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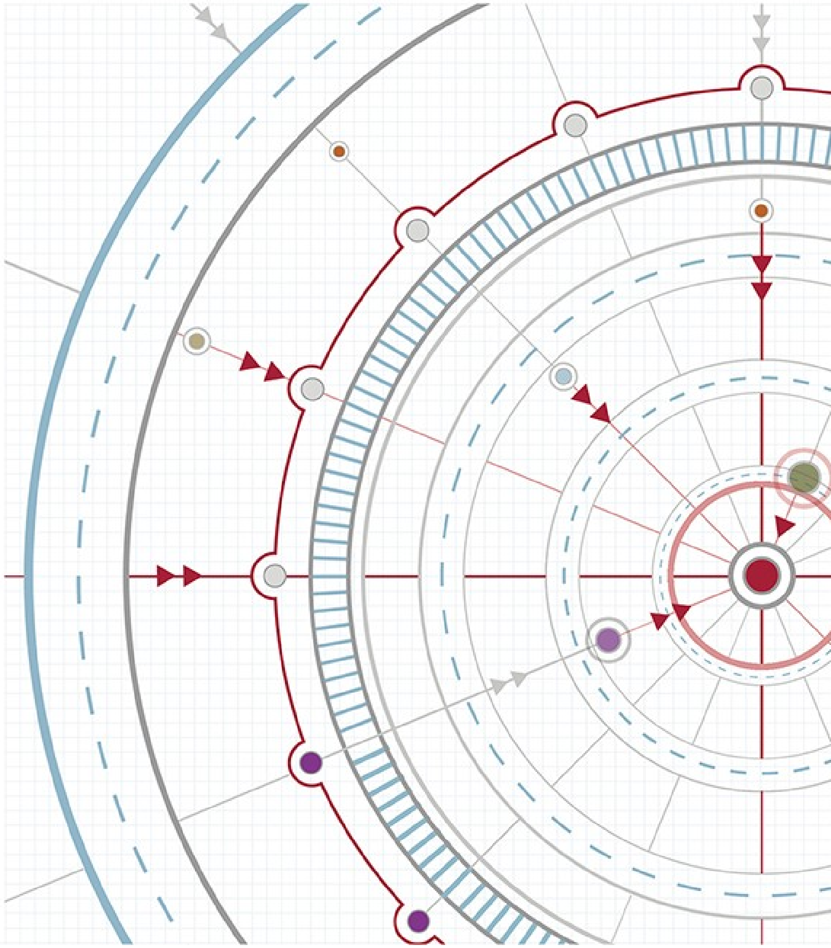

IASB Agenda ref 23

Business Combinations under Common Control

Way forward for transactions affecting NCI

IASB Meeting – June 2018

Please print the slides in colour.

Disclaimer

Project	**Business Combinations under Common Control (BCUCC)**		
Paper topic	Way forward for transactions affecting NCI		
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Purpose of the session

Background

In April and May 2018, the Board discussed approaches being developed by the staff for **business combinations under common control that affect non-controlling shareholders**.

Education

This slide deck does not introduce any new ideas. Rather, it **summarises and illustrates** the ideas discussed by the Board to date for those transactions.

Question for the Board

At this meeting, **the staff would like to ask the Board for direction** on which approach, or approaches, the staff should pursue for those transactions.

Next steps

At future meetings, the staff plan to cover (1) information needs of **other primary users** of financial statements of a receiving entity in a BCUCC and (2) **other transactions** within the scope of the project.

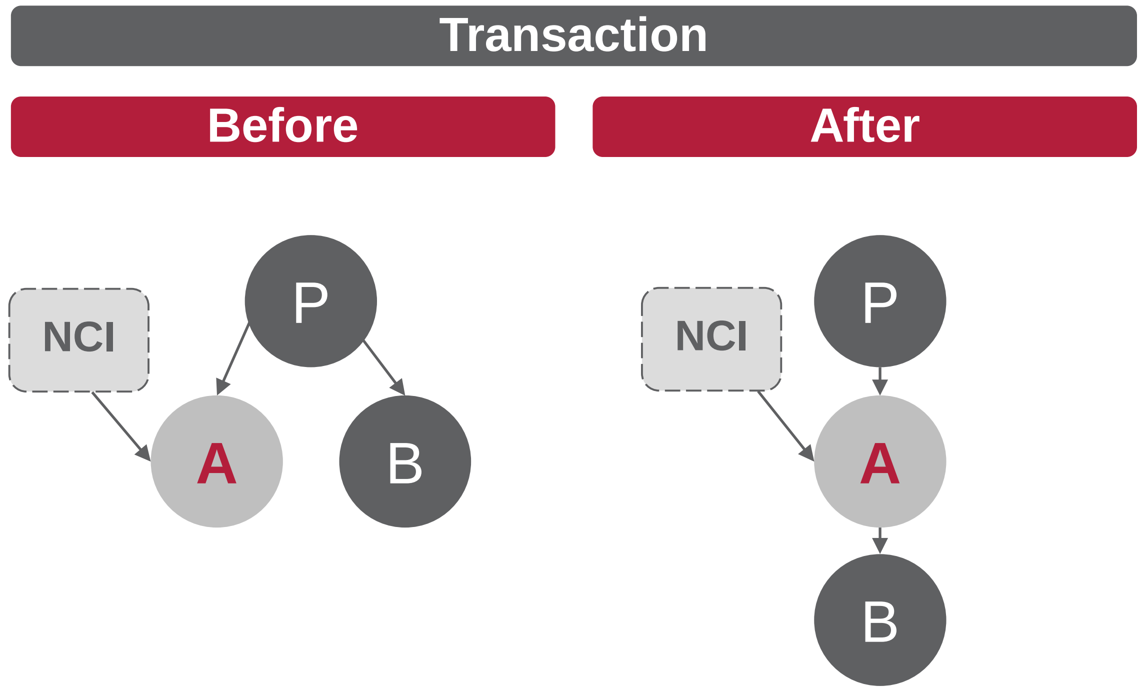
Content

Recap

Scope of the session

At this meeting, the staff **continue** to focus on:

- a **simple scenario** where Entity A acquires Entity B and the two entities are under common control;
- information needs of the **existing non-controlling shareholders** in Entity A; and
- the usefulness of information **before applying the cost constraint** on useful financial information.



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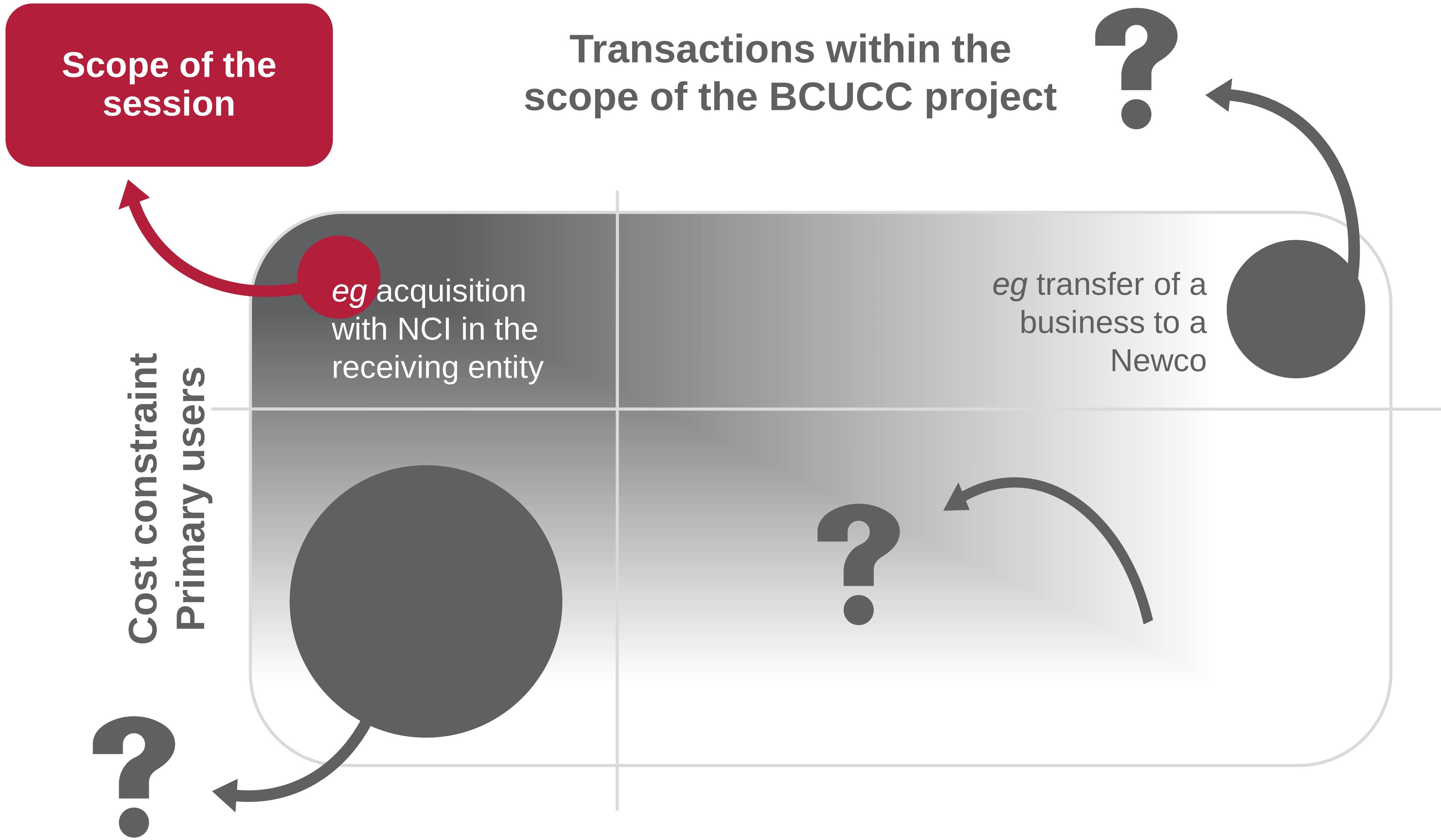
Next steps


Scope of the session
Transactions within the scope of the BCUCC project
eg acquisition with NCI in the receiving entity
eg transfer of a business to a Newco
Cost constraint
Primary users

Reminder of the approaches

In April and May 2018, the Board discussed the following approaches:

Full Fair Value	***Ceiling***	***Revised Ceiling***
Uses **fair values exchanged** both to calculate goodwill and to identify any equity transaction	Uses **IFRS 3 *Business Combinations*** except for capping goodwill by reference to fair value received and identifying any equity transaction	Uses **IFRS 3** except for capping goodwill using the mechanics of **IAS 36 *Impairment of Assets*** and identifying any equity transaction

Reminder of key takeaways

Pricing the transaction

Business combinations under common control **occur on terms that are not necessarily different from those that would have been negotiated by independent parties**. In particular, jurisdictions may have requirements that are intended to protect non-controlling shareholders.

Cost and complexity

All approaches would involve costs and complexity related to determining fair values, in particular the need to determine **the fair value of the acquired business** or perform an **impairment test applying IAS 36 as of the acquisition date**.

Measurement uncertainty

All approaches involve measurement uncertainty related either to the use of **the fair value of the acquired business** for recognition or for identifying an equity transaction or to **applying the impairment test is IAS 36 as of the acquisition date**.

Synergies

All approaches **fail or may fail to reflect any synergies** arising from the combination. However, it is **debatable whether synergies arise** in a BCUCC in the same way they arise in a business combination between independent parties.

Taking a step back

Measurement bases

How could the receiving entity reflect acquired assets and liabilities in a BCUCC?

Conceptual Framework

Historical cost	Current value	Predecessor carrying amounts
	Existing practice	Existing practice
Receiving entity will allocate the consideration transferred across the acquired assets and liabilities (eg based on their relative fair values).	Receiving entity will reflect acquired assets and liabilities at their current values (eg at fair values).	Receiving entity will reflect acquired assets and liabilities at their predecessor carrying amounts (eg the carrying amounts reflected in the transferee's financial statements).

Consider information provided in different scenarios…

Illustrative scenario

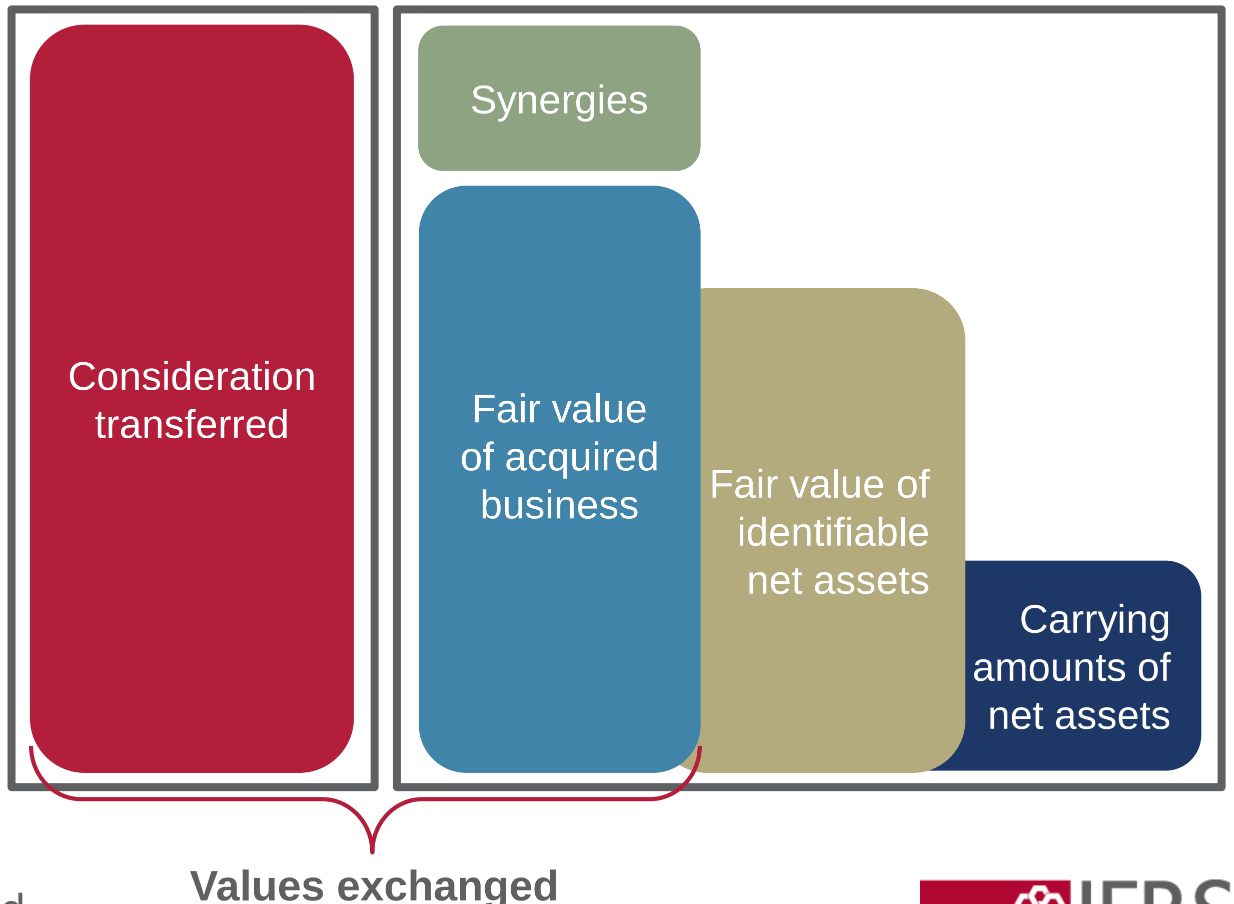
The following illustrations consider the outcomes of applying measurement bases identified on slide 11 by the receiving entity in a business combination under common control.

The scenarios considered are:

- Equal values are exchanged;
- Higher value is given up; and
- Higher value is received.

In all scenarios the following are kept constant:

- Any synergies arising from the combination;
- Fair value of the acquired business;
- Fair value of the acquired identifiable net assets; and
- Carrying amounts of the acquired net assets.



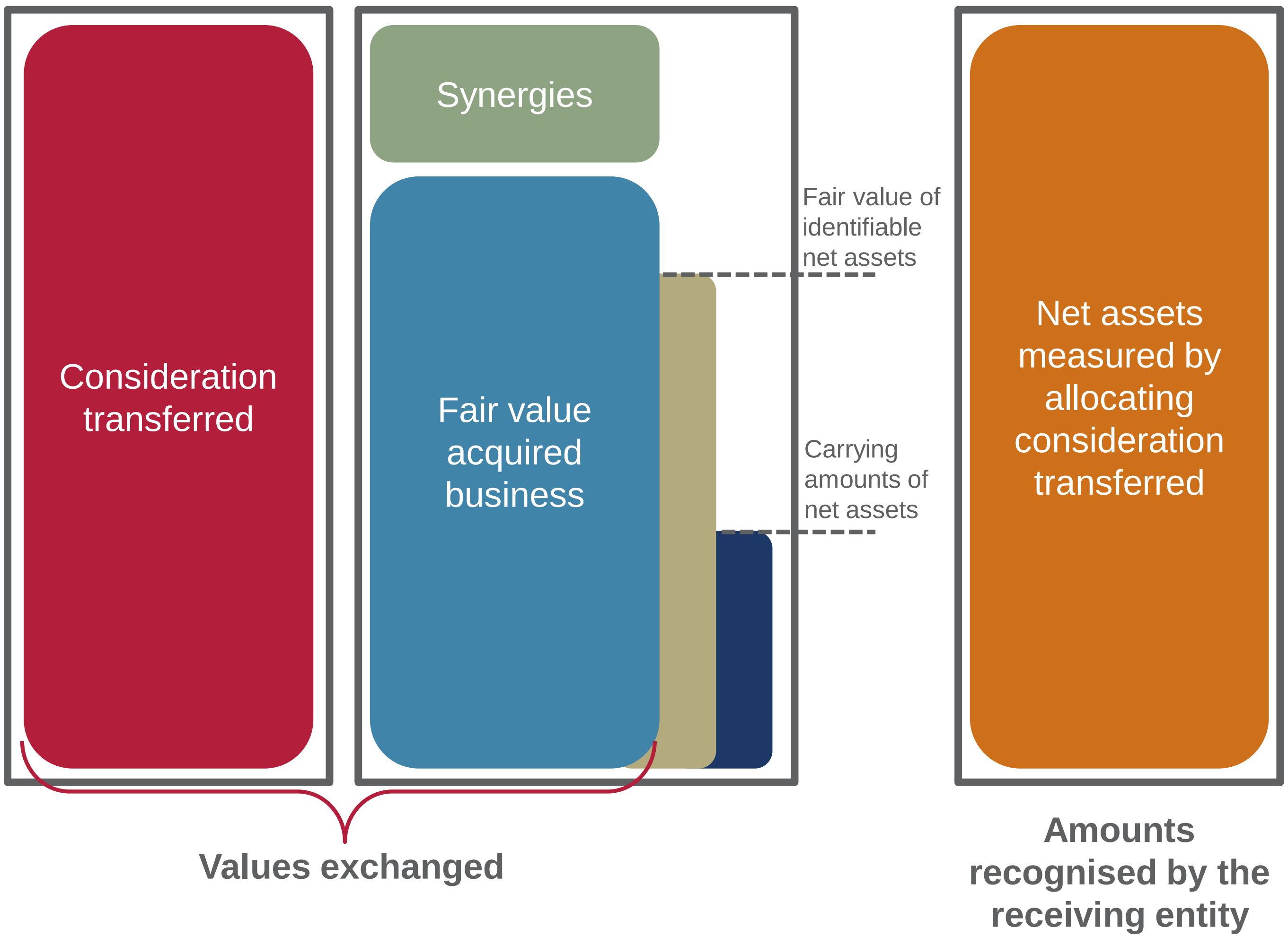
Different scenarios result from changing consideration transferred.
For simplicity, assume the consideration is paid in cash.

Health warning

- The staff acknowledge that a price in a business combination results from negotiations and **falls within a range** between the minimum price the seller will accept and the maximum price the buyer will pay. However, in principle, consideration transferred includes a payment for the acquired business and for combination synergies.
- The following **illustrations are simplified** and are designed to demonstrate whether and how different scenarios will be reflected under various approaches. The illustrations are not intended to suggest how often each scenario might happen and how different the amounts might be. They merely illustrate the mechanics. Finally, the illustrations assume that the items can be measured.

