>We have had meetings with the global IFRS groups of the largest accounting firms.</p>
National standard-setters and endorsement advisory bodies	<p>We have had meetings and/or conference calls with:</p> <ul style="list-style-type: none"> • staff of the European Financial Reporting Advisory Group (EFRAG); • European national standard setters at the Consultative Forum of Standard Setters (CFSS) meeting organised by EFRAG in September; • staff of the United States Financial Accounting Foundation (FAF) and United States Financial Accounting Standards Board (FASB); • members of the International Forum of Accounting Standard-Setters (IFASS) and World Standard-Setters (WSS); and • Accounting Standards Advisory Forum (ASAF).
Valuation	<p>We have had meetings and/or conference calls with:</p>

¹ During Phase I of the PiR, we have conducted outreach with preparers with a lower intensity than to other type of constituents mainly, because we expect that preparers will be commenting extensively on the RfI. In addition, the IFRS IC staff have also conducted outreach with preparers and preparer groups in different industry sectors to gain an understanding about the implementation difficulties surrounding the definition of a business to contribute to this review (see Agenda Papers 6 and 6A presented at the May IFRS IC meeting at: <http://www.ifrs.org/Meetings/Pages/InterpretationsMay2013.aspx>). During Phase II of the PiR, we will conduct much more extensive outreach with preparers.

Constituents	Activities
specialists	<ul style="list-style-type: none"> • International Valuation Standards Council (IVSC); and • valuation specialists from a number of firms.
Regulators	<p>We have had meetings and/or conference calls with:</p> <ul style="list-style-type: none"> • European Securities and Markets Authority (ESMA); and • International Organization of Securities Commissions (IOSCO).
Academic and other research	<p>We have had meeting and/or conference calls with:</p> <ul style="list-style-type: none"> • staff of the United States FAF; • ESMA and CASS Business School. <p>A preliminary academic research review was also undertaken during Phase I of the PiRs and presented to the IASB in November 2013.</p>
Other IFRS Foundation bodies	<p>We have had the following meetings:</p> <ul style="list-style-type: none"> • IFRS Interpretations Committee (IFRS IC) meeting in September;² and • Advisory Council meeting in October.

² The Agenda Paper presented at the September IFRS IC meeting can be found at <http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2013/September/AP18%20IFRS%203%20Scope%20of%20PIR.pdf>