STAFF PAPER

Prepared for the Capital Markets Advisory Committee and Global Preparers Forum Meeting

Paper topic	**Follow up on issues discussed at the March 2019 CMAC meeting**

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Purpose of this paper

1. This paper provides a brief, high-level update to the Capital Markets Advisory Committee (CMAC)[1] and the Global Preparers Forum (GPF)[2] on how the staff or the International Accounting Standards Board (the Board) considered the advice received during the CMAC meeting held in March 2019. It is for information purposes only.

[1] Information about the CMAC's past meetings can be found at https://www.ifrs.org/groups/capital-markets-advisory-committee/#about

[2] 2 Information about the GPF's past meetings can be found at https://www.ifrs.org/groups/global-preparers-forum/

Update on advice received at the March 2019 CMAC meeting

Topic	**Summary of CMAC views presented**	**Next steps / action taken by the IASB**
Extractive Activities	The purpose of the session was to seek feedback from CMAC members \to better understand the issues that users of extractives industry (eg minerals or oil and gas) financial statements face. During the meeting, CMAC members discussed: a) the proposed scope of the research project; and b) disclosures additional to requirements in the Standards that users need to better understand the financial statements of entities operating in the extractives industry. ***Proposed scope of the research project*** CMAC members generally agreed that the scope of the project should be expanded to consider useful disclosures by entities beyond those about the exploration for and evaluation of minerals and oil and gas—for example, disclosures about reserves and resources—because: a) users rely on the reporting of non-IFRS information, such as an entity's mineral reserves and resources, to complement and support their understanding of the financial statements; and b) the non-IFRS information being reported lacks comparability and consistency which can affect users' understanding of the financial statements and the information is not always available, although standardisation could be difficult. One member mentioned that they adjust an entity's financial statements to reflect capitalisation of exploration and evaluation expenditure, removing the diversity in accounting policies and allowing management to be held to account. Another member	The staff will report the feedback from CMAC members at a future Board meeting, and consider that feedback in the Board's deliberations about the proposed scope of the extractive activities research project.

	mentioned challenges in reconciling the accounting policy selected to its impact on the financial statements and disclosure on the amounts expensed, written-off as a result of impairment or another reason and capitalised in the period would be useful. In response to a Board member's question of whether a disclosure solution to the diversity of accounting policies would be better than standardising the policy, some members thought that it was better to provide information to allow users to make their own adjustments since they thought it too difficult to standardise current accounting practice. One member said the Board should consider collaborating with the Sustainability Accounting Standards Board for the disclosure of non-IFRS information for insights into how to standardise the information. Two members observed that exploration and evaluation expenditure is similar to research and development expenditure in the pharmaceuticals industry. One member said the development of an industry-specific standard for the extractives industry may have unintended consequences. One member noted that the issue of climate change had emerged particularly strongly over the past decade and should be considered by the Board, given its impacts on reserves and resources, impairment and the useful life of a mine and its related assets. One member stated that, given the specialist nature of the project's subject matter and of IFRS 6 *Exploration for and Evaluation of Minerals and Resources*, the Board should consider using a similar approach to that used by the Management Commentary project. Specifically, this member thought the Board would be able to obtain more detailed and useful information through discussing the project scope and future deliberations with a panel of industry experts. ***Additional disclosures*** *Minerals and resources* Several CMAC members mentioned that, generally, the information for the oil and gas industry was better than the mining industry.	

	These members commented that better information by each metal or mineral was required, with one member mentioning information on the cost, the breakeven point and the profitability of each metal is needed. *Other disclosures* CMAC members suggested several disclosures that could help make information more useful for decisions. Among these suggestions, the following disclosures gained support around the table: a) sensitivity analysis which reflects the material inputs into an entity's valuation of reserves and resources. For example, this could include explaining the effect of risks, such as price volatility, which could reasonably be expected to affect the entity's valuation of reserves and resources; and b) b. climate change, and current and future costs related to the environment.	
Financial Instruments with Characteristics of Equity	The purpose of this session was to provide CMAC members an overview of feedback from investors—users of financial statements—on the FICE discussion paper and to seek their views on: a) staff summary of investors' feedback and whether they have any further feedback for the Board; and b) proposals in the discussion paper CMAC members would like the Board to prioritise. CMAC members broadly agreed with the staff summary presented at this meeting and provided further insights and additional feedback in relation to the following proposals in the discussion paper: ***Presentation of equity instruments*** CMAC members echoed investors' feedback that there is limited support for attribution of total comprehensive income within equity, in particular, for derivative equity instruments, citing complexity as the main drawback. Nonetheless, the members consider	In June and July 2019 the Board will discuss detailed feedback received from various stakeholders on the Discussion Paper, including feedback provided by CMAC members at previous CMAC meetings. The Board will continue its re-deliberations and decide on project direction in 2019.

	information on the fair value of derivatives on own equity particularly important for analysing the entity's equity value; and they said it would be useful for entities to provide such information in disclosures. One CMAC member said that investors in his jurisdiction (Japan) support the idea of entities disclosing attribution to equity instruments, noting that it would be particularly useful to equity investors. ***Presentation of financial liabilities— presentation of income and expenses arising from particular financial liabilities in other comprehensive income*** CMAC members agreed with the investors' feedback that most investors currently do not focus on analysing other comprehensive income (OCI). For that reason, the members do not support presentation of income and expenses in OCI, even with recycling. One CMAC member added that investors in his jurisdiction (Japan) strongly object to the approach that uses non-recycling of OCI. Other CMAC members expressed a view that cash-coupon payments of this type of financial liabilities should be reflected in profit or loss. They support the reporting of the effect of remeasurement (for example, market-to-market movements) in OCI without recycling, while the ultimate cash amount settled should be recycled. In the view of these members, doing so would contribute to the income statement reflecting the true performance of the entity for the period. ***Disclosures*** *Priority of financial liabilities and equity instruments on liquidation* While acknowledging the challenges summarised by the staff, CMAC members expressed a view that they would still find this disclosure particularly useful. In response to the challenges highlighted for complex group companies, a CMAC member suggested that sub-consolidation of the operating subsidiaries could be used where relevant.	