Equal values exchanged (1/4)

Applying a historical cost approach…

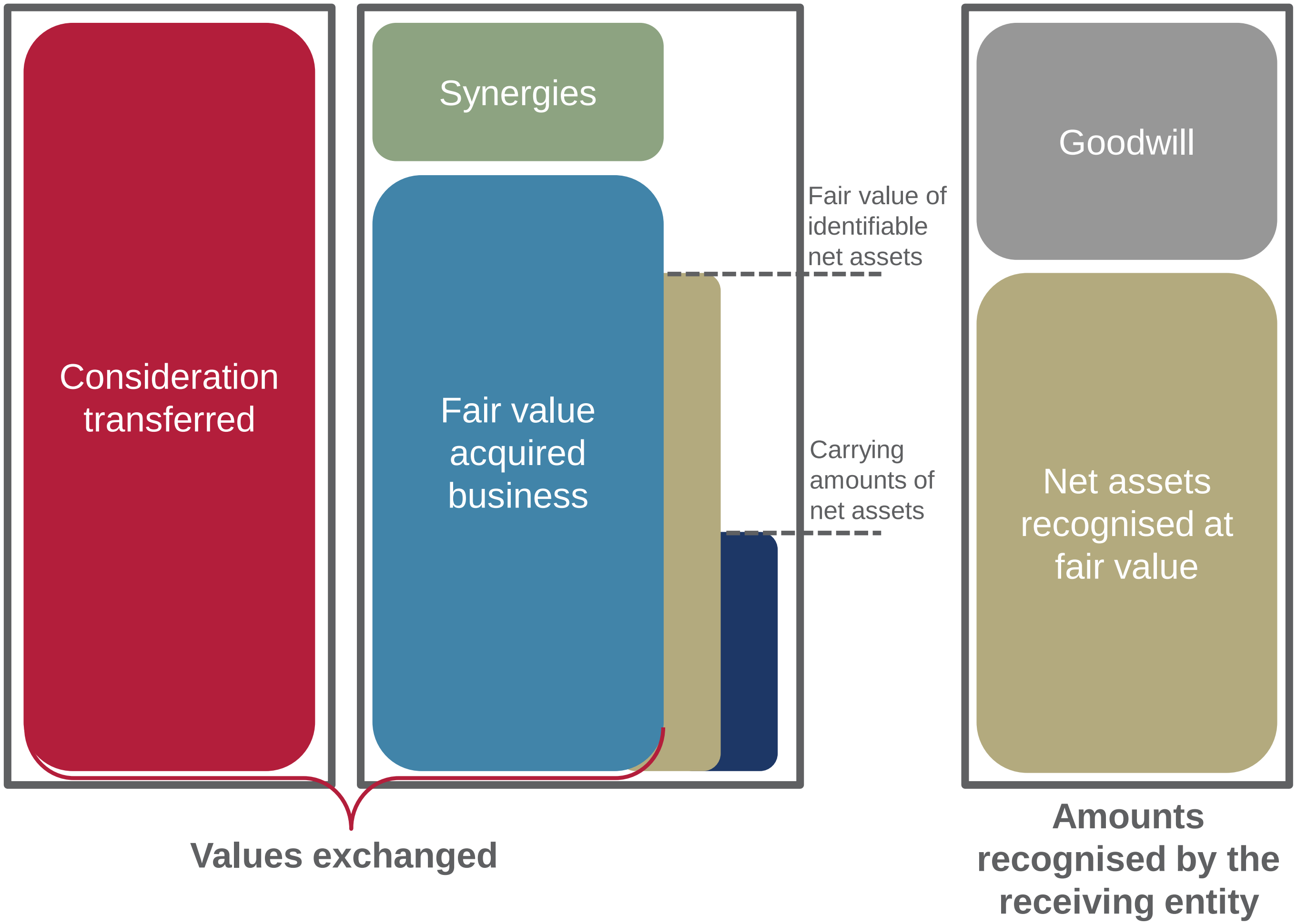


Applying a historical cost approach would result in:

- recognising acquired net assets at amounts higher than both the predecessor carrying amounts and the fair values of those net assets; and
- a need to perform an impairment test and likely recognition of an impairment loss.

Equal values exchanged (2/4)

Applying a current value approach…

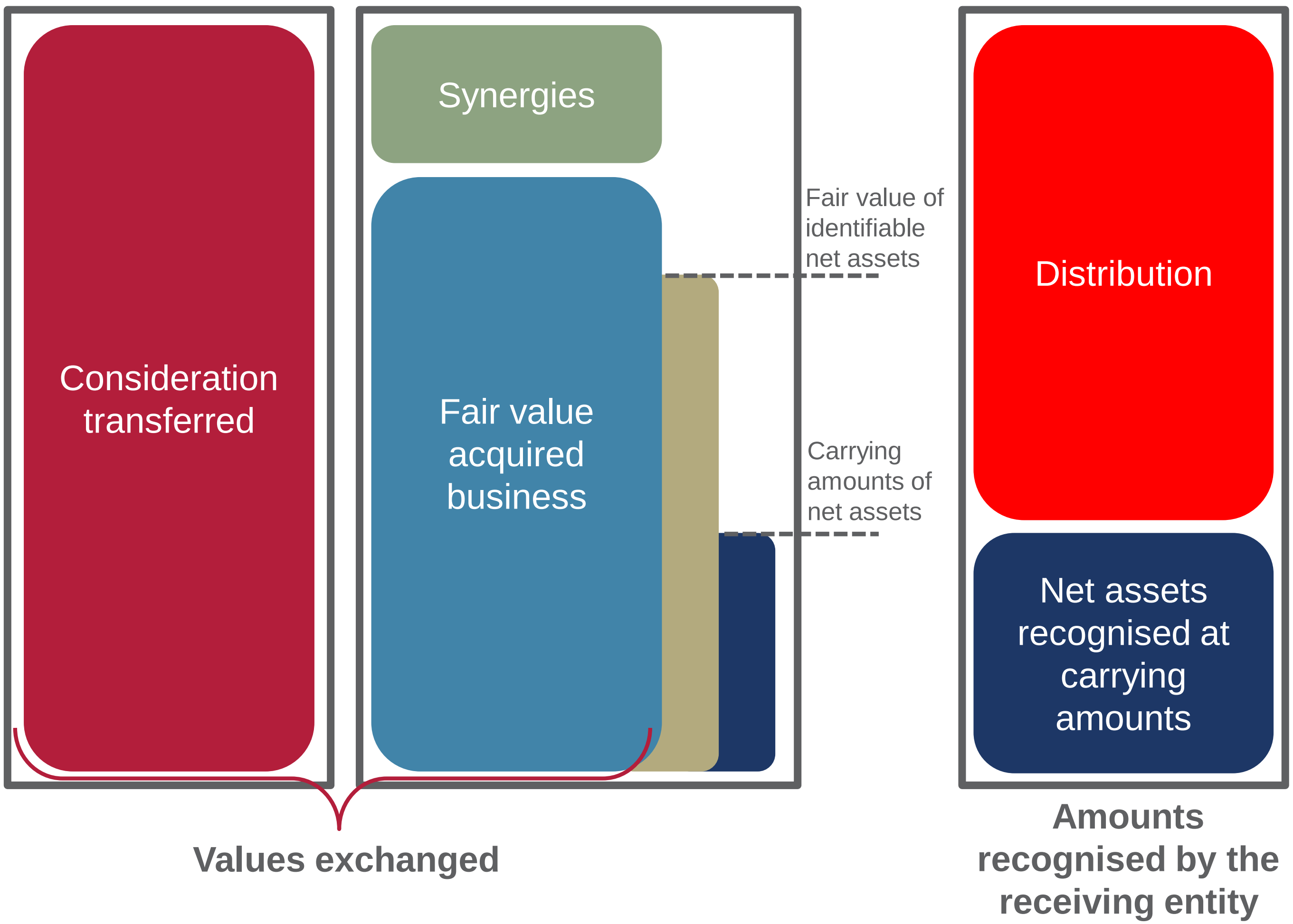


To provide the most relevant information, a current value approach would aim to:

- recognise acquired identifiable net assets at fair value; and
- recognise goodwill that comprises goodwill previously generated in the acquired business and any combination synergies.

Equal values exchanged (3/4)

Applying a predecessor carrying amounts approach…



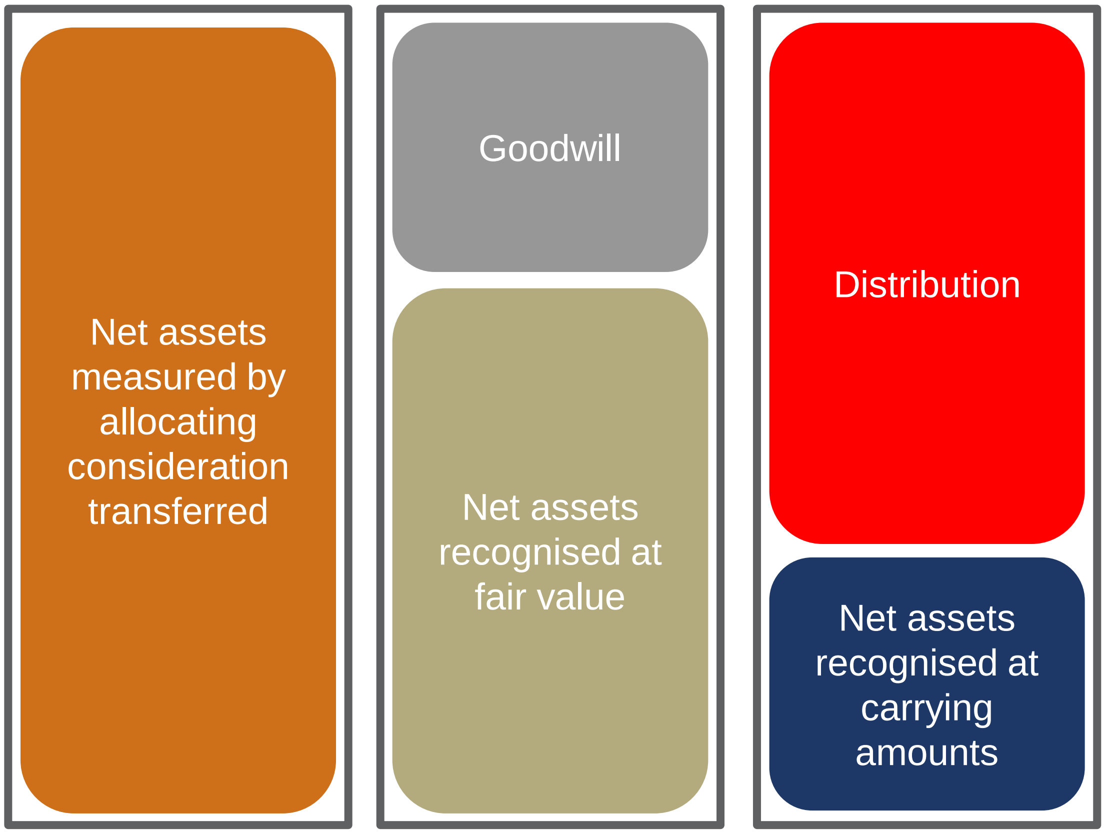
Applying a predecessor carrying amounts approach would result in:

- recognising acquired net assets at their predecessor carrying amounts; and
- recognising distribution* from equity as the excess of the fair value of the consideration transferred over the predecessor carrying amounts of net assets.

*A recognised distribution might not be as significant as the picture suggests.

Equal values exchanged (4/4)

Compare the approaches…



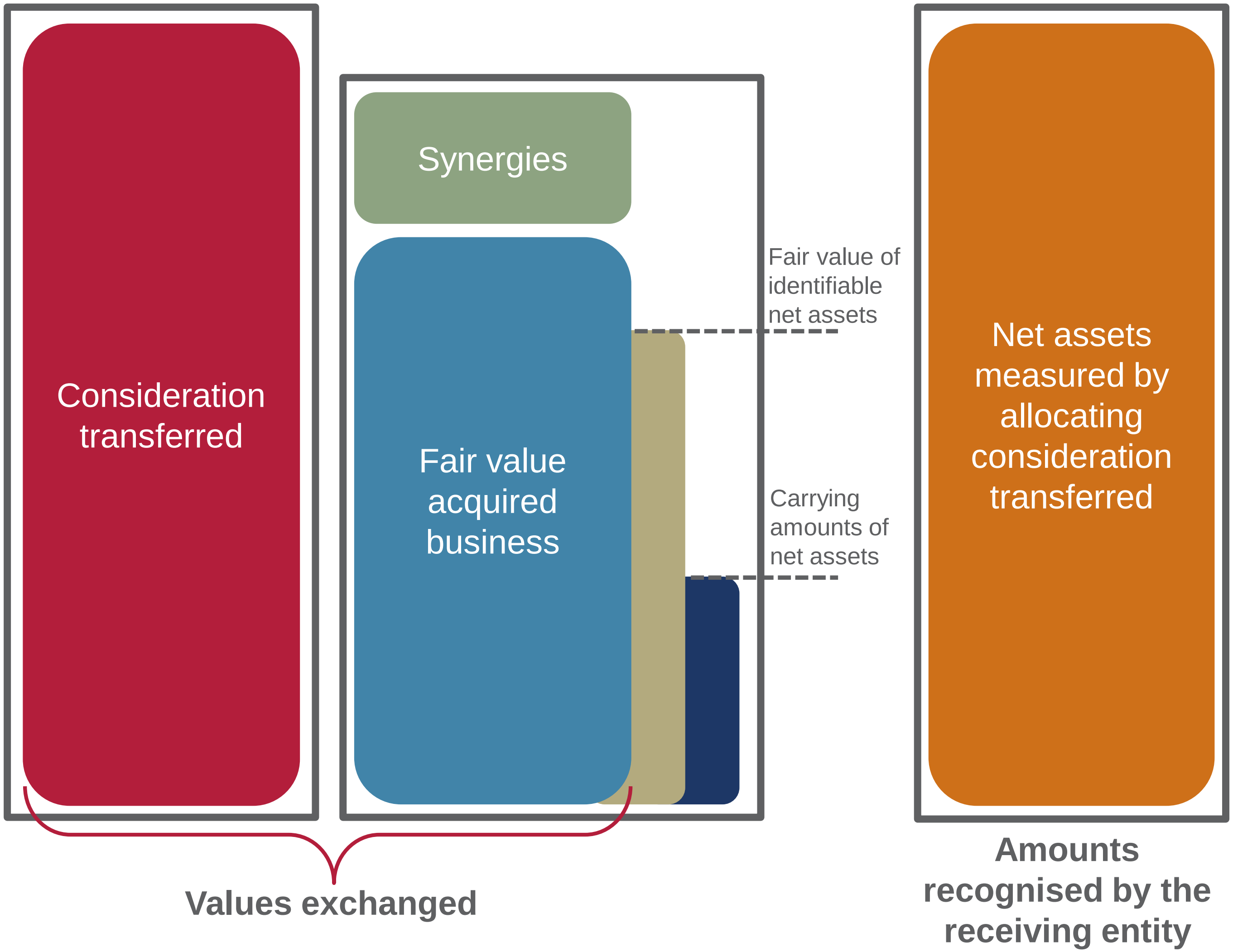
A historical cost approach | **A current value approach** | **A predecessor carrying amounts approach**

The staff think that when equal values are exchanged in a BCUCC:

- a **historical cost approach** that results in recognising acquired net assets at amounts higher that their fair value and might result in recognising an impairment loss would not provide useful information;
- a **current value approach** that recognises acquired identifiable net assets at fair value and recognises goodwill that is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and that comprises goodwill previously generated in the acquired business and any combination synergies would provide useful information; and
- a **predecessor carrying amounts approach** that results in recognising a distribution would not provide useful information for such transactions.

Higher value given up (1/4)

Applying a historical cost approach…

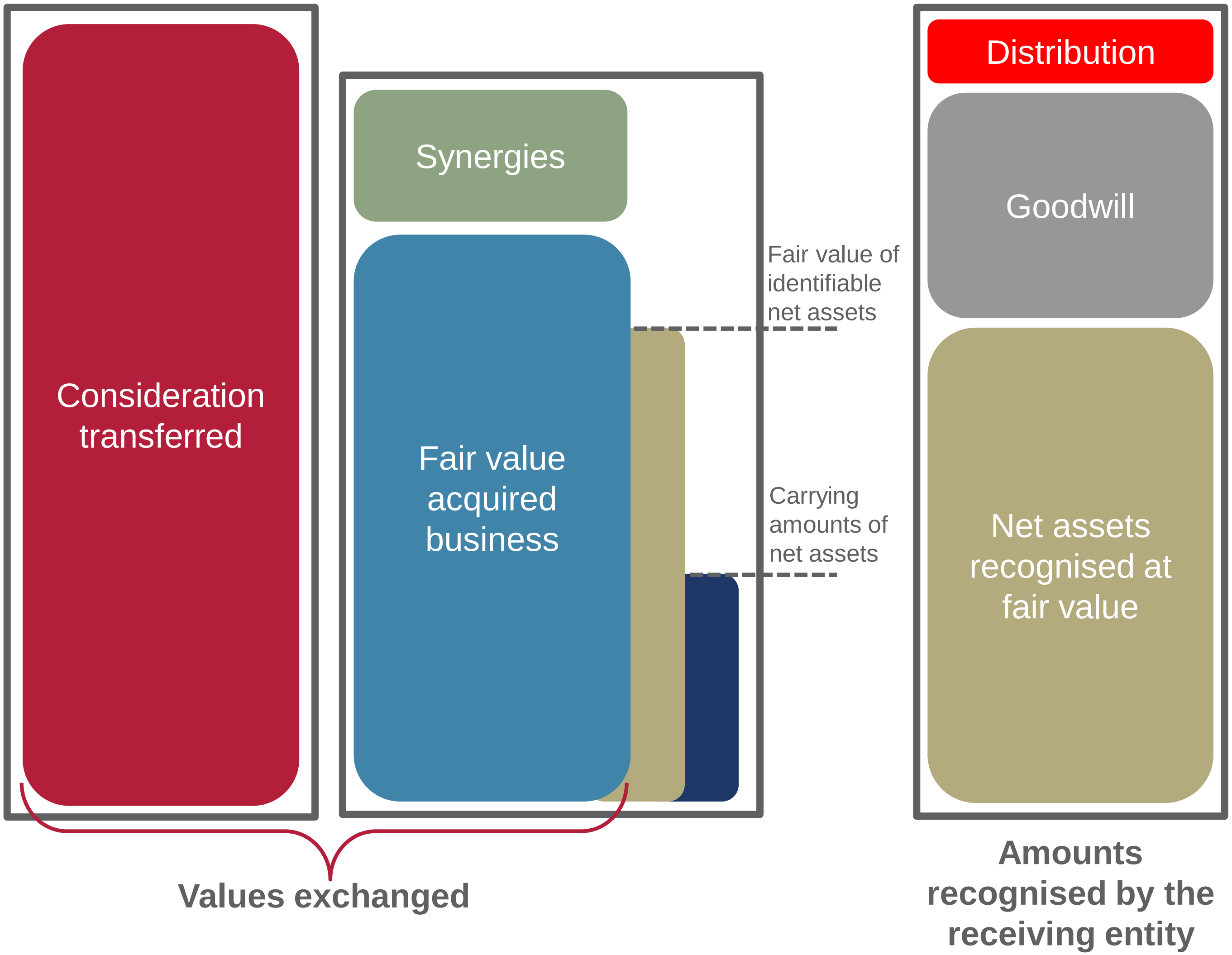


Applying a historical cost approach would result in:

- recognising acquired net assets at amounts higher than both the predecessor carrying amounts and the fair values of those net assets; and
- a need to perform an impairment test and likely recognition of an impairment loss.

Higher value given up (2/4)

Applying a current value approach…

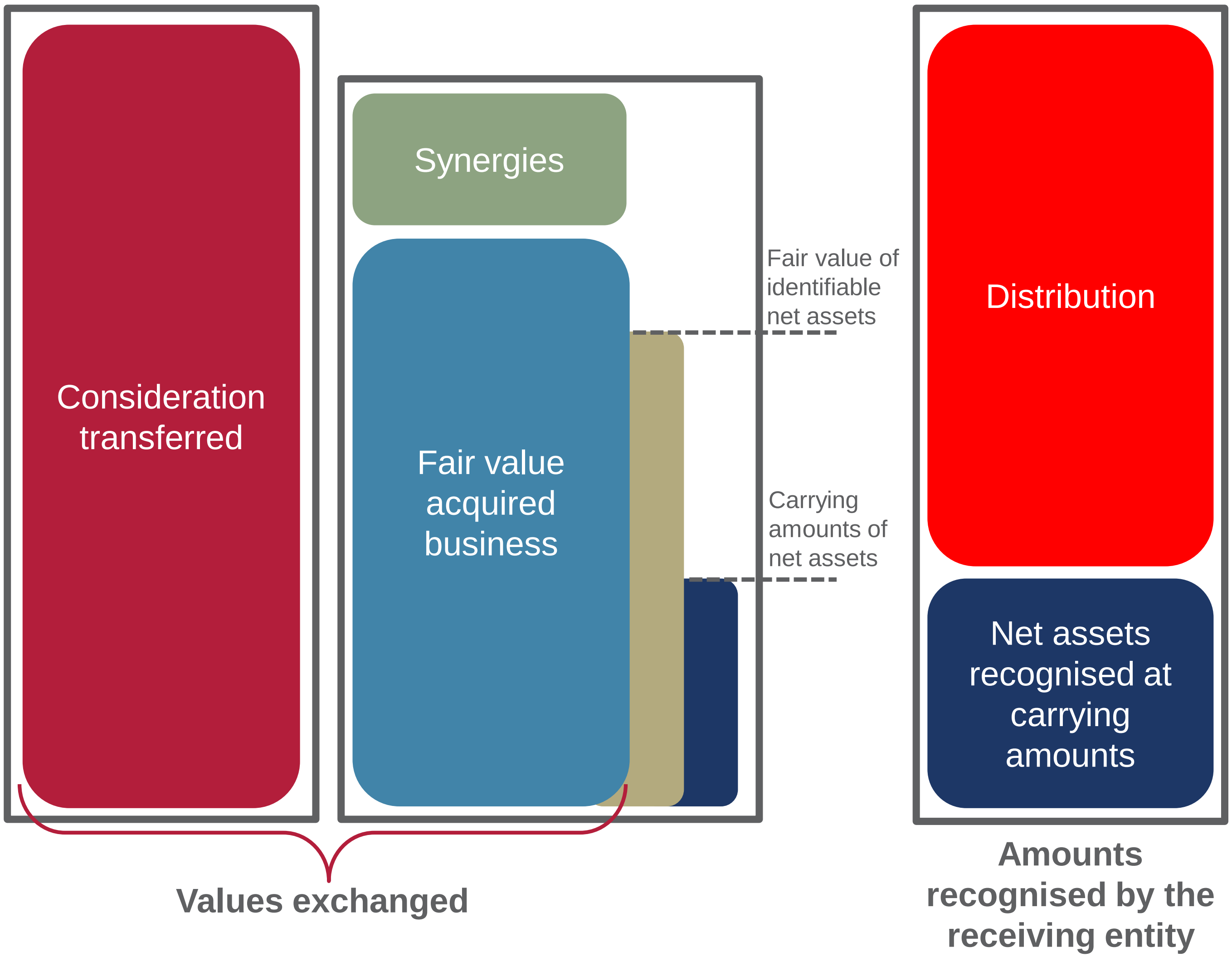


Applying a current value approach would result in:

- recognising acquired identifiable net assets at fair values;
- recognising goodwill that comprises goodwill that was previously generated in the acquired business and any combination synergies; and
- recognising a distribution measured as the excess of the fair value of the consideration transferred over what a market participant would pay for the acquired business and any combination synergies.

