

## STAFF PAPER

June 2014

## ASAF meeting

Project	Business Combinations Under Common Control		
Paper topic	Scope of the research project		
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**Background**

1. Group restructurings and reorganisations, including those related to preparations for initial public offerings, are excluded from the scope of IFRS 3 *Business Combinations*, because the combining entities are controlled by the same party. These restructurings and reorganisations are often described as Business Combinations Under Common Control (BCUCC).
2. The absence of specific requirements has led to a perceived diversity in practice. A related topic is what is commonly referred to as ‘push-down accounting’, whereby the new values of assets in an acquired subsidiary are ‘pushed down’ to that subsidiary.
3. The essence of the BCUCC project is identifying whether and when an entity should continue to use the previous carrying amounts of a transferred business (carry-over accounting) and whether and when it should apply business combination accounting. The IASB will also assess whether any aspects of carry-over accounting or business combination accounting need to be modified for these combinations, because they are directed rather than externally transacted changes of control between related parties.
4. The IASB is aware that securities regulators are concerned about divergence in views and practice when a parent entity transfers businesses into a newly-formed entity as part of a sale by way of an initial public offering. The IASB is giving

priority to assessing this type of activity to see if it is appropriate, or feasible, to accelerate a Standards-level project that is focused on initial public offerings.

### **Consultation with ASAF**

5. This ASAF will be asked to consider a paper that discusses the interaction between the following topics:
  - (a) Transactions under common control that are not business combinations;
  - (b) Business combinations under common control; and
  - (c) New basis accounting issues for other than business combinations under common control (ie other cases in which it may be appropriate to update carrying values of assets and liabilities to their current values).
6. The objective of the discussion is to help the Staff develop a recommendation for how broad the scope of the research project on business combinations under common control should be.