IFRS

STAFF PAPER

December 2019

IASB® Meeting

Project	Business Combinations under Common Control		
Paper topic	Cover paper		
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Purpose of this paper

1. This paper:

    (a) introduces Agenda Paper 23A *Applying a current value approach to BCUCC* to be discussed at this month's meeting (paragraphs 4–5); and

    (b) sets out next steps in the Business Combinations under Common Control research project (paragraph 6).

2. Appendix A provides an illustration of the International Accounting Standards Board's (Board) tentative decisions on when a current value approach and a predecessor approach would apply to transactions within the scope of the project.

3. Appendix B provides a summary of previous discussions of the measurement approaches to transactions within the scope of the project by the Board.

Agenda Paper 23A *Applying a current value approach to BCUCC*

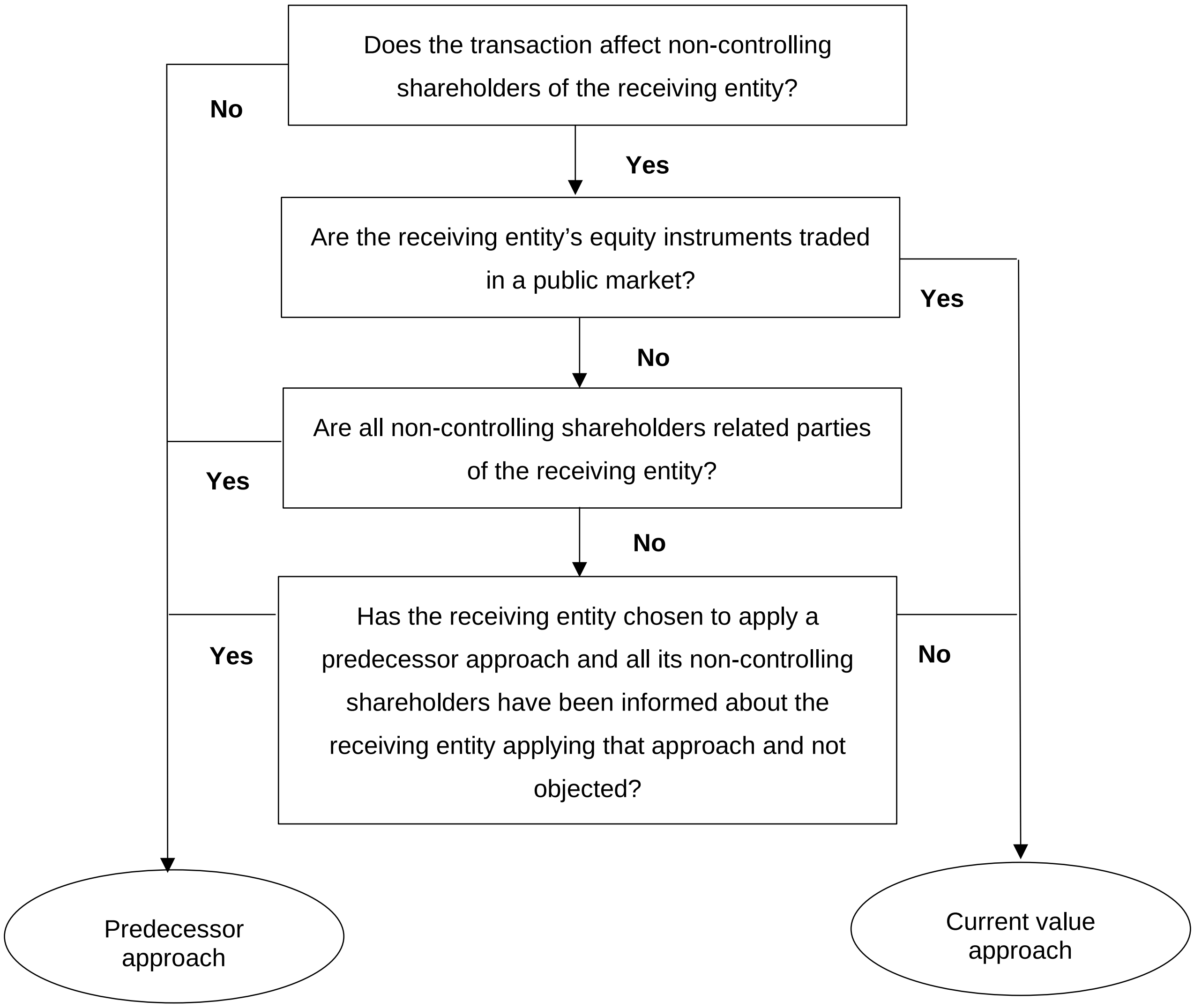
4. In developing a current value approach based on the acquisition method as set out in IFRS 3 *Business Combinations*, the Board asked the staff to consider whether and how the acquisition method should be modified to provide the most useful information about transactions that affect non-controlling shareholders of a receiving entity.