Higher value given up (3/4)

Applying a predecessor carrying amounts approach…



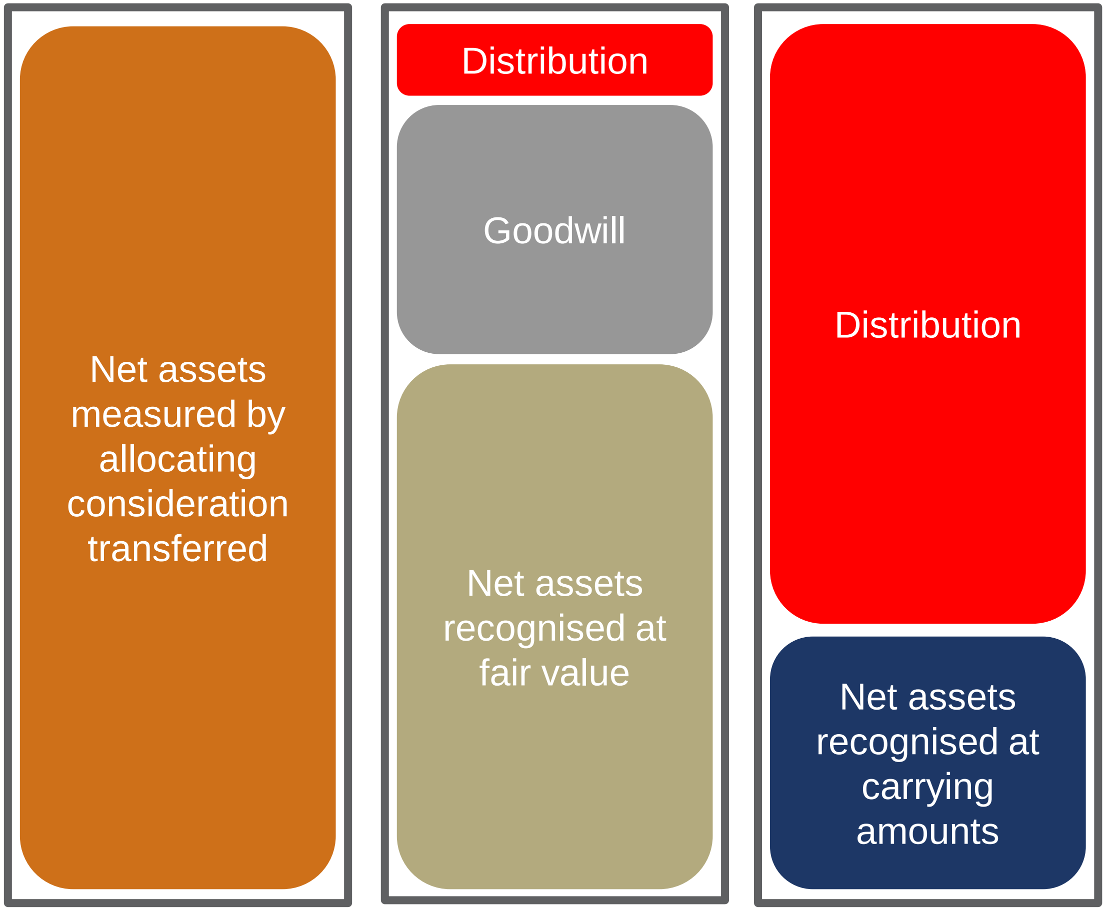
Applying a predecessor carrying amounts approach would result in:

- recognising acquired net assets at their predecessor carrying amounts; and
- recognising distribution* from equity as the excess of the fair value of the consideration transferred over the predecessor carrying amounts of net assets.

*A recognised distribution might not be as significant as the picture suggests.

Higher value given up (4/4)

Compare the approaches…



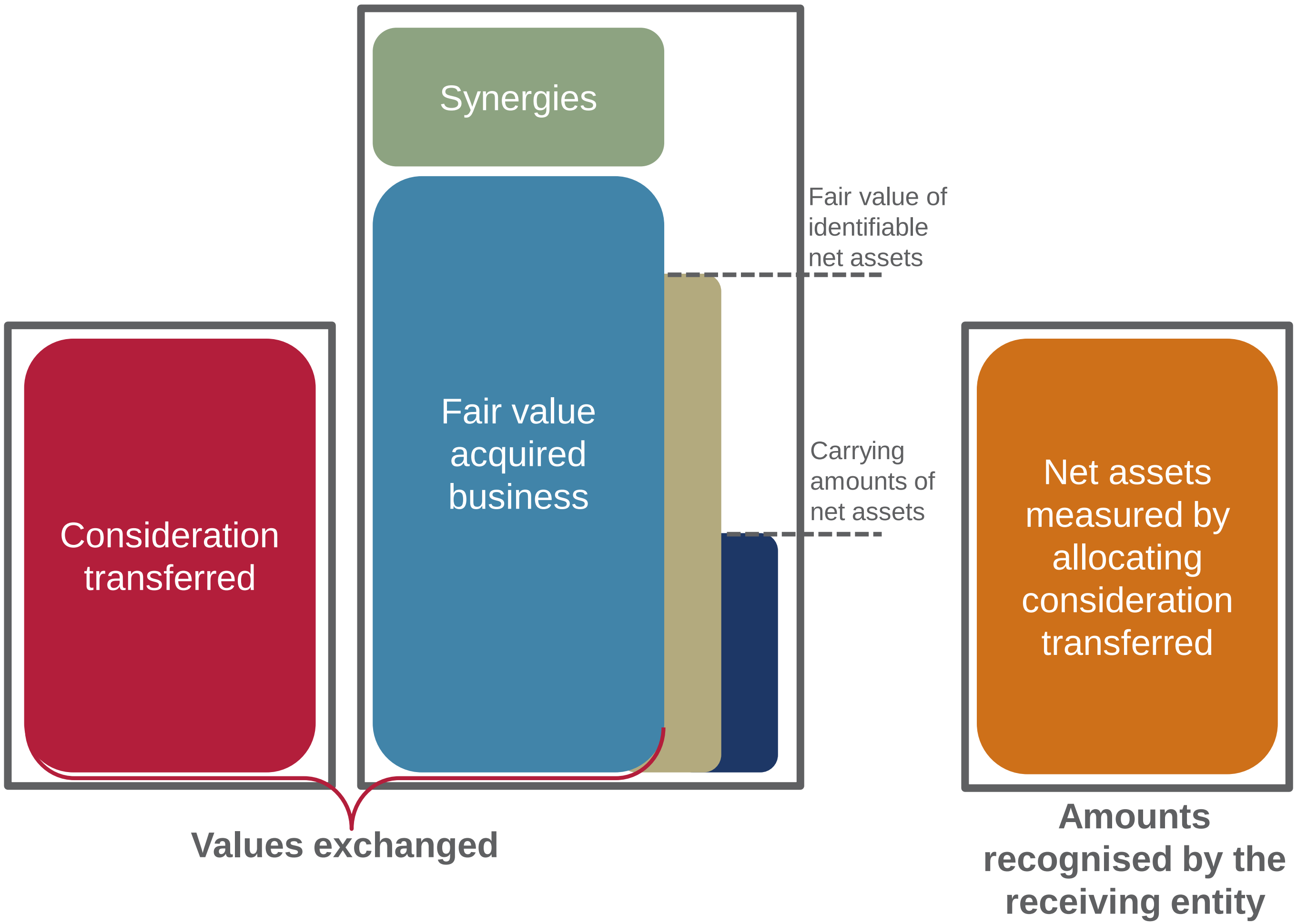
A historical cost approach | **A current value approach** | **A predecessor carrying amounts approach**

The staff think that when a higher value is given up in a BCUCC:

- a **historical cost approach** that does not reflect the overpayment would not provide useful information;
- a **current value approach** that recognises a distribution as the difference between the fair values exchanged, recognises acquired identifiable net assets at fair value, and recognises goodwill that is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and that comprises goodwill that was previously in the acquired business and any combination synergies would provide useful information; and
- a **predecessor carrying amounts approach** that results in recognising a distribution measured as a difference between the fair values of the consideration transferred and the predecessor carrying amounts of net assets would not provide useful information for such transactions.

Higher value received (1/5)

Applying a historical cost approach…

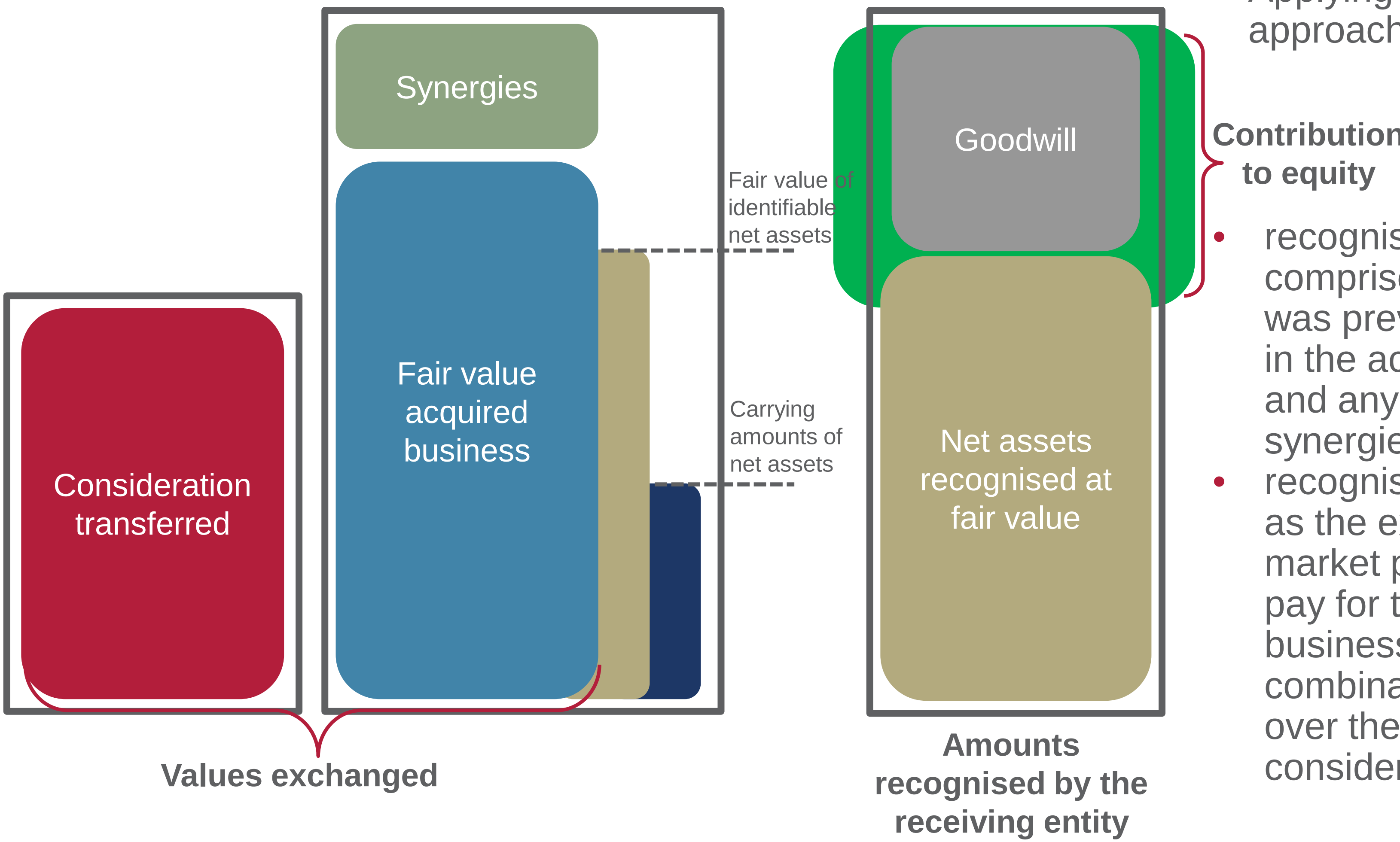


Applying a historical cost approach would:

- not reflect the excess of the value received over the value given up as a contribution; and
- result in recognising acquired net assets at allocated values.

Higher value received (2/5)

Applying a current value approach…

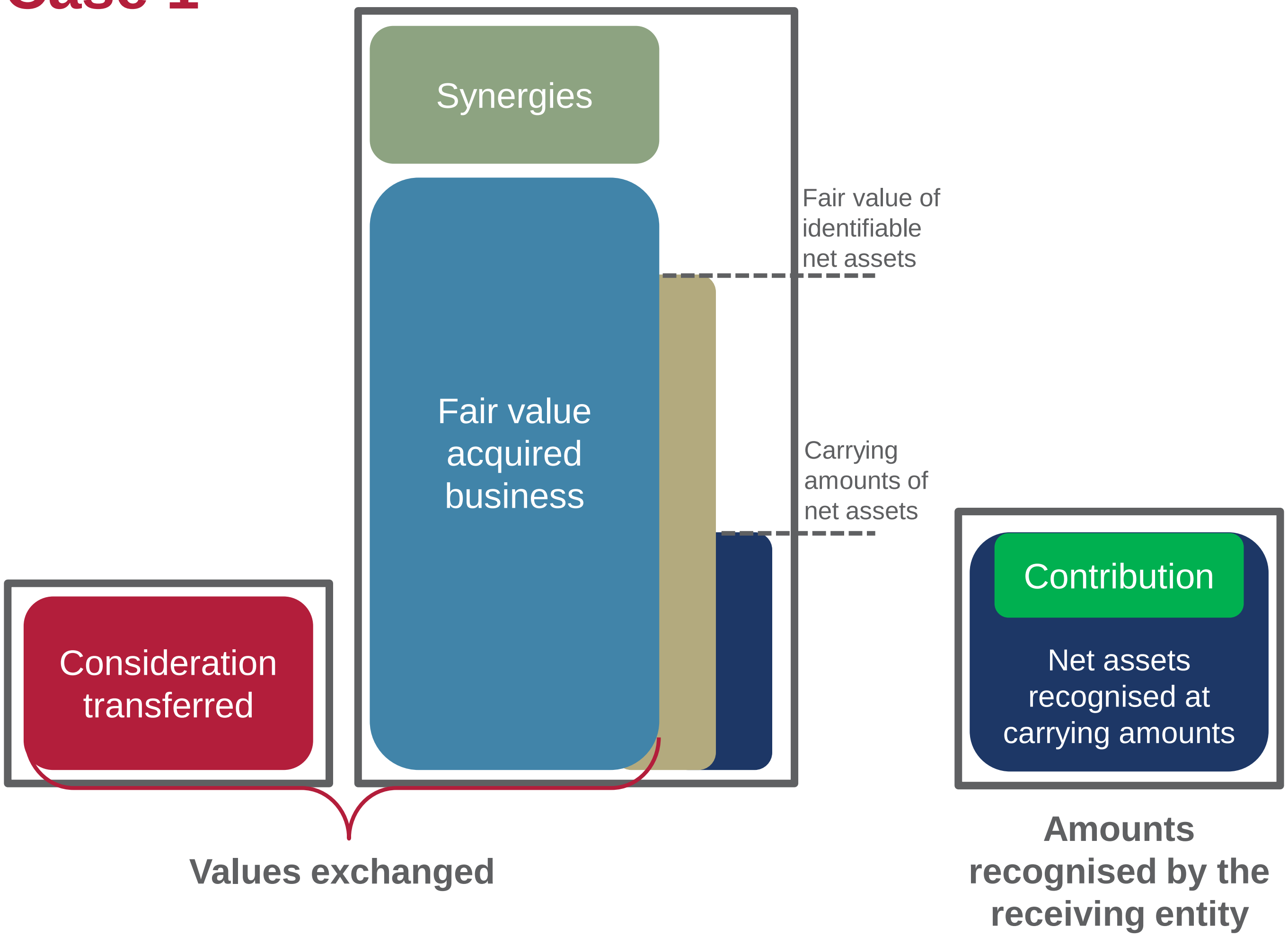


Applying a current value approach would result in:

- recognising goodwill that comprises goodwill that was previously generated in the acquired business and any combination synergies; and
- recognising a contribution as the excess of what a market participant would pay for the acquired business and any combination synergies over the fair value of the consideration transferred.

Higher value received (3/5)

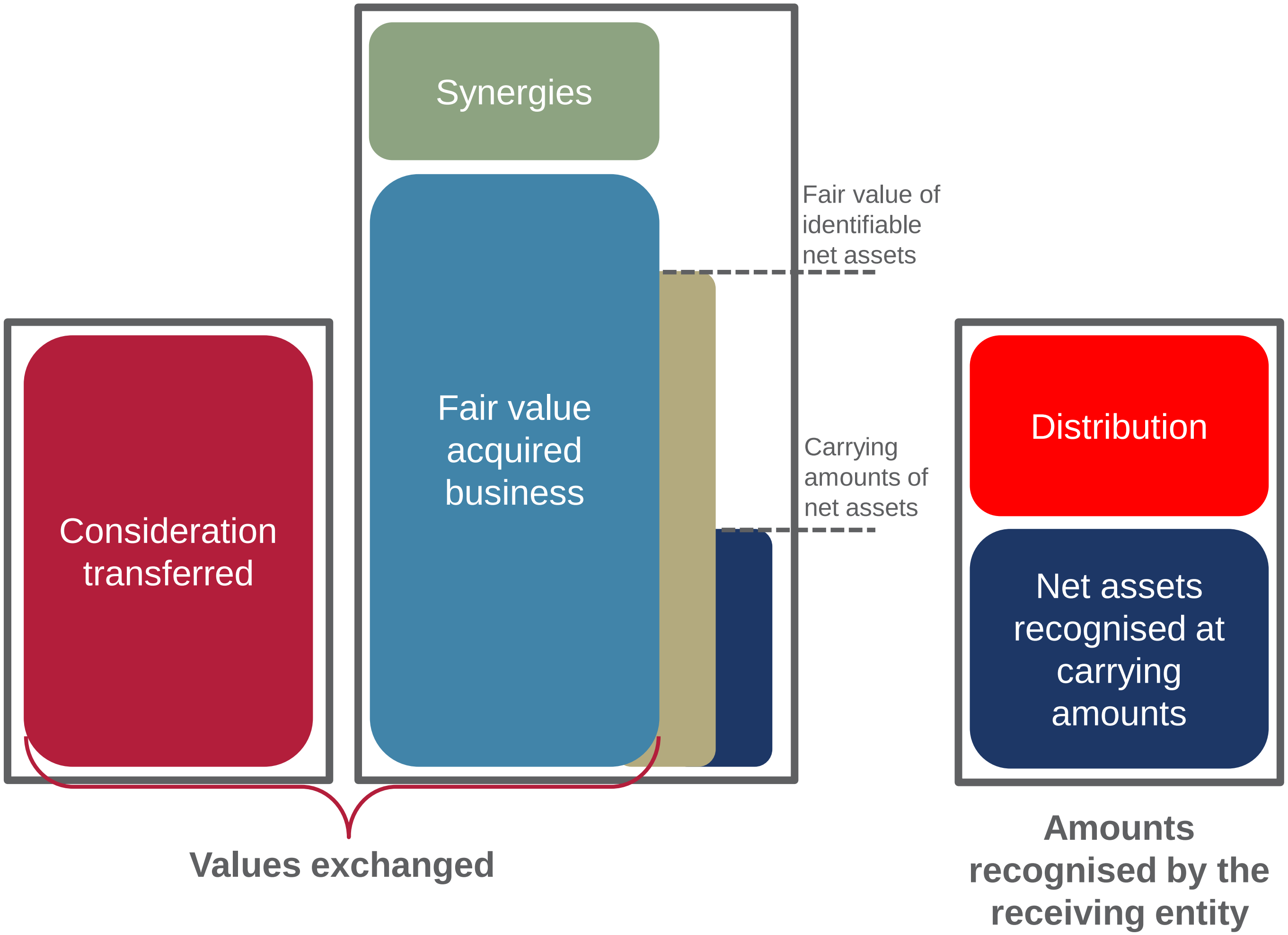
Applying a predecessor carrying amounts approach… Case 1



Applying a predecessor carrying amounts approach would result in recognising a contribution to equity if the fair value of the consideration transferred is less that the predecessor carrying amounts of net assets but…(see Case 2 on slide 25)

Higher value received (4/5)

Applying a predecessor carrying amounts approach… Case 2



Applying a predecessor carrying amounts approach would result in recognising a distribution from equity if the fair value of the consideration transferred is more that the predecessor carrying amounts of net assets even though the consideration given is below the value received.

