

## STAFF PAPER

23 September 2015

## FASB | IASB Meeting

<b>Project</b>	<b>Business Combinations (including the Post-implementation Review follow up projects)</b>		
<b>Paper topic</b>	Cover Paper		
<b>CONTACT(S)</b>	Michelle Fisher	<a href="mailto:mfisher@ifrs.org">mfisher@ifrs.org</a>	+44(0) 20 7246 6918

This paper has been prepared for discussion at a public meeting of the FASB or IASB. It does not purport to represent the views of any individual members of either board. Comments on the application of GAAP or IFRSs do not purport to set out acceptable or unacceptable application of GAAP or IFRSs. The FASB and the IASB report their decisions made at public meetings in FASB Action Alert or in IASB Update.

**Objective of this meeting**

1. The objective of this meeting is for the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) to:
  - (a) have an initial discussion about their projects related to their Business Combinations Standards;
  - (b) discuss the timing and overlap of their respective projects; and
  - (c) provide feedback on the respective project approaches and project summaries presented by the IASB and FASB staff ('the staff') included in the meeting papers listed in paragraphs 2-3.

**Summary of meeting papers**

2. IASB staff papers:
  - (a) **IASB Agenda Paper 13A** Definition of a business research project:  
Project Plan—Approach to the project
  - (b) **IASB Agenda Paper 13B** Goodwill and impairment research project:  
Project Plan—Approach to the project

The IASB is the independent standard-setting body of the IFRS Foundation, a not-for-profit corporation promoting the adoption of IFRSs. For more information visit [www.ifrs.org](http://www.ifrs.org)

The Financial Accounting Standards Board (FASB), is the national standard-setter of the United States, responsible for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. For more information visit [www.fasb.org](http://www.fasb.org)

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3. FASB staff papers:
  - (a) **FASB Memo 15** Clarifying the Definition of a Business: Project Summary
  - (b) **FASB Memo 2** Accounting for Identifiable Intangible Assets in a Business Combination for Public Business Entities and Not-For-Profit Entities
  - (c) **FASB Memo 6** Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities: Initial Deliberations

## Introduction

4. The IASB and the FASB have projects that cover the following topics:
  - (a) Definition of a business
  - (b) Accounting for intangible assets acquired in a business combination
  - (c) Accounting for goodwill (For FASB this includes the impairment of goodwill)
  - (d) IASB: Impairment of non-financial assets
5. IFRS 3 *Business Combinations* of the IASB and Statement 141R *Business Combinations* (codified in Topic 805 of the Accounting Standards Codification) of the FASB are converged standards. However, the IASB and FASB do not have converged requirements for impairment of non-financial assets. Constituents of both Boards have expressed a desire to remain converged where possible.

## Staff analysis and questions

6. The Boards could decide to work together on some or all of the topics in paragraph 4 in one of the following ways:

- (a) Simple monitoring—monitoring each other’s work at a staff level with periodic updates to the Boards.
- (b) Parallel development—developing separate staff papers on the same topics at the same time, for separate Board discussions but based on regular joint staff discussions, supplemented by periodic joint board discussions.
- (c) Joint projects—joint staff papers with joint Board discussions.

7. The IASB has discussed the findings of the Post-implementation Review of IFRS 3 and added the topics in paragraph 4 to its research agenda. However, it has not met to discuss its overall approach to the projects. The FASB has had detailed discussions and conducted outreach and research to address the topics in paragraph 4.

- (a) Definition of a business (paragraph 4(a)).

The FASB completed initial deliberations and plans to publish an Exposure Draft in the next few months which has the objective of more closely aligning existing practice under GAAP and IFRS. The IASB staff plan to bring an analysis of the issues already deliberated and agreed by the FASB to a future IASB meeting, to allow the IASB to make a decision on what amendments to propose to IFRS 3 and decide how to proceed. Subject to the IASB’s discussion about the FASB’s draft proposals, the IASB and FASB could consider whether it is feasible to publish their respective Exposure Drafts at the same time, with parallel comment periods.

- (b) Goodwill, other intangibles and impairment (paragraphs 4(b)-(d)).

Currently neither Board has reached a consensus on its approach for addressing these issues. The FASB has an active project on its agenda for goodwill (which includes impairments) and separately the accounting for identifiable intangibles in a business combination. The

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FASB staff have conducted research and developed alternatives for the FASB’s consideration at a future meeting. The IASB has these projects in the research phase. The IASB staff think that considering the interrelationship of the three issues and the number of possible approaches that could be considered, a Discussion Paper should be the next step in the process rather than proceeding to an Exposure Draft. The IASB staff think that a Discussion Paper could be developed over the next 12 months for this project, given the work already completed through the Post-implementation Review.

**Questions****Definition of a business**

- 1) Do IASB members and FASB members have any questions or feedback on the respective project approaches and project summaries set out in both IASB Agenda Paper 13A and FASB Memo 15?
- 2) The FASB completed its deliberations and plans to issue an Exposure Draft in late Q3 or early Q4. The IASB staff recommends that the next step for the IASB to take in this project should also be the publication of an Exposure Draft. Does the IASB agree?
- 3) The IASB staff plan to bring an analysis of the issues already discussed and agreed by the FASB to a future IASB meeting, to allow the IASB to make a decision on what amendments to propose to IFRS 3. Are there any specific additional matters that the IASB members would like the IASB staff to add to that analysis? Do IASB members foresee at this stage any concerns or operational difficulties about exposing similar changes to the FASB?

**Goodwill, other intangibles and impairment**

- 4) Do IASB members and FASB members have any questions or feedback on the project approaches and project summaries set out in both IASB Agenda Paper 13B and FASB Memos 2 and 6?
- 5) The IASB staff recommend the IASB publish a Discussion Paper as the next step in this project. This is because the IASB staff think that stakeholders' responses to one issue may be affected by proposals on the other issues, particularly if significant changes from current requirements are proposed, and because of the interrelationships between these issues. Does the IASB agree with the IASB staff's recommendation?
- 6) What approach do Board members suggest for moving the two projects forward?