

STAFF PAPER

September 2014**IASB Meeting**

Project	Business combinations under common control		
Paper topic	Update on the research project		
CONTACT(S)	Yulia Feygina	yfeygina@ifrs.org	+44 (0)20 7332 2743
	Raghava Tirumala	rtirumala@ifrs.org	+44 (0)20 7246 6953

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Purpose of the paper

1. The purpose of this paper is to provide an update to the IASB on the research project on Business Combinations under Common Control. This paper is for information purposes only and there are no questions for the IASB.

Background

2. In December 2007, the IASB decided to add a project on business combinations under common control to its agenda. In 2009, the project was put on hold because of changed priorities of the IASB resulting from the global financial crisis. The staff have undertaken outreach, mainly with the accounting firms, but the IASB had not made any technical decisions.
3. The IASB 2011-2012 Agenda Consultation identified business combinations under common control as a high priority project. We also received requests from IOSCO and the Emerging Economies Group in relation to some (different) types of common control events. In May 2012, the project was included in the initial list of research projects, to give the staff the opportunity to assess the nature of the problem and determine an appropriate scope.
4. In June 2014, the IASB discussed the scope of the research project and tentatively decided that the project should consider:

- (a) business combinations under common control that are currently excluded from the scope of IFRS 3 *Business Combinations*;
 - (b) group restructurings; and
 - (c) the need to clarify the description of business combinations under common control, including the meaning of ‘common control’.
5. The IASB also tentatively decided to give priority to considering transactions that involve third parties, for example, those undertaken in preparation for an initial public offering, which is an area of particular concern for securities regulators. In making those decisions, the IASB noted the feedback on the scope of the project received from the members of the Accounting Standards Advisory Forum at their June 2014 meeting¹.

Status update

6. In July 2014, the staff reached out to regional and national standard-setters and asked them to provide information about the requirements in their jurisdictions for the financial information to be reported by an entity that is undertaking an initial public offering of its securities. We also asked them about the reporting requirements in the specific case in which there is a group restructuring in preparation for an initial public offering. The purpose of the request for information is to document existing requirements and to assess the extent of diversity in practice. The diversity might be because two jurisdictions have different requirements or because the absence of requirements is creating diversity within a jurisdiction.
7. The deadline for providing responses to the request for information was 25 August 2014. At the time of posting this Agenda Paper, the staff have received 13 responses to the request. The staff anticipate presenting to the IASB a summary and analysis of the information received at the October 2014 meeting.
8. We are also collecting information from financial reports, including IPOs, to understand the current practice.

¹ Agenda Papers, a recording of the meeting and a meeting summary are available on the IFRS Foundation website <http://www.ifrs.org/About-us/IASB/Advisory-bodies/ASAF/Pages/ASAF-meetings.aspx>

Next steps

9. Once we have analysed the information, we plan to present to the IASB Agenda Papers that explore:
 - (a) defining or describing business combinations under common control, including the meaning of ‘common control’, and group restructurings that are not business combinations;
 - (b) possible accounting treatments for transactions within the scope of the project, including whether different accounting treatments are appropriate for different types of those transactions, *in the consolidated financial statements of the acquirer*; and
 - (c) knock-on effects for related issues, such as reporting business combinations under common control in separate or individual financial statements of the acquirer or reporting by the acquiree and whether any such related issues should be addressed in the research project.
10. In exploring those topics, the staff will consider the findings of the request for information.