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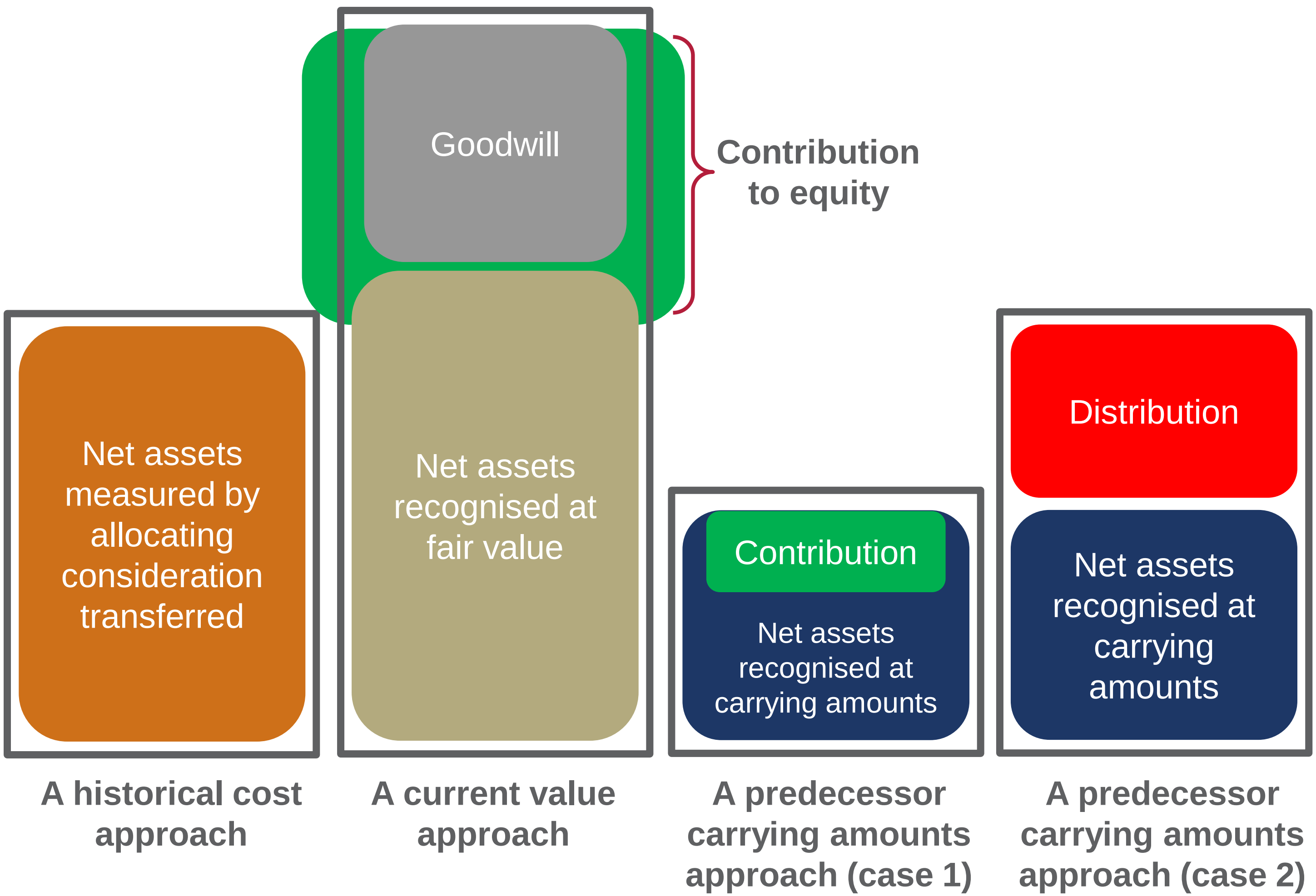
Higher value received (5/5)

Compare the approaches…



The staff think that when a higher value is received in a BCUCC:

- a **historical cost approach** that does not reflect the contribution would not provide useful information;
- a **current value approach** that recognises a contribution as the difference between the fair values exchanged would provide useful information; and
- a **predecessor carrying amounts approach** that may result in recognising a distribution instead of a contribution would not provide useful information for such transactions.

Staff observations – all approaches

The staff continue to think that a historical cost approach and a predecessor carrying amounts approach would not provide useful information about a business combination under common control where NCI are affected. This is because:

- For transactions where **equal values are exchanged**:
  - A historical cost approach might overstate acquired net assets and might also result in recognition of an impairment loss;
  - A predecessor carrying amounts approach might result in recognising a distribution from equity; and
- For transactions where **unequal values are exchanged** both approaches might fail to reflect any overpayment or underpayment.

In contrast, a current value approach would **aim to reflect** an exchange of equal values as such and would aim to reflect an overpayment as a distribution from equity and an underpayment as contribution to equity if unequal values are exchanged.

Exploring current value approaches

Current value approaches for BCUCC

Current value

Acquisition method

Full Fair Value

Ceiling

Revised Ceiling

The following illustrations consider information provided by various current value approaches in the scenarios presented on slide 12.

To provide the most relevant information, a current value approach would aim to provide information about:

- fair value of acquired identifiable net assets;
- goodwill that comprises both goodwill previously generated in the acquired business and combinations synergies, if any; and
- a contribution to or a distribution from the receiving entity's equity, if unequal values are exchanged.

As the following illustrations demonstrate, none of the current value approaches identified by the staff provides all that information in all cases.

Current value approaches – overview of content

Exploring current value approaches – equal values exchanged

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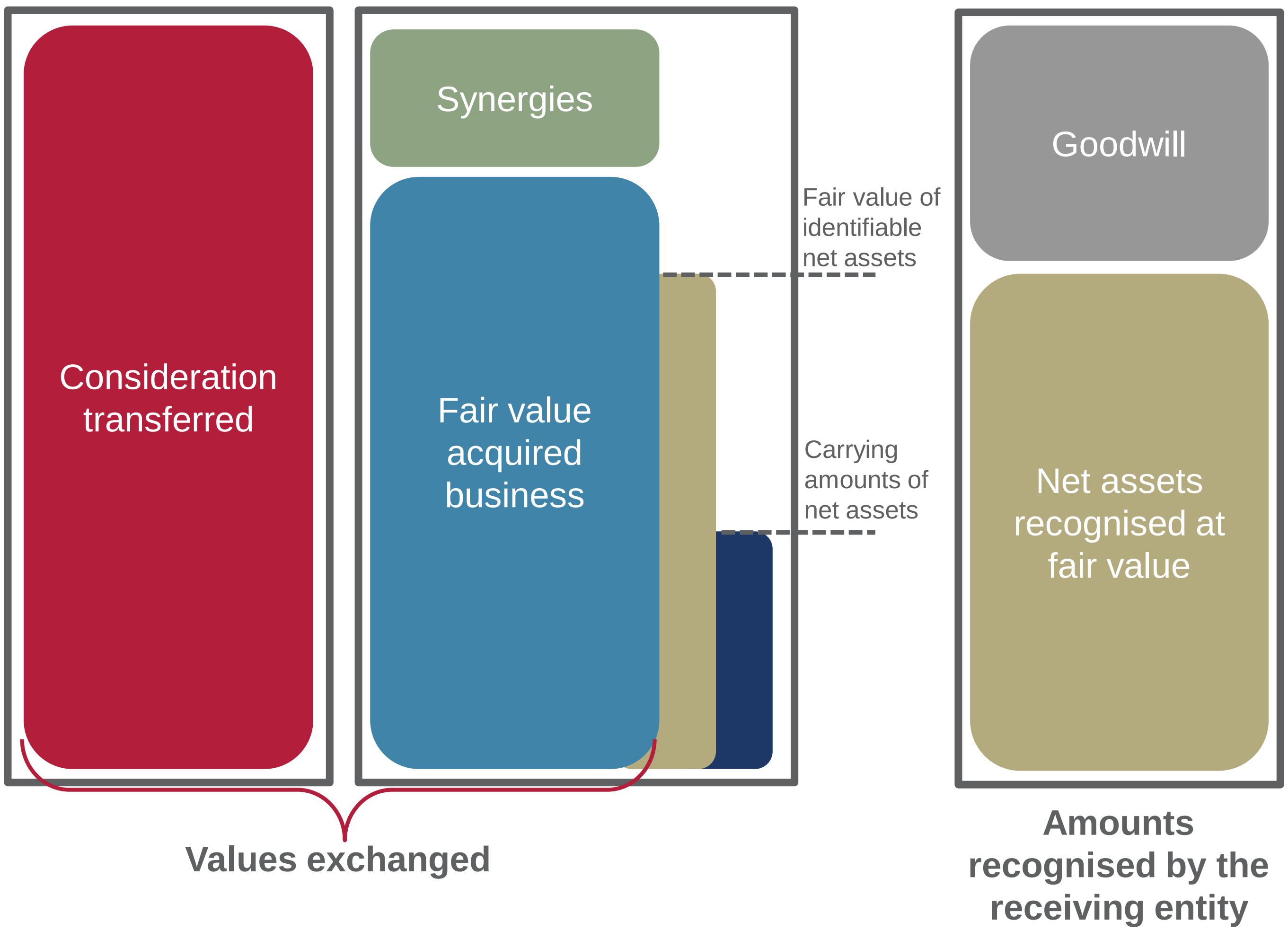
Equal values exchanged (1/5)

Applying the acquisition method set out in IFRS 3…

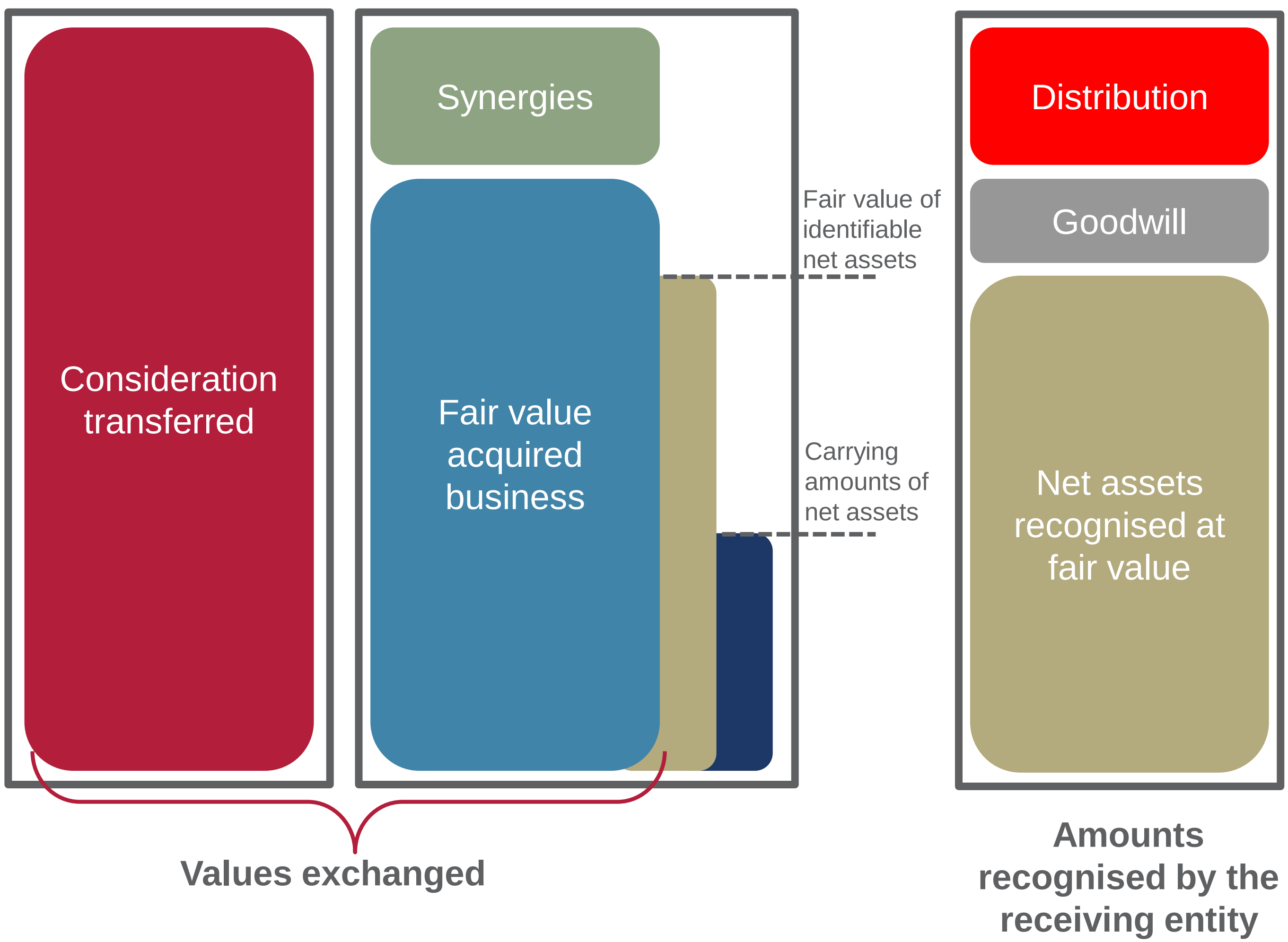


Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets.

Recognised goodwill might comprise both goodwill that was previously generated in the acquired business and any combination synergies.

Equal values exchanged (2/5)

Applying the *Full Fair Value* approach…



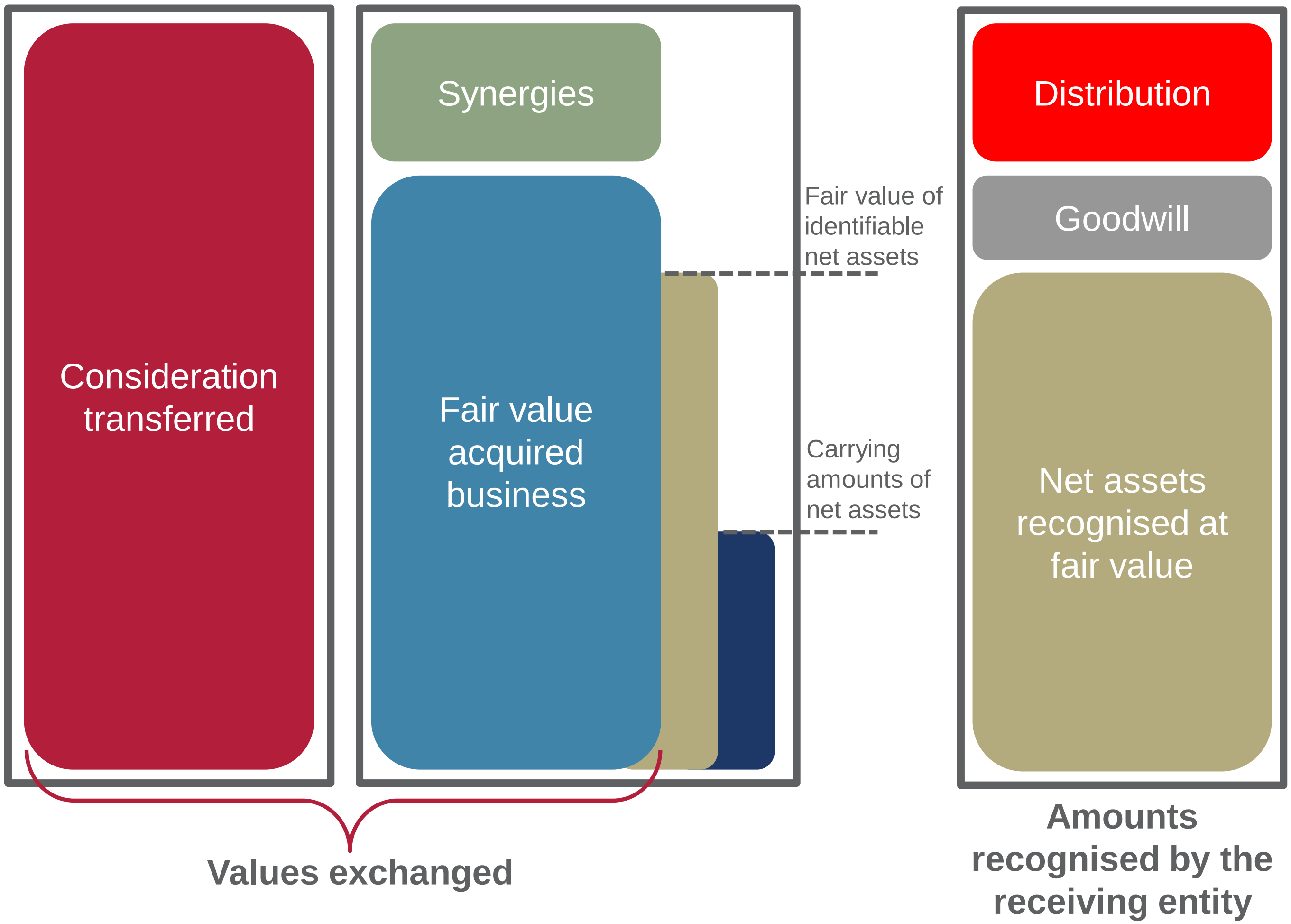
Any excess of the fair value of the consideration transferred over the fair value of the acquired business is recognised as distribution. This would not provide relevant information if there are combination synergies.

Goodwill is measured as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Equal values exchanged (3/5)

Applying the *Ceiling* approach…



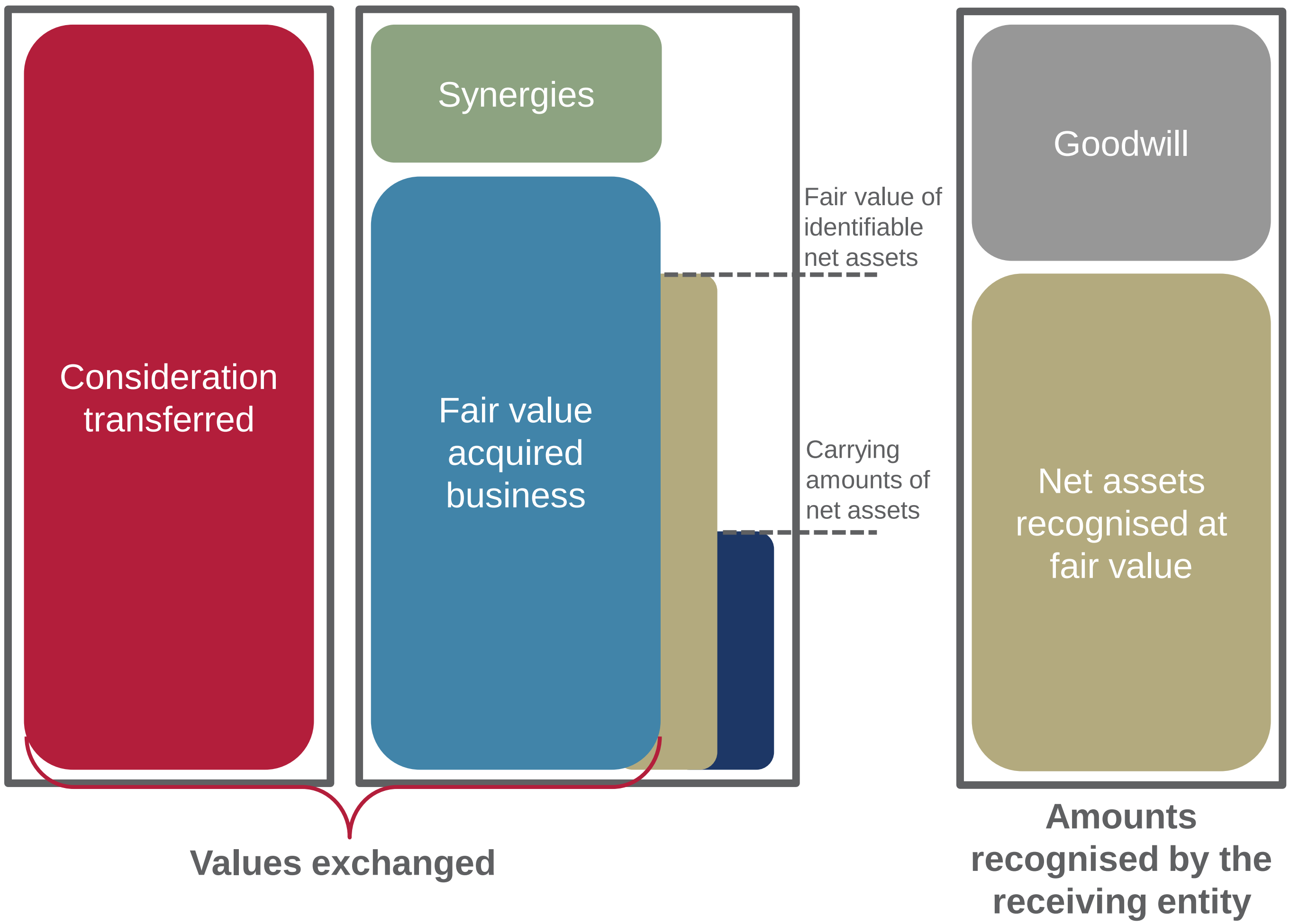
Any excess of the fair value of the consideration transferred over the fair value of the acquired business is recognised as distribution which would not provide relevant information if there are combination synergies.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets but is capped at the fair value of the acquired business.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Equal values exchanged (4/5)

Applying the *Revised Ceiling* approach…



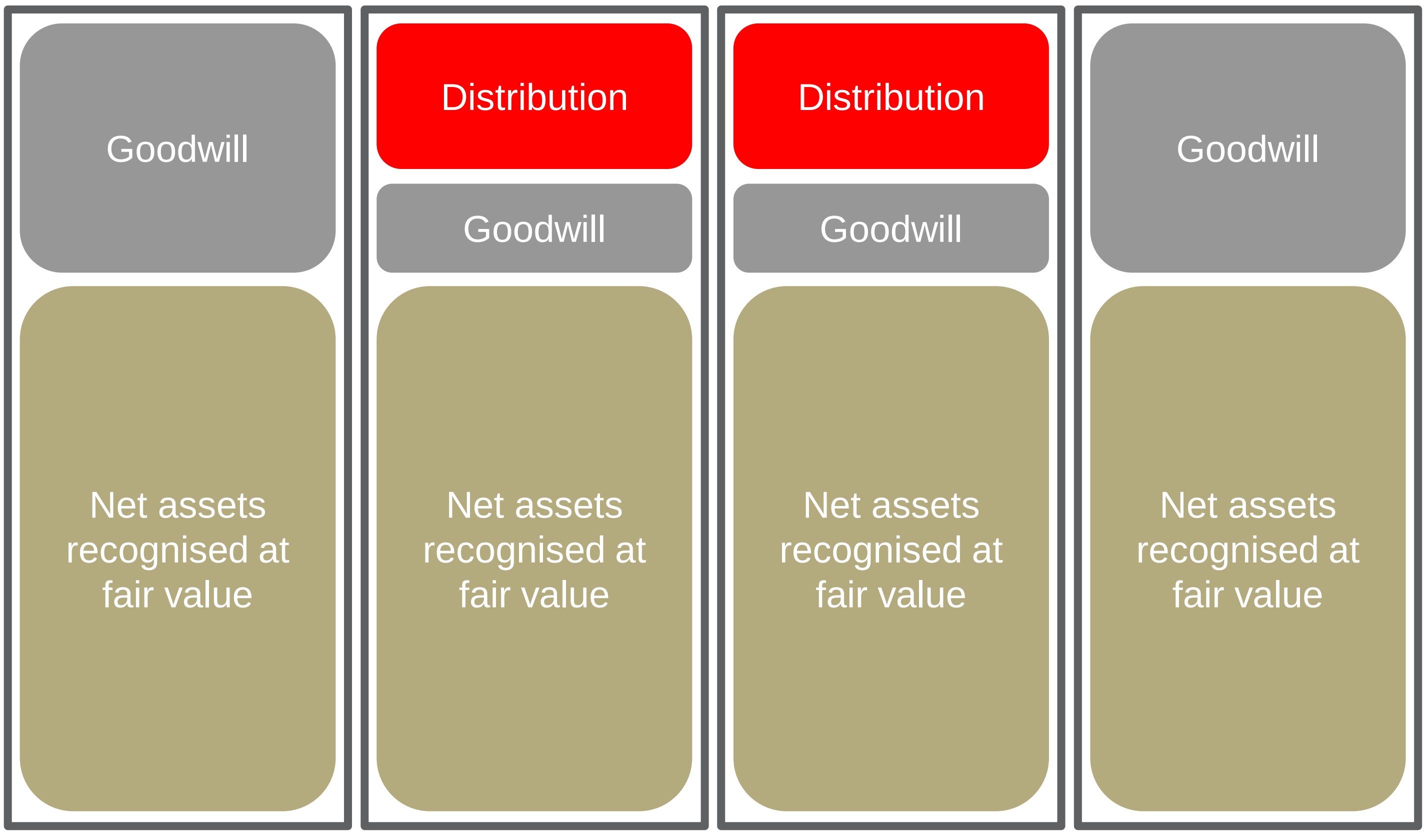
Goodwill is provisionally measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and tested as of the acquisition date applying the mechanics of the impairment test in IAS 36 to identify any distribution.