5. This paper discusses whether, in applying such an approach, the receiving entity should identify and recognise a distribution or contribution in its financial statements. The paper asks the Board for decisions.

Next steps

6. At future meetings, the staff plan to:
   - (a) complete the discussion of the remaining topics on how a predecessor approach should be applied—in particular, how the consideration transferred should be measured, and how any difference between the consideration transferred and the carrying amounts of assets and liabilities received should be presented in the receiving entity's equity;
   - (b) discuss what disclosures should be provided about business combinations under common control, including both those reported applying a current value approach and those reported applying a predecessor approach; and
   - (c) discuss whether the next due process document on the project should be a discussion paper or an exposure draft.

Appendix A—Illustration of the Board's tentative decisions on when a current value approach and a predecessor approach would apply



Appendix B—Summary of the Board's previous discussions of the measurement approaches

Board meeting	Summary of discussion
February 2018	The Board tentatively decided to use the acquisition method set out in IFRS 3 *Business Combinations* as the starting point in the analysis of transactions within the scope of the project. The Board noted that using the acquisition method as a starting point would not determine whether the Board would ultimately propose applying that method to all, or even to many, transactions within the scope of the project.
June 2018	The Board directed the staff to develop an approach based on the acquisition method set out in IFRS 3 and to consider whether and how that method should be modified to provide the most useful information about transactions that affect non-controlling shareholders.
December 2018	The Board discussed whether a current value approach based on the acquisition method should be applied to all or only some transactions that affect non-controlling shareholders of the receiving entity. The Board also discussed how any such distinction should be made. The meeting was educational and the staff did not ask the Board for decisions.
March 2019	The Board discussed an overview of the staff's approach, including how information needs of different types of primary users of the receiving entity's financial statements are considered in developing measurement approaches for transactions within the scope of the project. The Board also discussed whether a form of predecessor approach could be applied for transactions between wholly owned entities, including transactions that affect lenders and other creditors of the receiving entity or potential equity investors in an initial public offering. The meeting was educational and the staff did not ask the Board for decisions.
April 2019	The Board tentatively decided that it need not pursue a single measurement approach for all transactions within the scope of the project. Specifically, the Board could pursue: (d) a current value approach for all or some transactions that affect non-controlling shareholders of the receiving entity; and (e) a different approach, such as a form of a predecessor approach, for transactions that affect lenders and other creditors of the receiving entity but do not affect non-controlling shareholders. The Board also directed the staff to continue developing measurement approaches for transactions within the scope of the project by considering:

Board meeting	Summary of discussion
	(a) whether and how transactions within the scope of the project can be different from business combinations that are not under common control; (b) what information would be useful to various primary users of the receiving entity's financial statements; (c) whether the benefits of providing particular information would justify the costs of providing that information; and (d) complexity and structuring opportunities that could arise under various approaches.
June 2019	The Board discussed: (a) whether transactions that do not affect non-controlling shareholders of a receiving entity are different both from transactions that do affect such shareholders and from business combinations that are not under common control; and (b) if so, whether the Board could pursue an approach that is not based on the acquisition method for transactions that do not affect non-controlling shareholders, such as a form of predecessor approach.
July 2019	The Board discussed: (a) information needs of potential equity investors of the combining entities about transactions that affect non-controlling shareholders of the receiving entity and about transactions that do not affect such shareholders; and (b) an overview of how alternative measurement approaches could apply, and of the questions the Board will need to consider in developing those approaches.
September 2019	The Board tentatively decided that: (a) a current value approach based on the acquisition method set out in IFRS 3 should be required for transactions within the scope of the project that affect non-controlling shareholders of a receiving entity unless equity instruments of the receiving entity are not traded in a public market and one of the following conditions applies: (i) all non-controlling shareholders are the receiving entity's related parties; or (ii) the receiving entity chooses to apply a predecessor approach and all its non-controlling shareholders have been informed about, and not objected to, the receiving entity applying that approach.

Board meeting	Summary of discussion
	(b) a predecessor approach should be required for all other transactions within the scope of the project.
October 2019	The Board made the following tentative decisions on how particular aspects of a predecessor approach should be applied: (a) a receiving entity should recognise and measure assets and liabilities transferred at the carrying amounts included in the financial statements of the transferred entity; and (b) pre-combination information in the primary financial statements should be provided only about the receiving entity.