Recognised goodwill might comprise both goodwill that was previously generated in the acquired business and combination synergies.

In our illustration, no equity distribution is identified applying the mechanics of the impairment test in IAS 36 as equal values are exchanged.

Equal values exchanged (5/5)

Compare the current value approaches…



The acquisition method | **The *Full Fair Value* approach** | **The *Ceiling* approach** | **The *Revised Ceiling* approach**

When equal values are exchanged, the acquisition method and the *Revised Ceiling* approach would provide useful information but the *Revised Ceiling* approach would involve higher costs and complexity.

The *Full Fair Value* and the *Ceiling* approaches would provide useful information only if combination synergies are not significant.

This is because under these approaches any excess of the fair value of the consideration transferred over the fair value of the acquired business is recognised as a distribution from equity.

Exploring current value approaches – higher value given up

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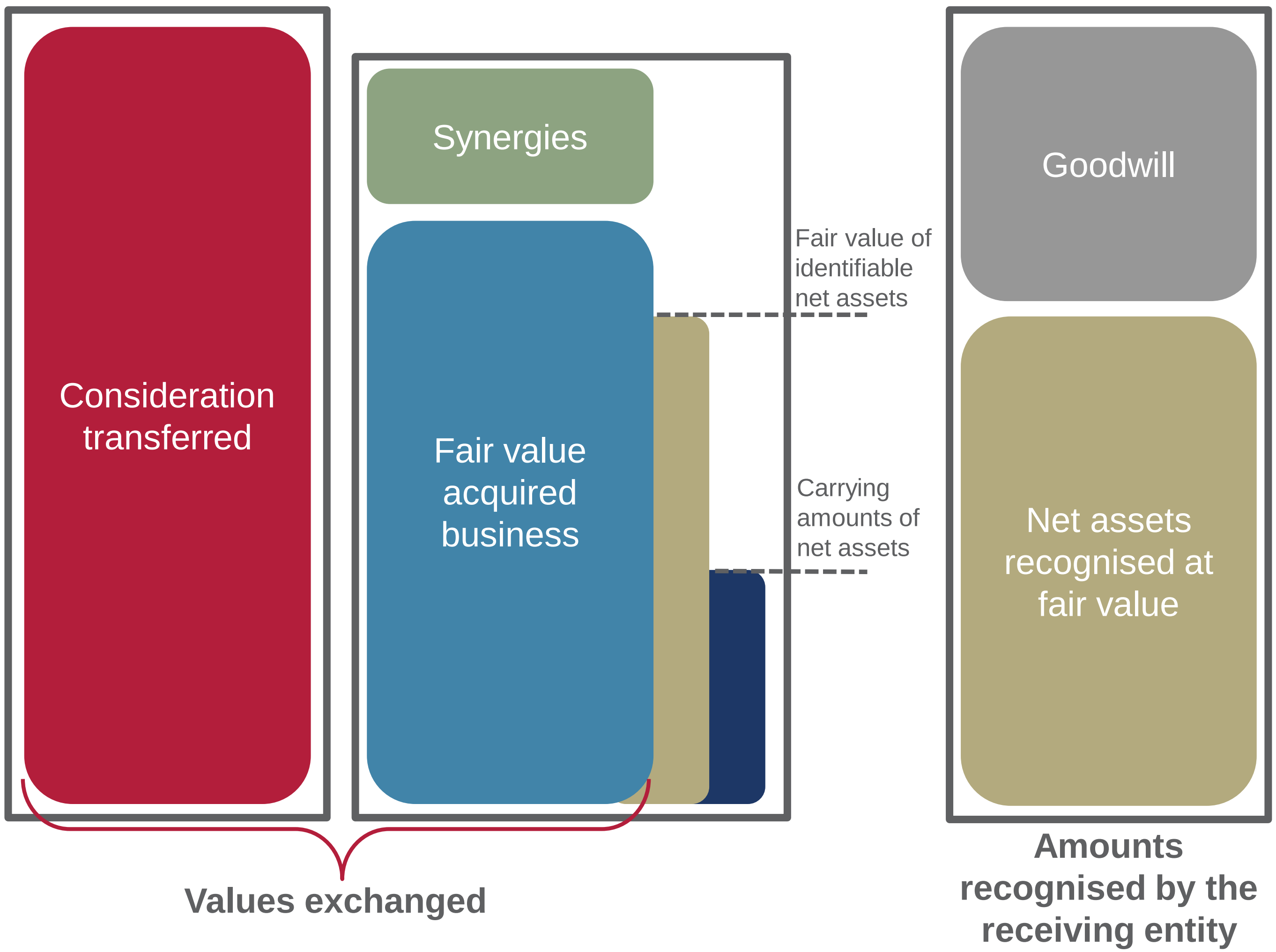
Higher value given up (1/5)

Applying the acquisition method set out in IFRS 3…



Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets.

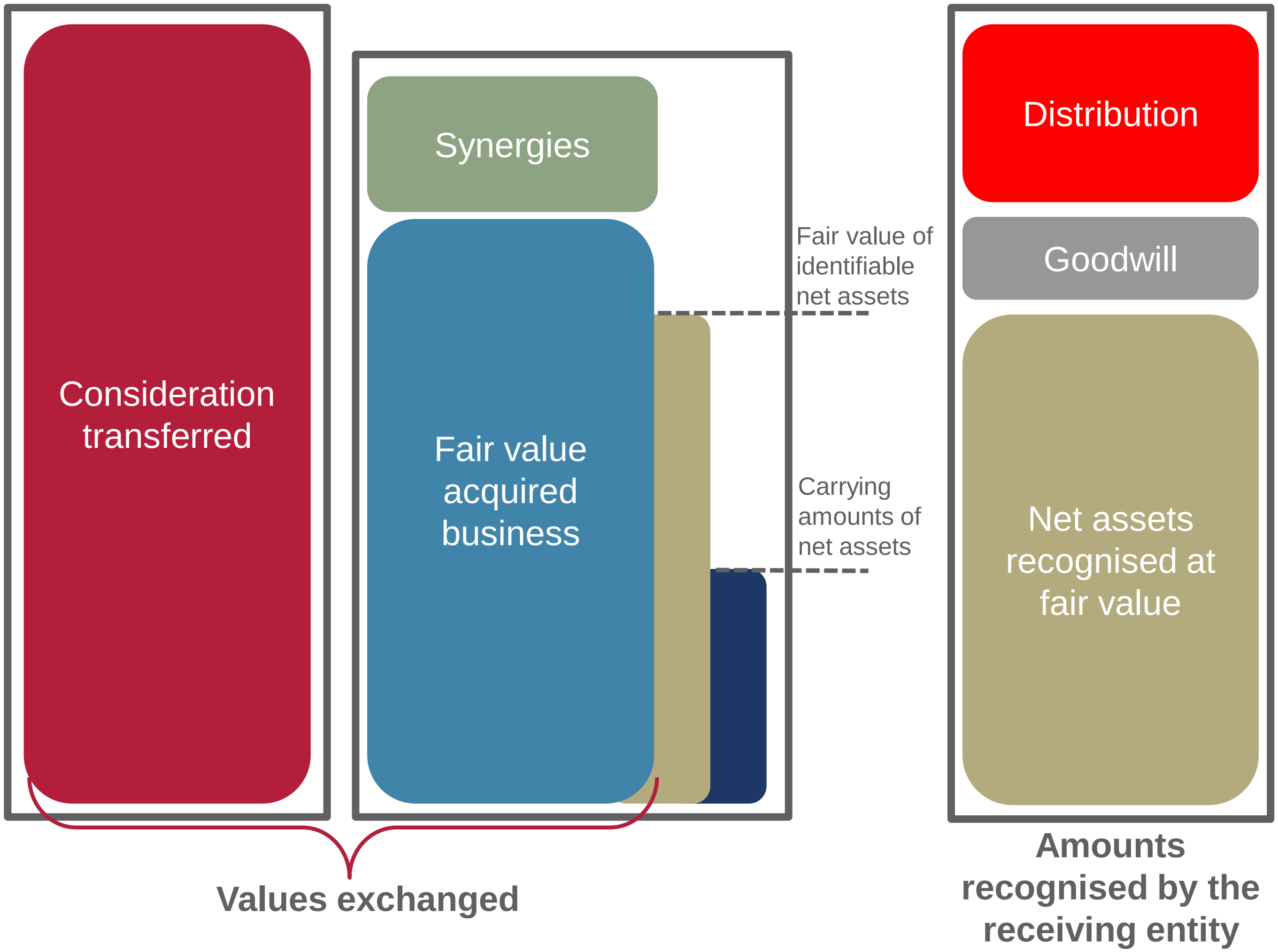
Fair value of the consideration transferred is considered to provide the best evidence of the fair value of the acquirer's interest in the acquiree.

Any excess of the fair value of the consideration over what a market participant would pay for both the acquired business and the combination synergies is included within goodwill.

Goodwill is tested for impairment applying IAS 36.

Higher value given up (2/5)

Applying the *Full Fair Value* approach…



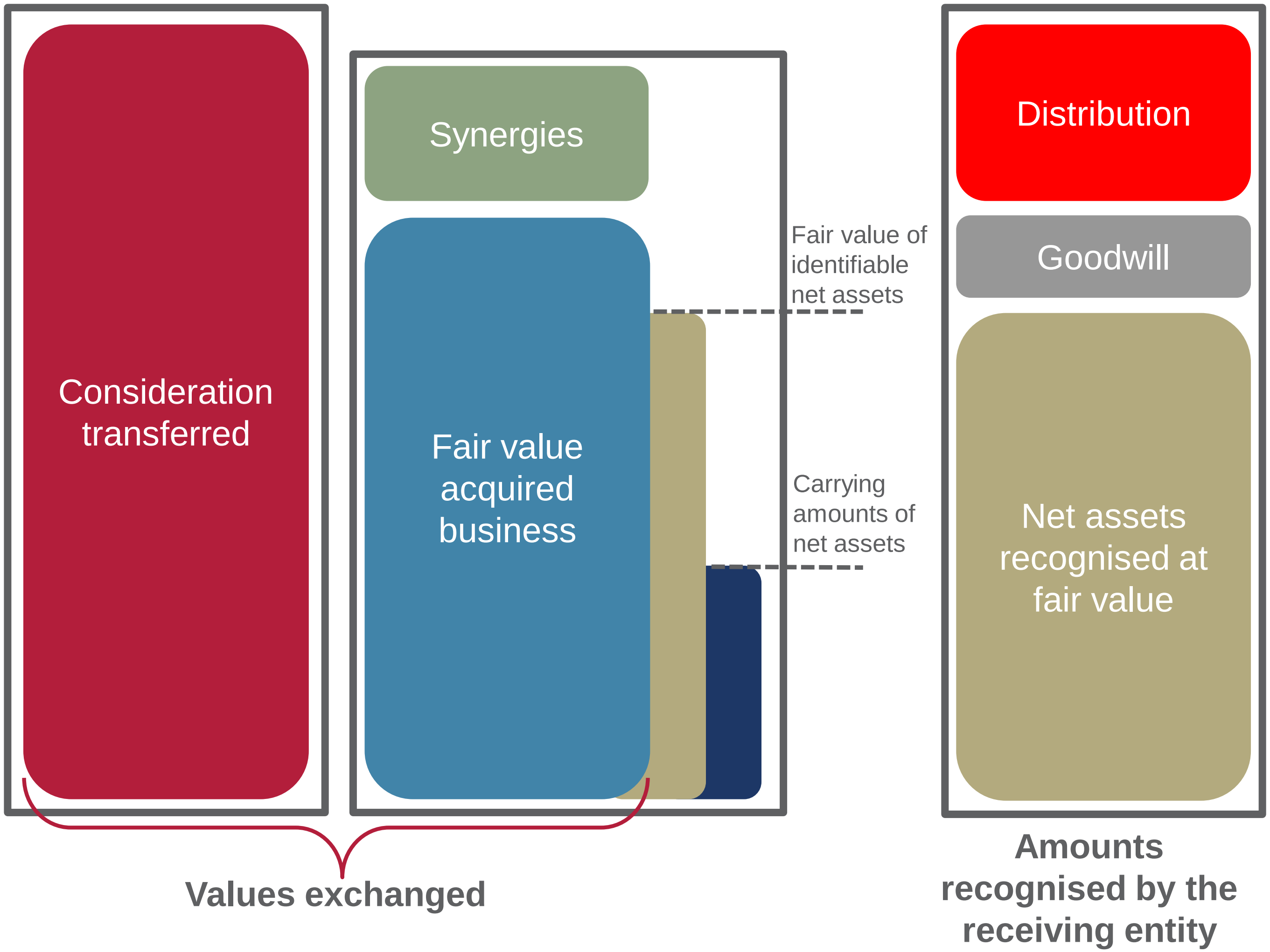
Distribution is measured as excess of the fair value of the consideration transferred over the fair value of the acquired business and may be overstated if there are combination synergies.

Goodwill is measured as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Higher value given up (3/5)

Applying the *Ceiling* approach…



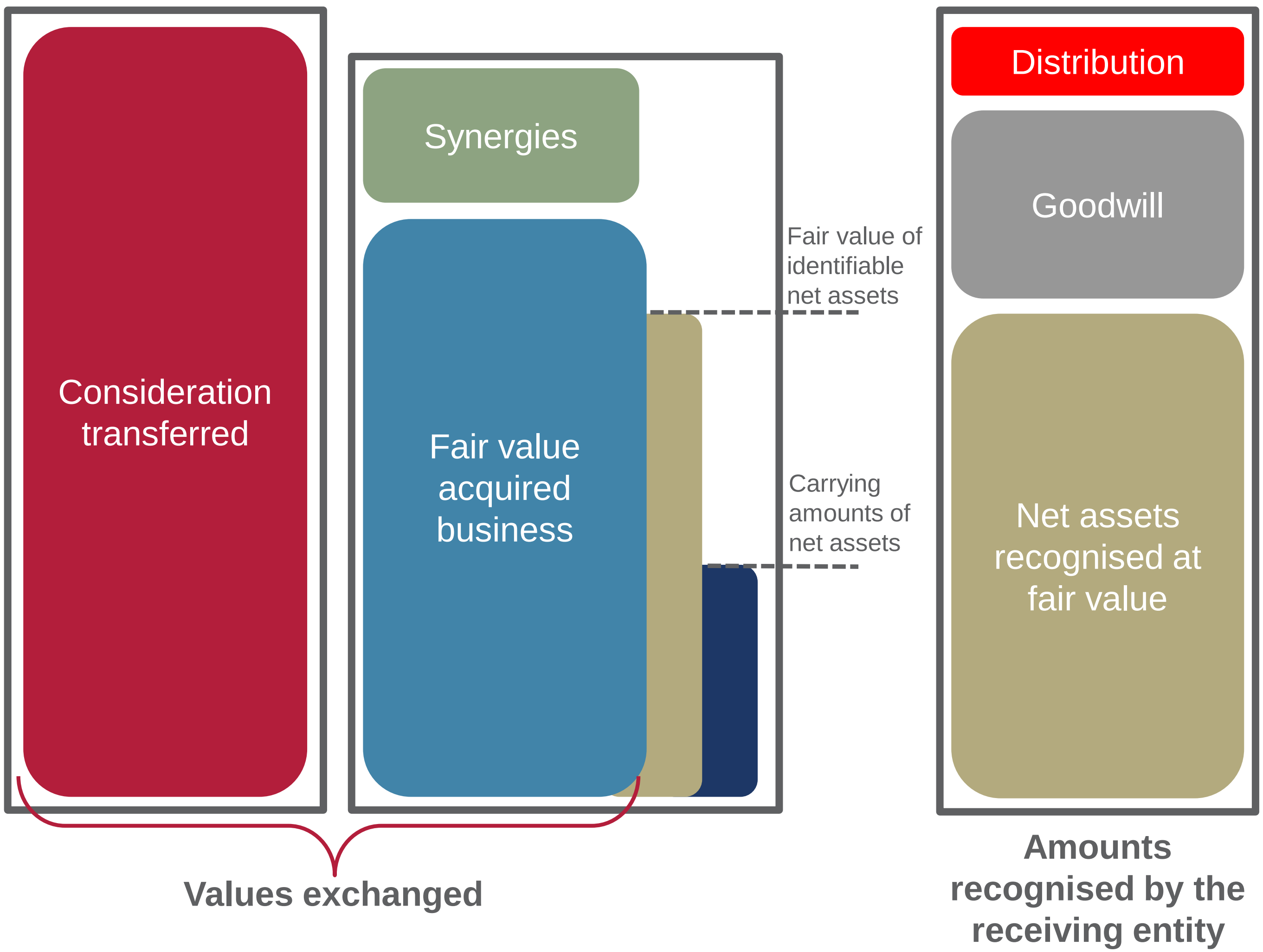
Distribution is measured as excess of the fair value of the consideration transferred over the fair value of the acquired business and may be overstated if there are combination synergies.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets but is capped at the fair value of the acquired business.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Higher value given up (4/5)

Applying the *Revised Ceiling* approach…



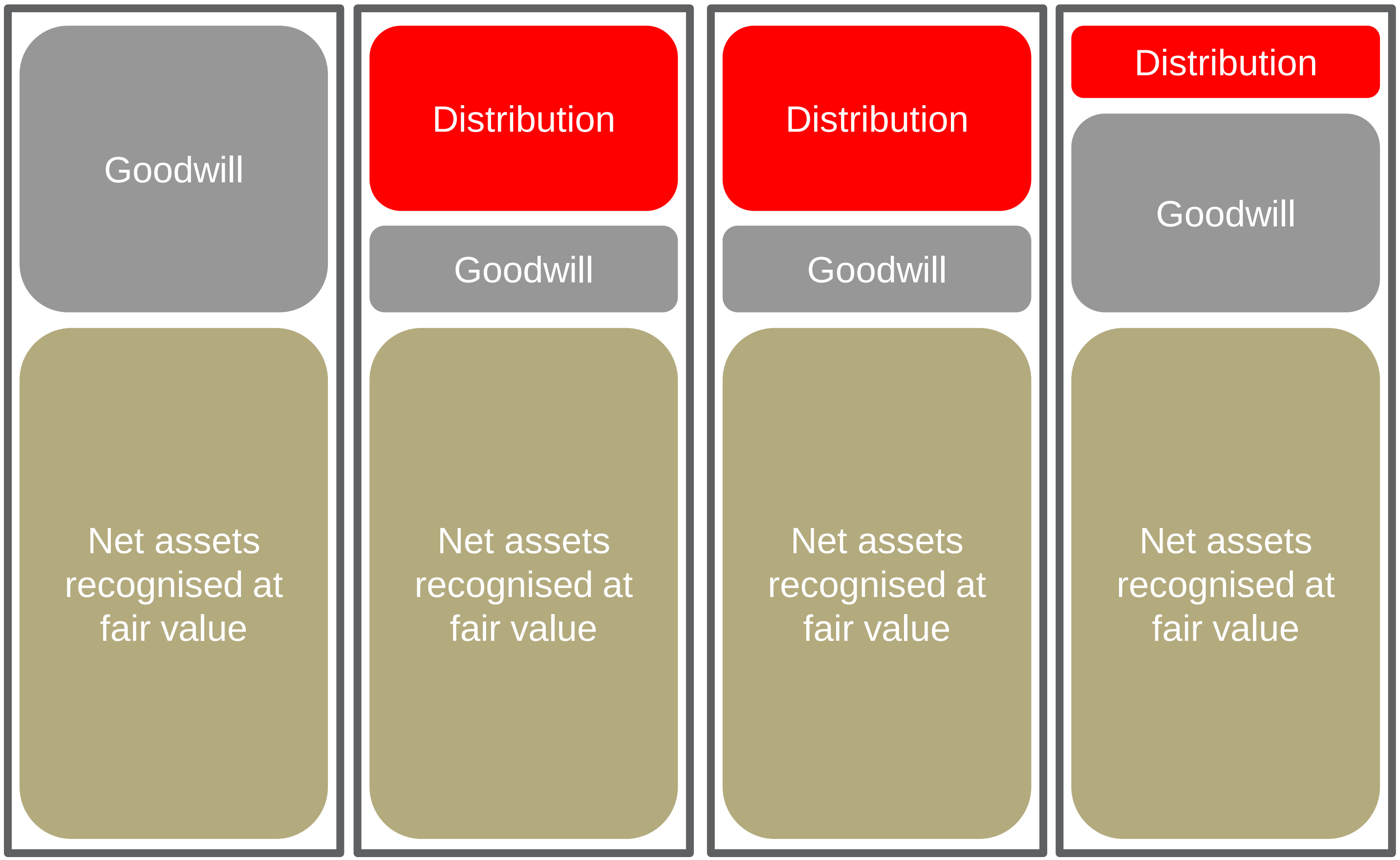
Goodwill is provisionally measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and tested as of the acquisition date applying the mechanics of the impairment test in IAS 36 to identify any distribution.

Recognised goodwill might comprise both goodwill that was previously generated in the acquired business and combination synergies.

In our illustration, an equity distribution is identified as higher value is given up. However, the outcome of applying the mechanics of the impairment test in IAS 36 will be affected by how goodwill is allocated to CGUs and the existing headroom.

Higher value given up (5/5)

Compare the current value approaches…



The acquisition method | **The *Full Fair Value* approach** | **The *Ceiling* approach** | **The *Revised Ceiling* approach**

When higher value is given up, both the acquisition method and the *Revised Ceiling* approach may fail to reflect that fact. Impairment loss or a distribution from equity respectively may be recognised subsequently depending on the outcome of applying the mechanics of the impairment test in IAS 36.

Both the *Full Fair Value* and the *Ceiling* approaches would reflect a distribution. However, the distribution may be overstated if combination synergies are significant. In such cases, goodwill will be understated.

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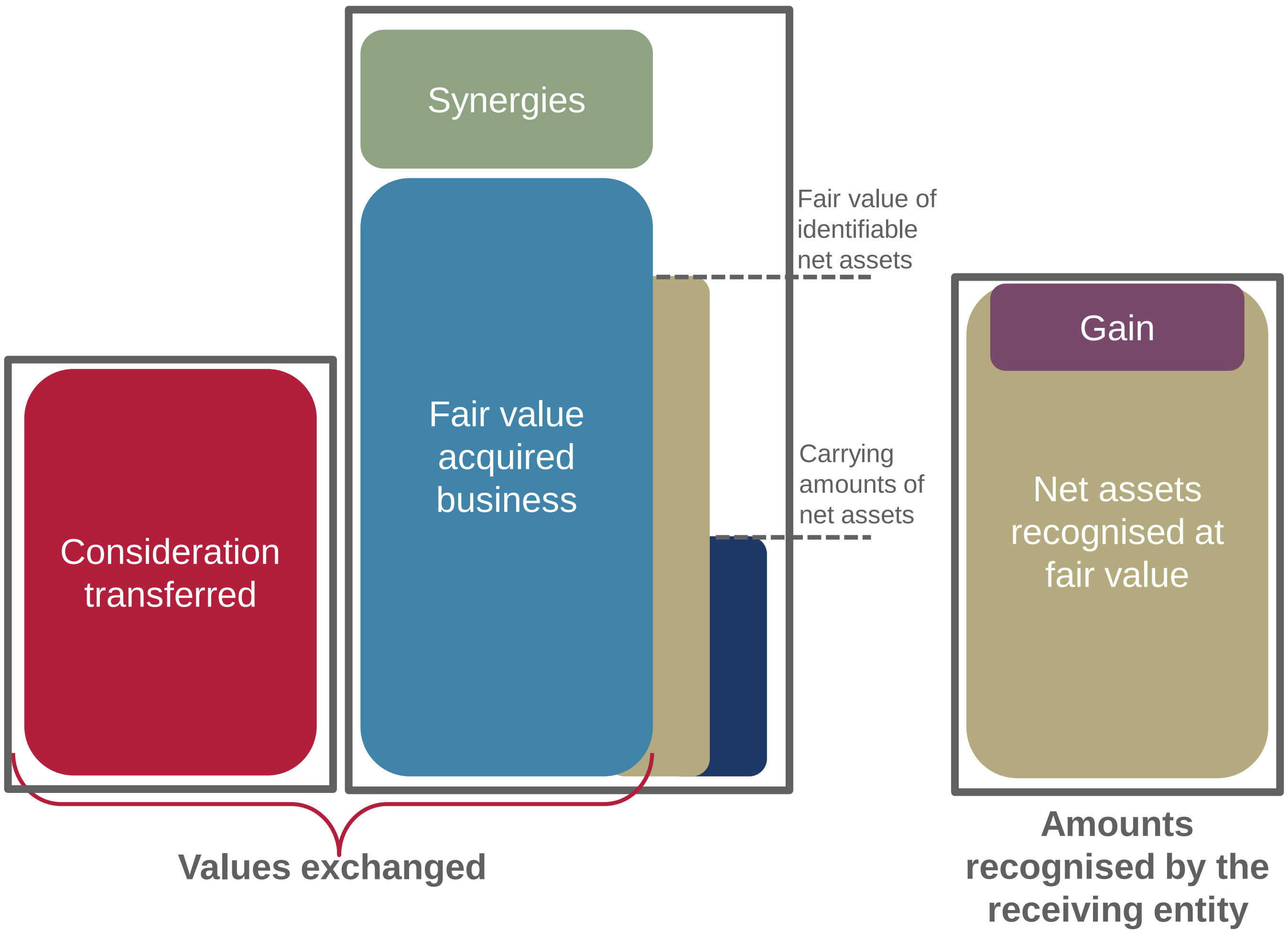
Exploring current value approaches – higher value received (Cases 1-3)

Higher value received – Case 1 (1/5)

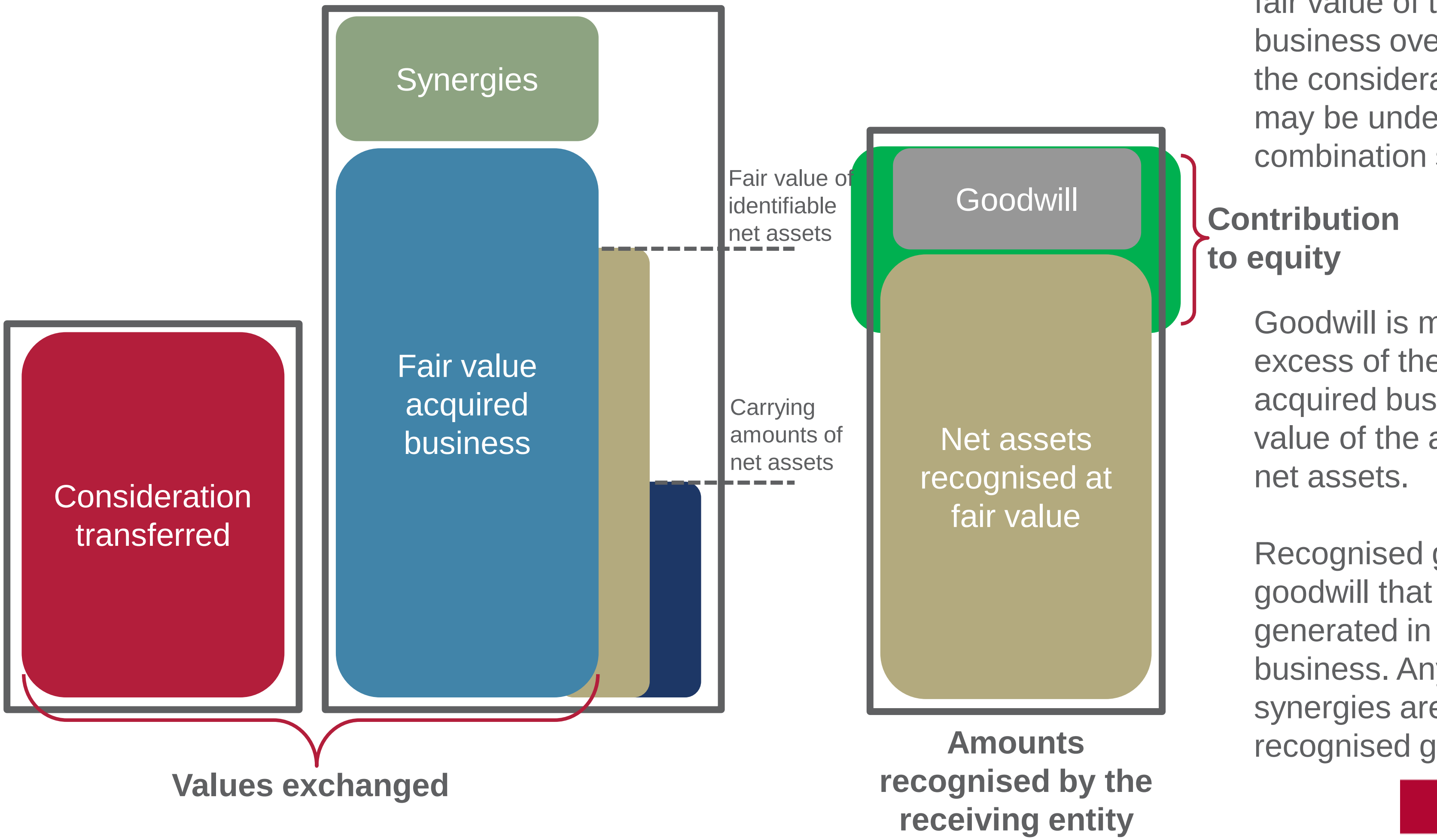
Applying the acquisition method set out in IFRS 3…



Gain is recognised as the excess of fair value of the acquired identifiable net assets over the fair value of the consideration transferred.

Higher value received – Case 1 (2/5)

Applying the *Full Fair Value* approach…



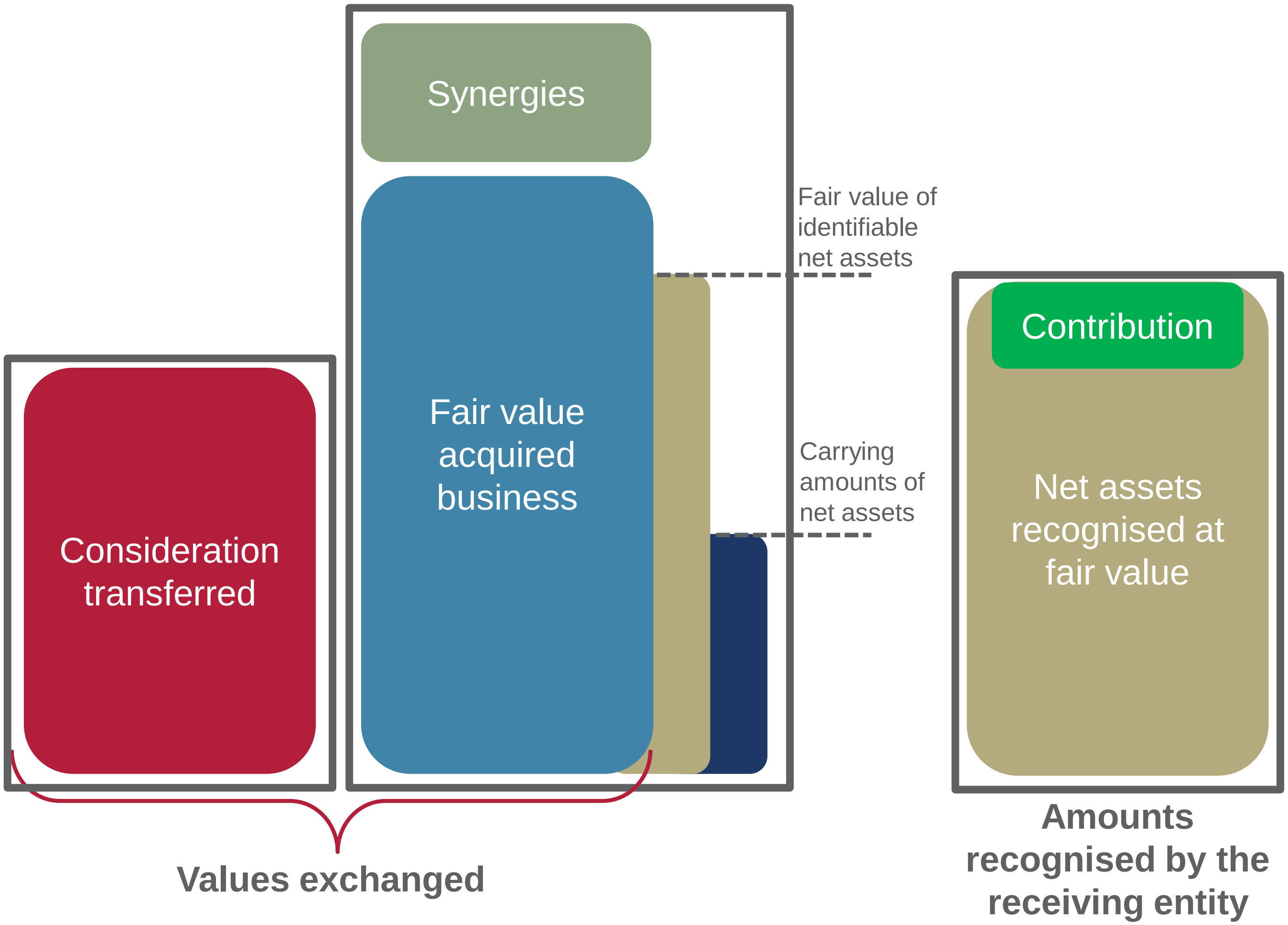
Contribution to equity is measured as the excess of the fair value of the acquired business over the fair value of the consideration transferred and may be understated if there are combination synergies.

Goodwill is measured as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Higher value received – Case 1 (3/5)

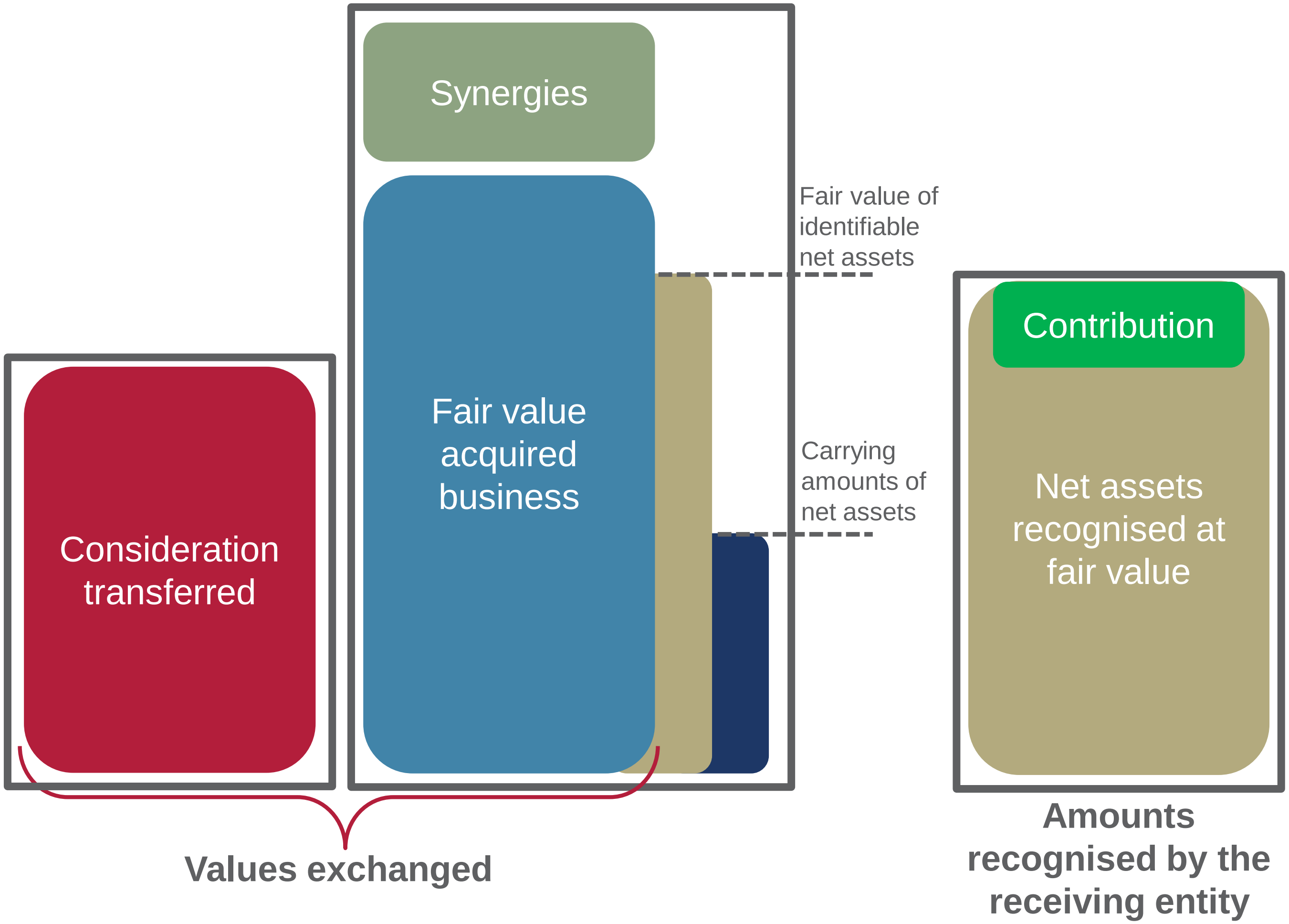
Applying the *Ceiling* approach…



Contribution to equity is measured as the excess of the fair value of the acquired identifiable net assets over the fair value of the consideration transferred and may be understated by (1) any goodwill that was previously generated in the acquired business and (2) any combination synergies.

Higher value received – Case 1 (4/5)

Applying the *Revised Ceiling* approach…

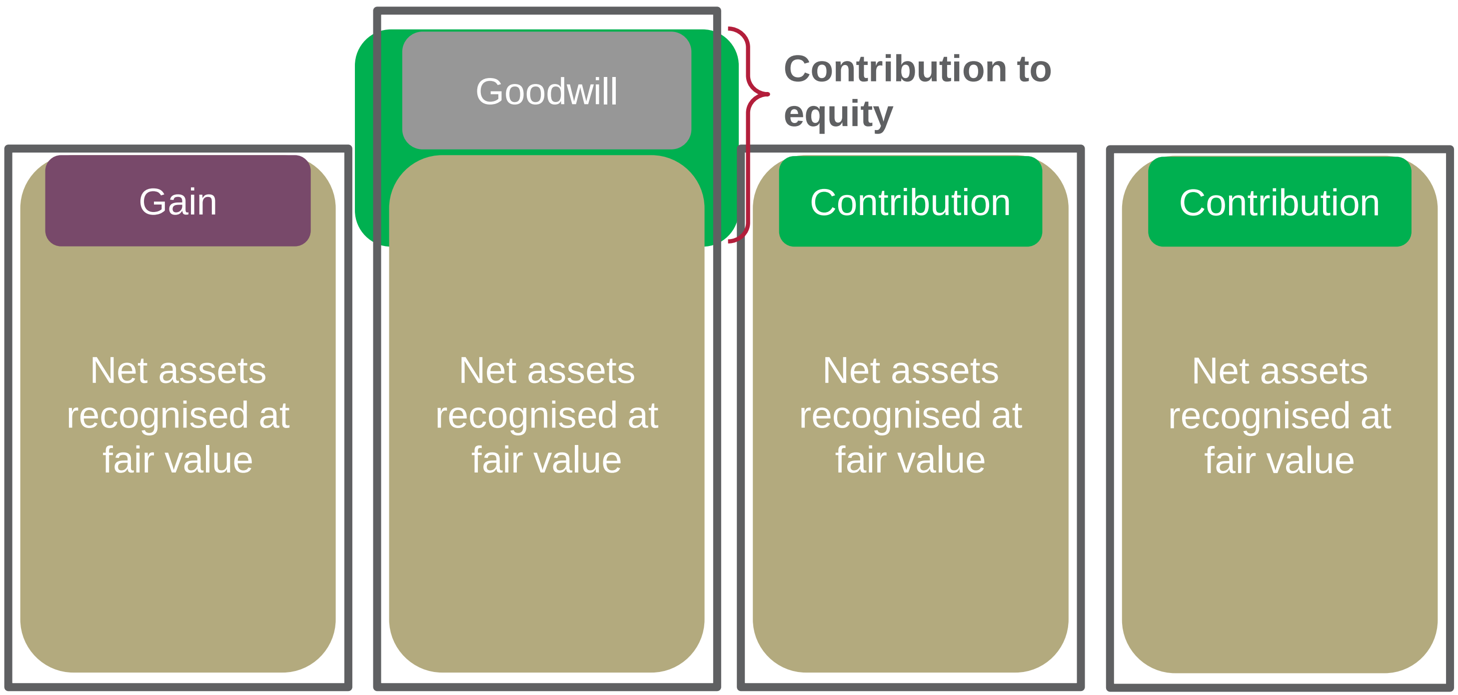


Contribution to equity is measured as the excess of the fair value of the acquired identifiable net assets over the fair value of the consideration transferred and may be understated by (1) any goodwill that was previously generated in the acquired business and (2) any combination synergies.

Higher value received – Case 1 (5/5)

Compare the current value approaches…

The fair value of the consideration transferred is below the fair value of the acquired identifiable net assets.



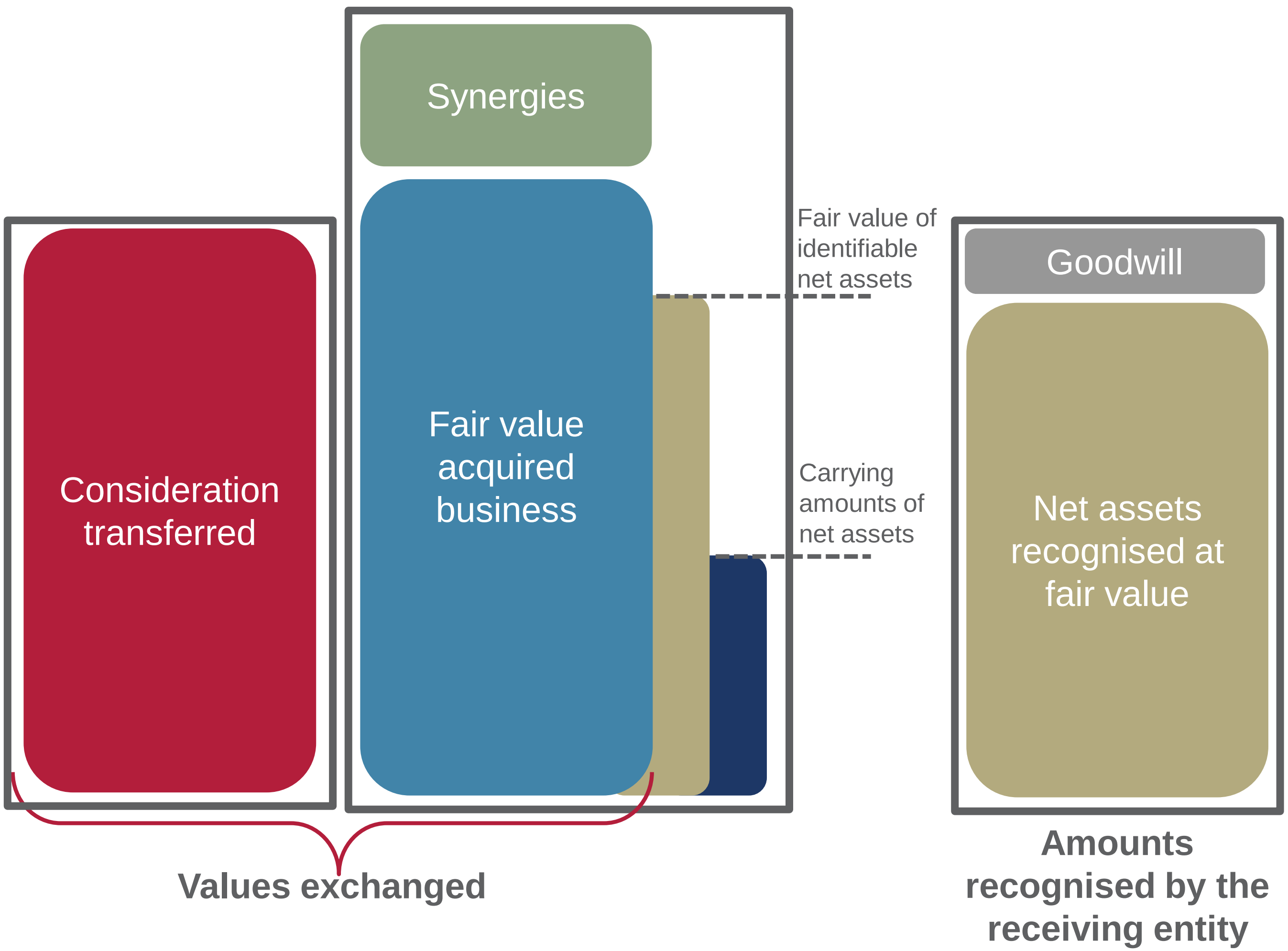
The acquisition method | **The *Full Fair Value* approach** | **The *Ceiling* approach** | **The *Revised Ceiling* approach**

The acquisition method, the *Ceiling* and the *Revised Ceiling* approaches would all reflect any excess of the fair value of the acquired identifiable net assets over the fair value of the consideration transferred (as a gain or a distribution).

The *Full Fair Value* approach would also reflect a contribution as the excess of the fair value of the acquired business over the fair value of the consideration transferred and would reflect goodwill that was previously generated in the acquired business.

Higher value received – Case 2 (1/5)

Applying the acquisition method set out in IFRS 3…



Applying IFRS 3, a gain is only recognised if the fair value of the consideration transferred is below the fair value of the acquired identifiable net assets.

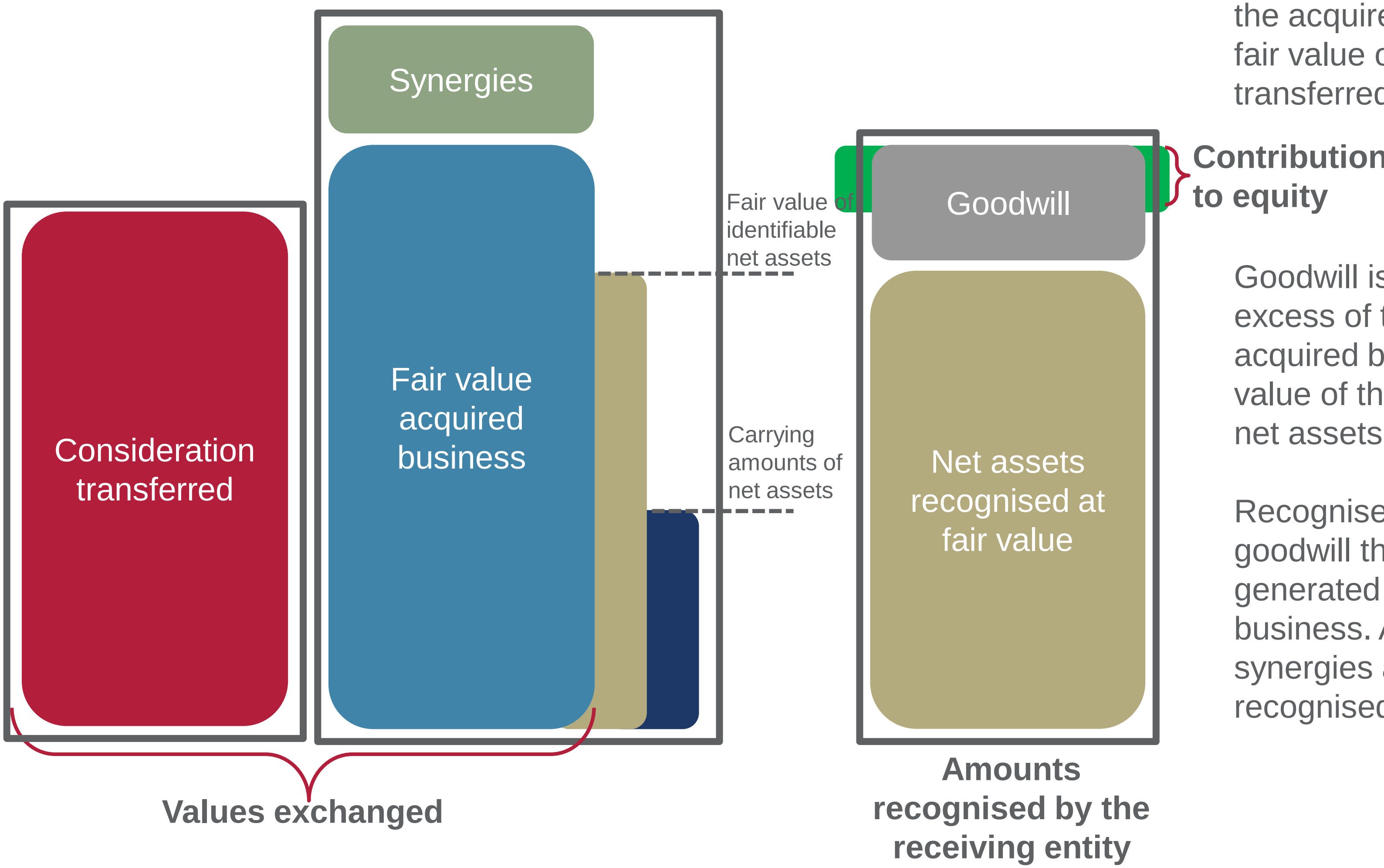
Fair value of the consideration transferred is considered to provide the best evidence of the fair value of the acquirer's interest in the acquiree.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets.

Any difference between the fair value of the consideration transferred and the aggregate fair value of the acquired business and of combination synergies is not recognised.

Higher value received – Case 2 (2/5)

Applying the *Full Fair Value* approach…



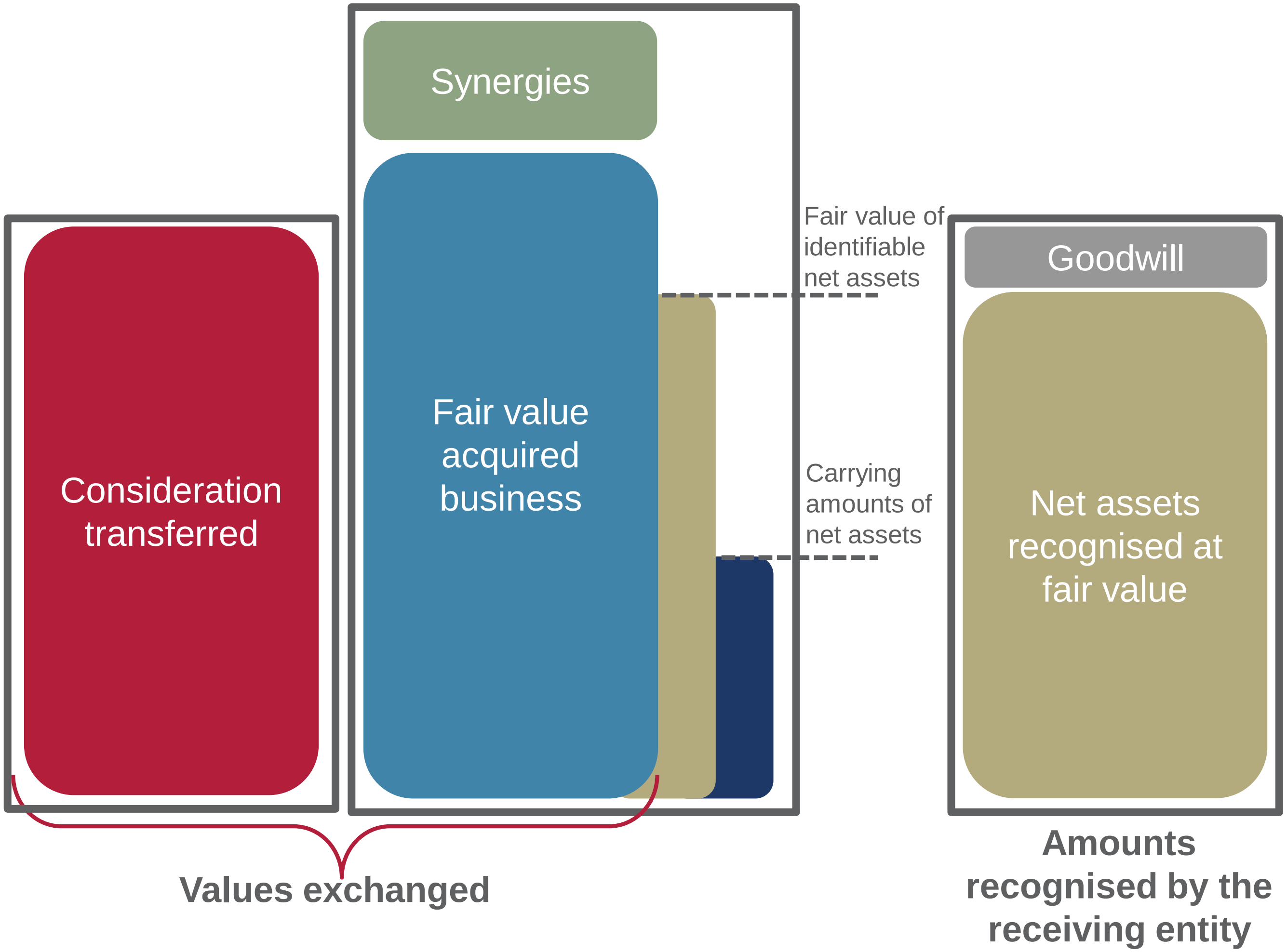
Contribution to equity is measured as the excess of the fair value of the acquired business over the fair value of the consideration transferred.

Goodwill is measured as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Higher value received – Case 2 (3/5)

Applying the *Ceiling* approach…

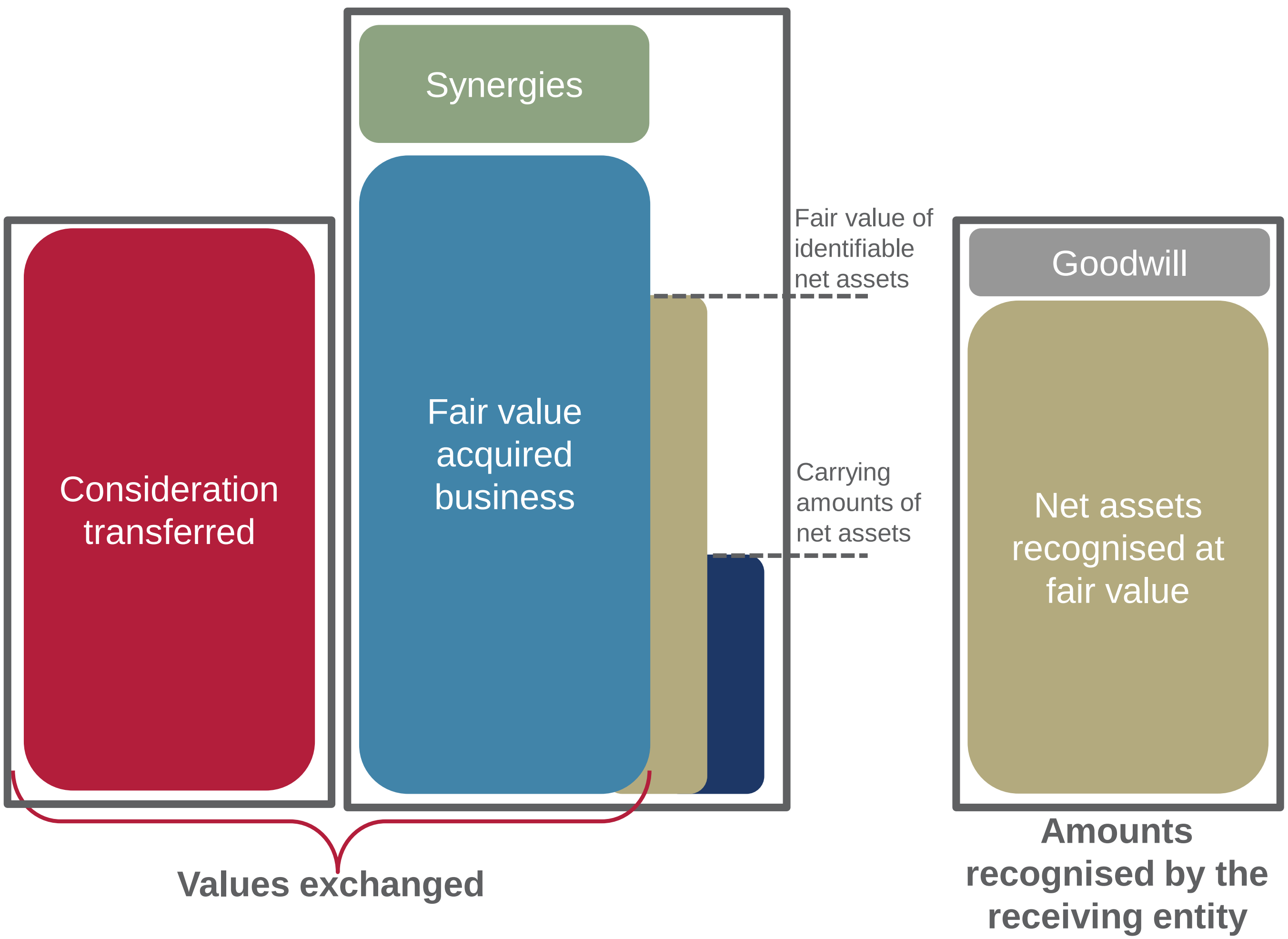


Applying the *Ceiling* approach, contribution to equity is only recognised if the fair value of the consideration transferred is below the fair value of the acquired identifiable net assets.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and capped at the fair value of the acquired business.

Higher value received – Case 2 (4/5)

Applying the *Revised Ceiling* approach…



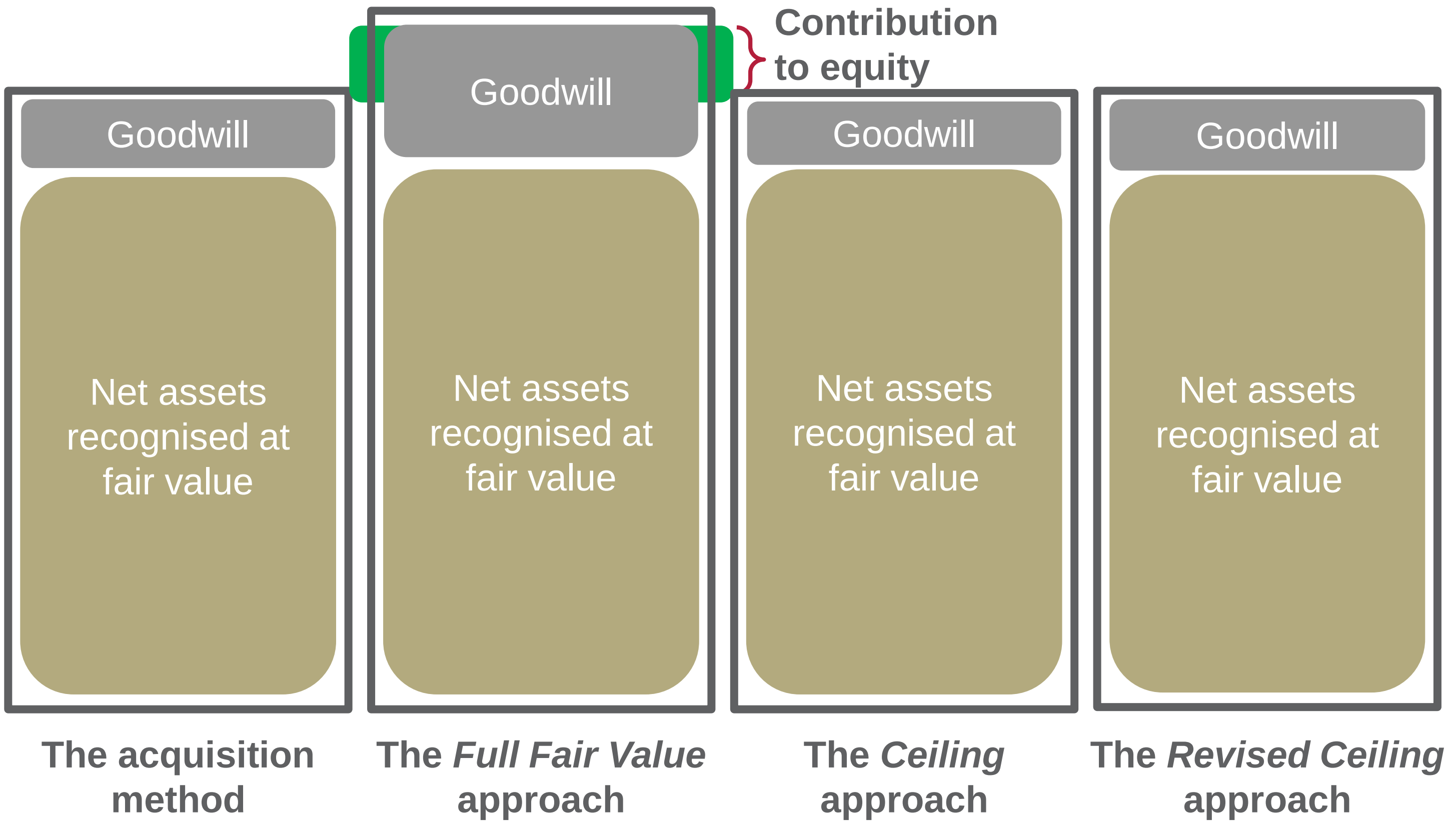
Applying the *Revised Ceiling* approach, contribution to equity is only recognised if the fair value of the consideration transferred is below the fair value of the acquired identifiable net assets.

Goodwill is provisionally measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and tested as of the acquisition date applying the mechanics of the impairment test in IAS 36 to identify any distribution.

Higher value received – Case 2 (5/5)

Compare the current value approaches…

The fair value of the consideration transferred is below the fair value of the acquired business but above the fair value of the acquired identifiable net assets.



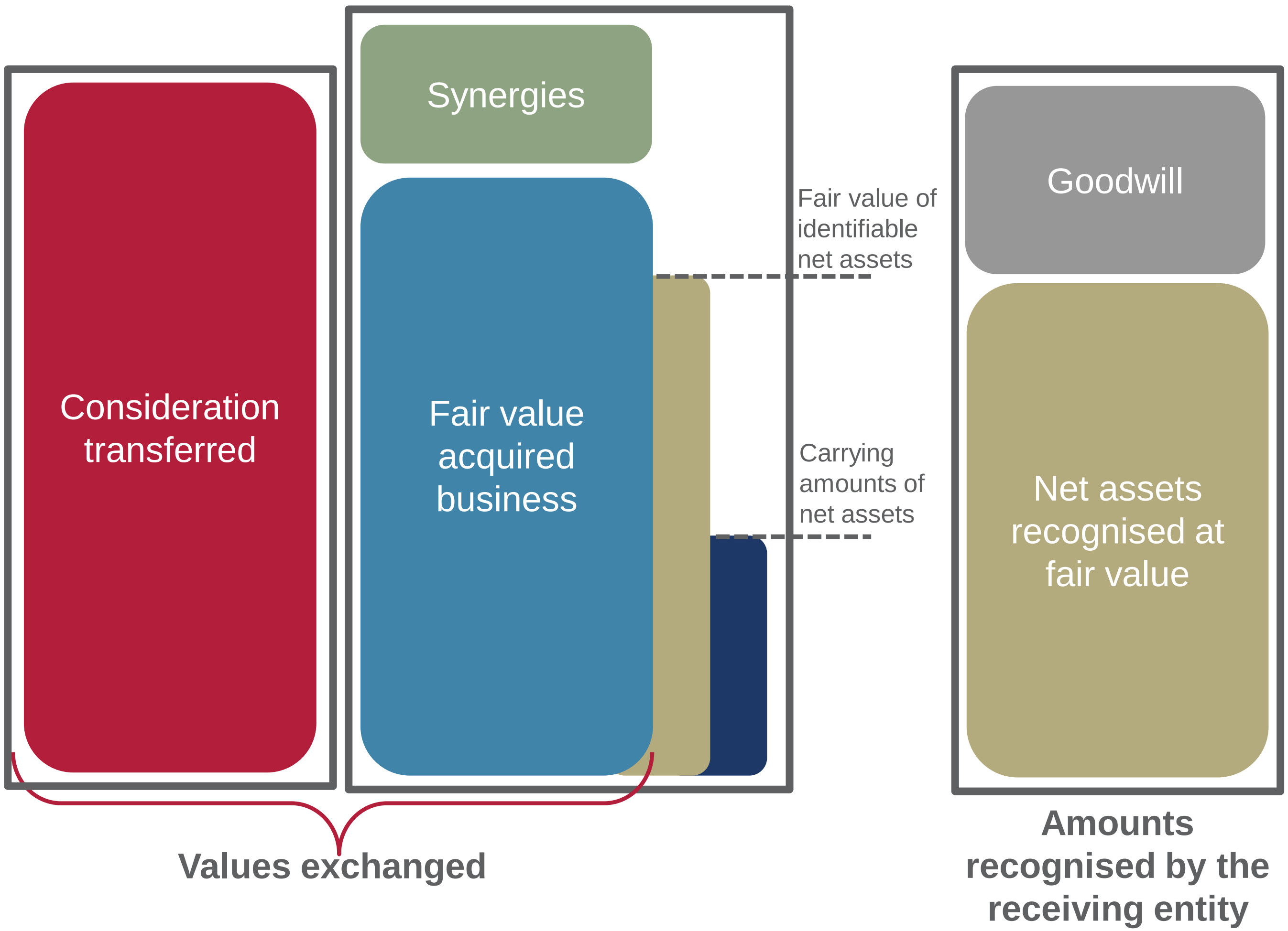
Only the *Full Fair Value* approach would reflect a contribution measured as the excess of the fair value of the acquired business over the fair value of the consideration transferred.

The *Full Fair Value* approach would also reflect goodwill as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

The acquisition method, the *Ceiling* and the *Revised Ceiling* approaches would not reflect a contribution.

Higher value received – Case 3 (1/5)

Applying the acquisition method set out in IFRS 3…



Applying IFRS 3, a gain is only recognised if the fair value of the consideration transferred is below the fair value of the acquired identifiable net assets.

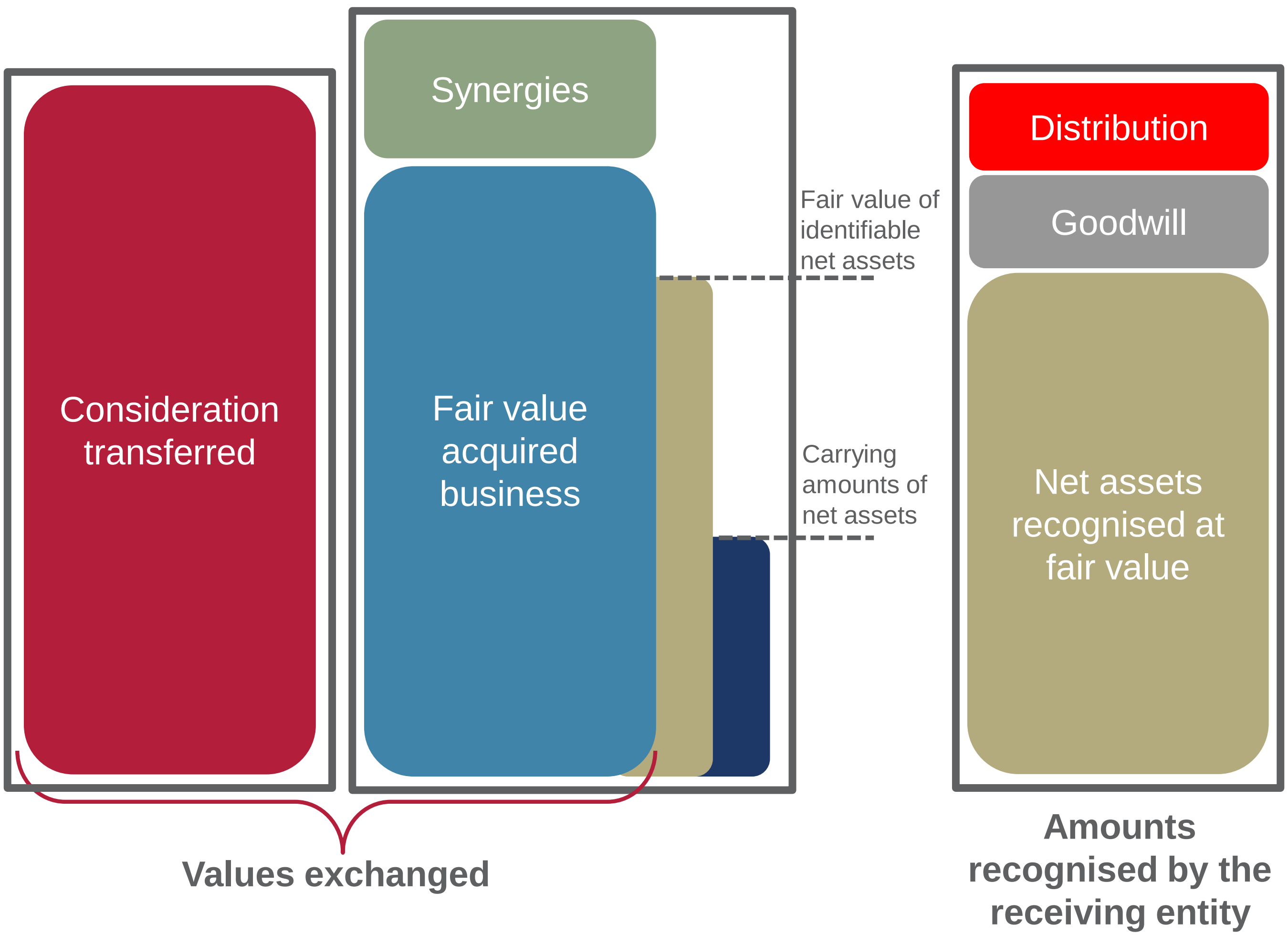
Fair value of the consideration transferred is considered to provide the best evidence of the fair value of the acquirer's interest in the acquiree.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets.

Any difference between the fair value of the consideration transferred and the aggregate fair value of the acquired business and of combination synergies is not recognised.

Higher value received – Case 3 (2/5)

Applying the *Full Fair Value* approach…



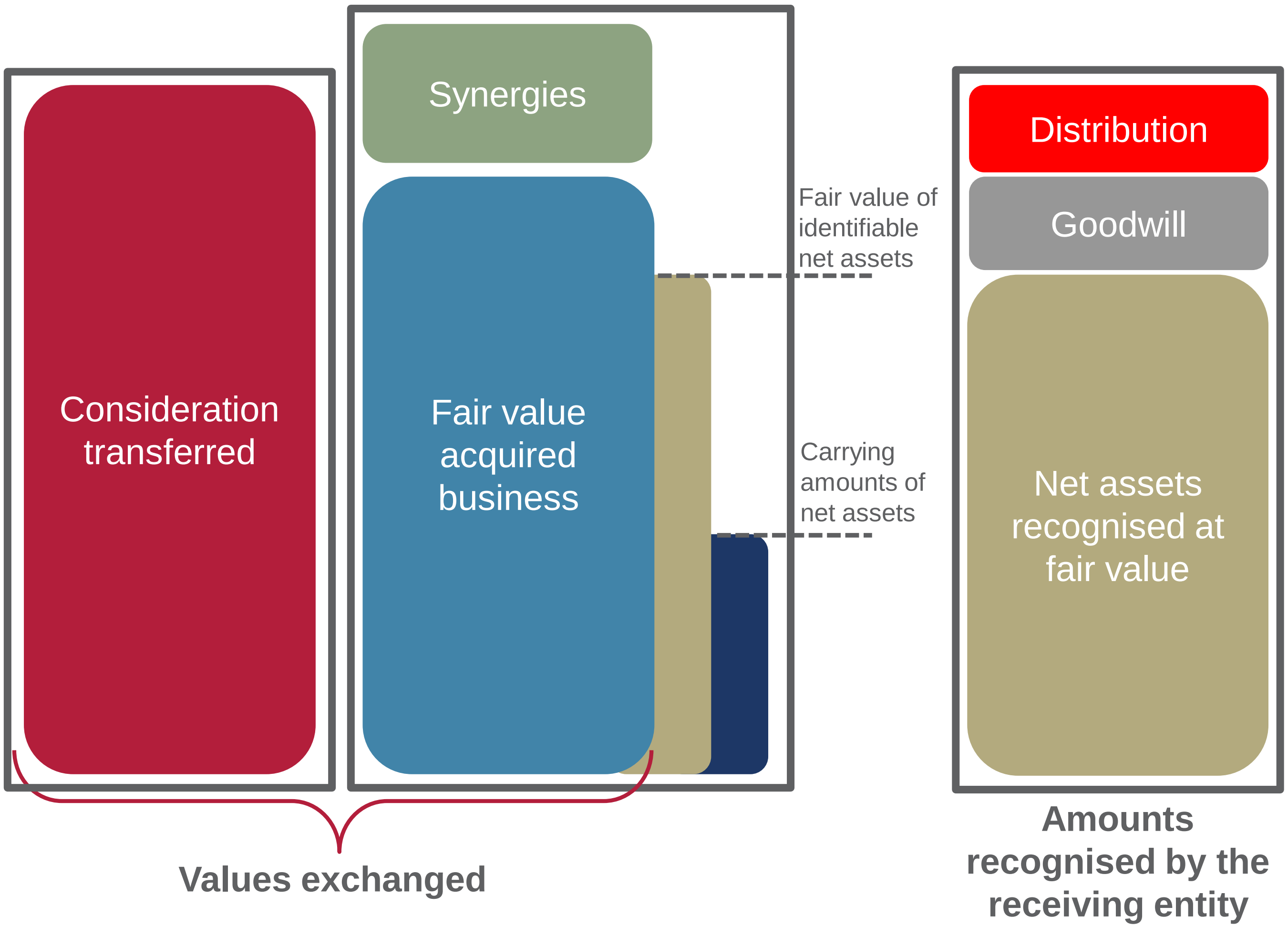
Distribution from equity is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired business and may not provide relevant information if there are combination synergies.

Goodwill is measured as the excess of the fair value of the acquired business over the fair value of the acquired identifiable net assets.

Recognised goodwill reflects goodwill that was previously generated in the acquired business. Any combination synergies are not included within recognised goodwill.

Higher value received – Case 3 (3/5)

Applying the *Ceiling* approach…



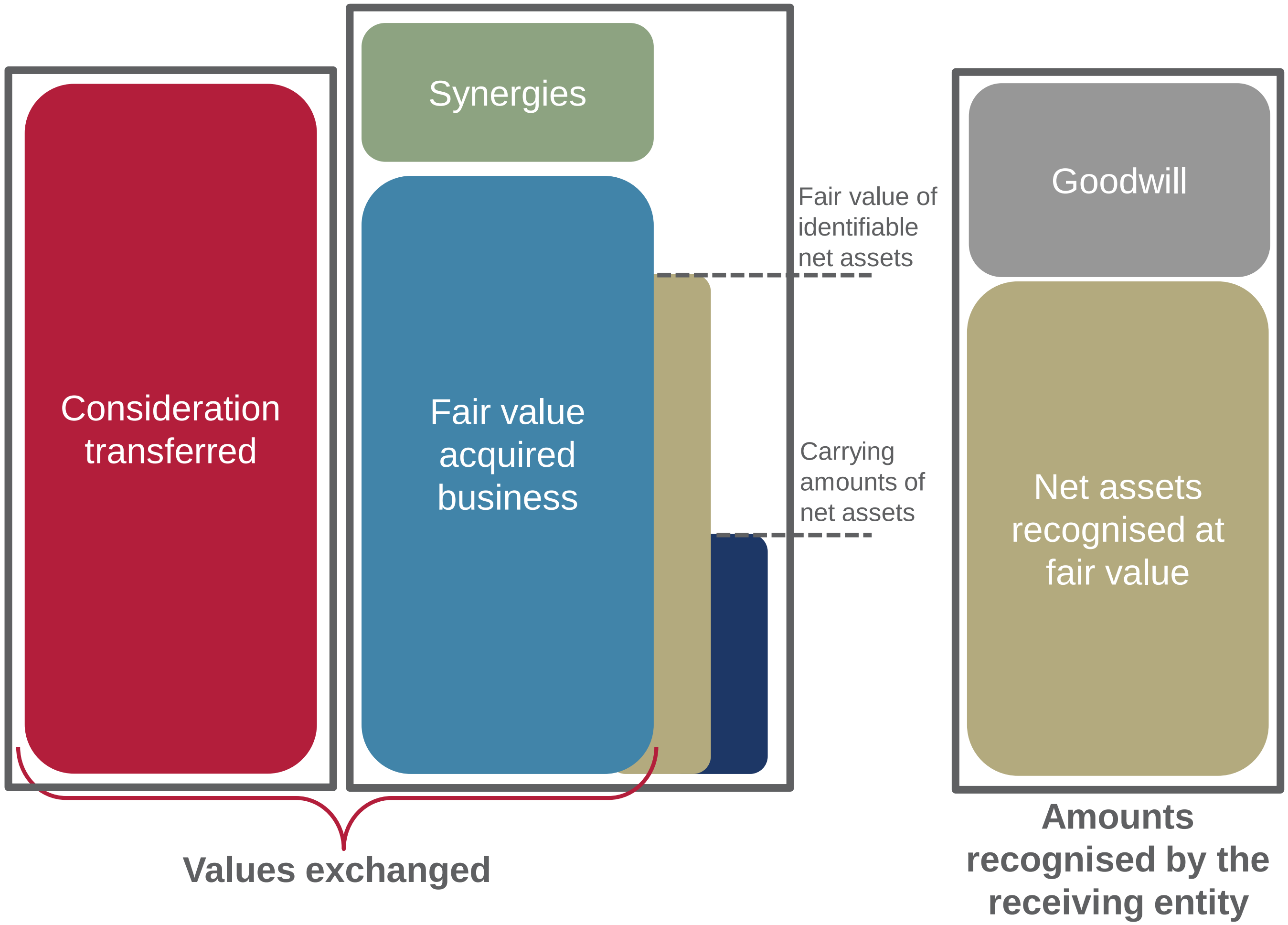
Distribution from equity is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired business and may not provide relevant information if there are any combination synergies.

Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and capped at the fair value of the acquired business.

Recognised goodwill does not include any combination synergies.

Higher value received – Case 3 (4/5)

Applying the *Revised Ceiling* approach…



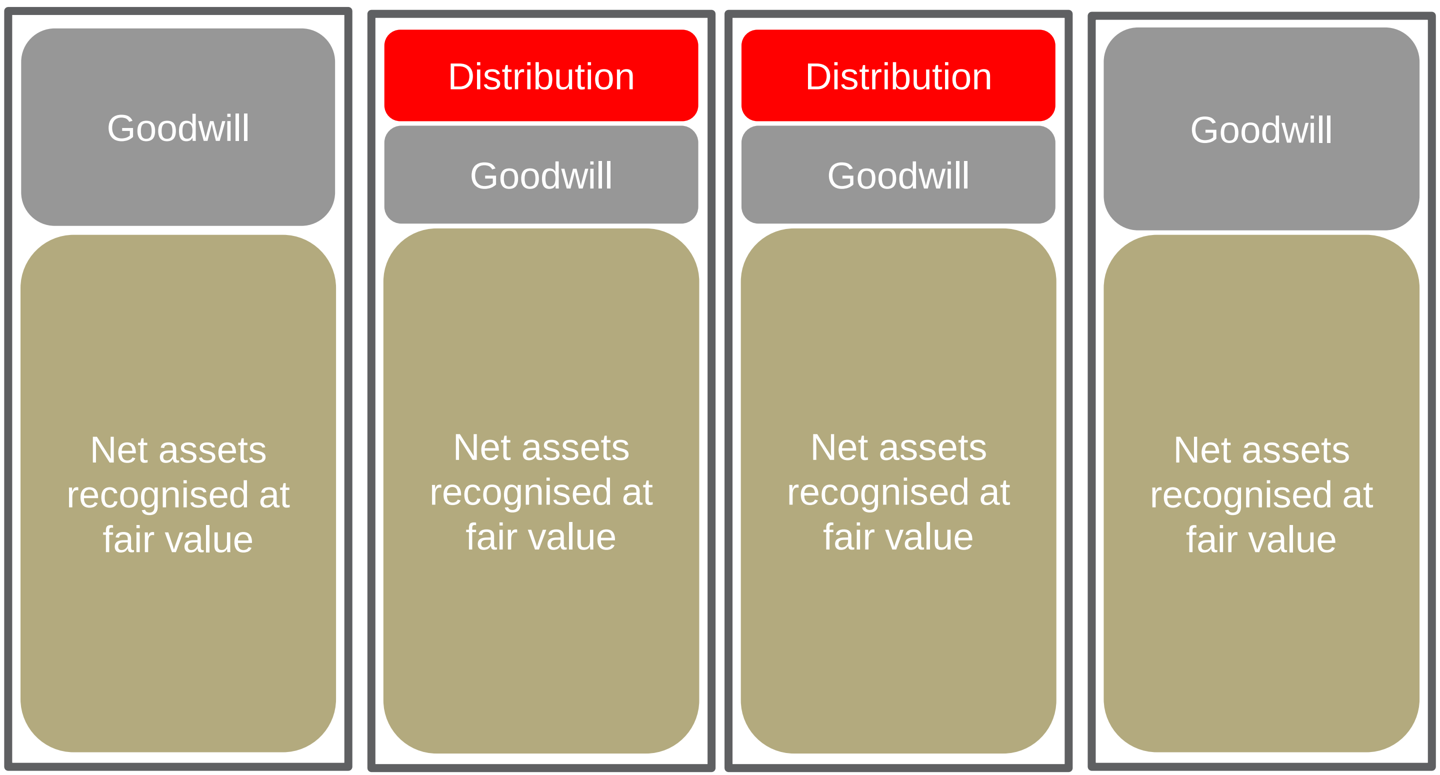
Goodwill is provisionally measured as the excess of the fair value of the consideration transferred over the fair value of the acquired identifiable net assets and tested as of the acquisition date applying the mechanics of the impairment test in IAS 36 to identify any distribution.

In our illustration, no equity distribution is identified applying the mechanics of the impairment test in IAS 36 as the value received in the combination is higher than the value given up.

Higher value received – Case 3 (5/5)

Compare the current value approaches…

The fair value of the consideration transferred is below the aggregate fair value of the acquired business and combination synergies but above the fair value of the acquired business**.**



The acquisition method | **The *Full Fair Value* approach** | **The *Ceiling* approach** | **The *Revised Ceiling* approach**

No approach would reflect a contribution to equity.

The *Full Fair Value* and the *Ceiling* approach would report a distribution for the portion of the consideration attributable to synergies.

Exploring current value approaches – summary

IFRS®

Summary of information provided by current value approaches

Scenario	Acquisition method	*Full Fair Value* approach	*Ceiling* approach	*Revised Ceiling* approach
Equal values exchanged	Reflects an equal exchange. Any synergies included in goodwill.	May not reflect an equal exchange. If pricing reflects synergies, they are shown as distribution.	May not reflect an equal exchange. If pricing reflects synergies, they are shown as distribution.	Reflects an equal exchange. Any synergies included in goodwill.
Higher value given up	Overpayment not shown (included in goodwill and may not be captured by IAS 36 impairment test).	Reflects overpayment as distribution (overstated if pricing reflects synergies).	Reflects overpayment as distribution (overstated if pricing reflects synergies).	Overpayment not shown (included in goodwill and may not be captured by IAS 36 based test).
Higher value received (1) (consideration below FV identifiable net assets)	Reports a gain. No goodwill is recognised.	Reflects the highest contribution of all approaches. Reflects acquiree's goodwill*.	Reflects contribution. No goodwill is recognised.	Reflects contribution. No goodwill is recognised.
Higher value received (2) (consideration below FV acquired business but above FV identifiable net assets)	Does not report a gain. Measures goodwill as a residual.	Reflects contribution. Reflects acquiree's goodwill*.	Does not reflect a contribution. Goodwill measured as a residual.	Does not reflect a contribution. Goodwill measured as a residual.
Higher value received (3) (consideration below FV business + synergies but above FV acquired business)	Does not report a gain. Measures goodwill as a residual (captures acquiree's goodwill*).	Reflects distribution if pricing reflects synergies. Reflects acquiree's goodwill*.	Reflects distribution if pricing reflects synergies. Reflects acquiree's goodwill*.	Does not reflect a contribution. Measures goodwill as a residual (captures acquiree's goodwill*).

*Goodwill that was previously generated by the acquired business.

Staff observations

- The acquisition method and the *Revised Ceiling* approach provide useful information for a transaction where equal values are exchanged. Any combination synergies will be included within goodwill. The *Full Fair Value* and *Ceiling* approaches would provide useful information about such transactions if the pricing does not reflect synergies; if it does, any portion of the consideration attributable to synergies will be shown as distribution instead of being included in goodwill.
- The *Full Fair Value* and *Ceiling* approaches both reflect overpayments as distributions. The acquisition method and the *Revised Ceiling* Approach will fail to reflect an overpayment on a timely basis and may fail to reflect it at all depending on how goodwill is allocated to CGUs.
- All approaches reflect a gain or a contribution where there is an obvious excess of the value received over the value given up. The *Full Fair Value* approach is most likely to capture a contribution.
- The *Full Fair Value* and *Ceiling* approaches do not provide the most useful information for transactions when equal or near equal values are exchanged if pricing of the transaction reflects combination synergies; any portion of the consideration attributable to synergies will be shown as distribution. The acquisition method and the *Revised Ceiling* Approach would work for scenarios where pricing reflects synergies; those synergies will be included within goodwill. However, the latter two approaches would not reflect an overpayment as such.

Next steps and question for the Board

- The staff do not propose taking forward the *Full Fair Value* and *Revised Ceiling* approaches. The staff propose exploring the *Ceiling* approach further as well as exploring whether the acquisition method set out in IFRS 3 could be used as the basis for providing the most useful information about BCUCC that affect NCI.

- Does the Board agree with the staff's proposed direction? If not, what would the Board like the staff to do instead?

Thank you