CMAC members said that even if an entity is unable to provide this information, the disclosures of that fact and the reasons for such conclusion would be useful. For example, an explanation on what the priority depends on, such as an insolvency administrator's interpretation and decision would be useful. This information would help the holders of financial instruments to make judgements on what they might be able to get under different liquidation scenarios.

However, one CMAC member expressed his concern that providing information on priority on liquidation could lead to voluminous disclosure, in particular, for large and complex banks and at the same time, providing a high-level summary might reduce the usefulness and reliability of the disclosure. This member also said that the explanation of why companies cannot provide this information might result in a 'boilerplate' disclosure.

Contractual terms and conditions

CMAC members echoed that, to avoid disclosure overload, it may be appropriate to provide a summary of key features and material information about the entity's capital or financing structure and include references, with hyperlink if possible, to other documents that provide further information such as prospectuses.

Classification

In response to the staff summary on concerns raised over the potential change in classification of some perpetual cumulative instruments, a CMAC member said that such instruments are deemed to be liabilities for the purpose of financial analysis regardless of their current accounting treatment. This type of financial instrument bears service costs (eg coupon payments) that are expected to be paid while the reporting entity is a going concern and commonly results in an ultimate cash payment on redemption—all characteristics of what would be deemed a liability.

	Another CMAC member further elaborated that, in her view, using regulatory capital perpetual instruments issued by banks as an example, she treats the traditional types of such instruments (for example, Upper Tier 2 instruments) as liabilities. This is because, other than the issuer entity's option to defer service costs to maturity and their perpetual nature, they possess the characteristics of a liability, and behave like a liability—as demonstrated during the last financial crisis. In contrast, contingent convertible instruments issued more recently, such as Additional Tier 1 capital instruments, would be considered as equity for the purpose of the analysis because, subject to occurrence of the triggering event, they convert into ordinary shares. The staff summary of investors' feedback includes a concern about potential market disruption resulting from early redemption of such instruments, triggered by a change in accounting classification. In response to this, a CMAC member said that a potential solution to this concern for the banking sector may be to allow transition through a "phase-in" arrangement similar to that allowed by prudential regulators for regulatory capital purposes. In her view, most of the traditional perpetual instruments issued by banks may be redeemed as they would lose their grandfather status (for regulatory capital purposes) in a few years. Another member highlighted the potential consequences of an unexpected early redemption on the entities' ability to raise future financing. In relation to the interaction between the amount feature and the going concern principle, a CMAC member expressed a view that using the 'amount feature' to determine classification as a liability and an equity does not conflict with the application of the going concern principle.	
Targeted Standards-level Review of Disclosures	The purpose of this session was to seek CMAC members' views on: a) users' primary objectives relating to IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement* disclosures; and b) users' suggested items of information that could be used to meet those objectives. Specifically, CMAC members provided feedback on whether they agreed with the objectives and specific items of information identified in the staff's detailed outreach with	The Board discussed feedback from CMAC members at its May 2019 meeting (see Agenda Papers 11B and 11C). The Staff will consider the feedback as it develops recommendations for the Board on amendments to the

	users during November 2018–March 2019 (see Agenda Paper 4A). Some CMAC members suggested additional items of information. **IAS 19 *Employee Benefits*** The detailed user outreach summarised in Agenda Paper 4A identified the following disclosure objectives for defined benefit plans: a) A—forecast future pension obligations. b) B—determine the value of the pension obligation to input into analyses for forecasting, such as enterprise value calculations. c) C—evaluate the impact of the pension obligation on the entity's cash flows. d) D—assess the appropriateness of the assumptions and amounts underlying the entity's valuation of its pension obligation. e) E—understand the economics of the plan(s) held by the entity and specifically, the risks to which the plan(s) expose the entity. This also allows users to assess any potential future exposures. f) F—understand the sensitivity of the pension obligation to different assumptions to determine appropriate risk adjustments. g) G—understand the risks, and expected future cash flows, associated with closed defined benefit plans. This includes understanding the time period over which any remaining obligations is expected to wind down. h) H—understand the effect of an entity's plan(s) on the primary financial statements. CMAC members provided the following feedback on users' identified disclosure objectives: a) most CMAC members supported objectives A, B, C and H. Some of these members mentioned one or all of objectives A, B and C as the most important. b) some CMAC members supported objective F. However, one CMAC member did not find objectives E and F particularly relevant to their analysis. c) one CMAC member suggested amending objective G so that it applies to all defined benefit plans including closed defined benefit plans.	disclosure sections of IAS 19 and IFRS 13 in future meetings.

	CMAC members provided the following feedback on specific items of information that users suggested could be used to meet their objectives on defined benefit plans: a) most CMAC members said that almost all the specified items of information would provide information that is useful in meeting their objectives; b) most CMAC members strongly supported disclosure of information that explains the differences between various pension plan valuations. Two CMAC members said that they are most interested in the buyout valuation of the pension obligation. One of these members added that this valuation would be the most comparable valuation across companies and the most relevant for their enterprise value calculations. A few CMAC members, however, acknowledged that determining the buyout valuation of the pension obligation would be costly; c) many CMAC members supported disclosure of the expected contributions into the plan(s), either as agreed with the trustees or internally budgeted. Some of these members highlighted this information as very important and added that it is particularly helpful for estimating and forecasting free cash flows; and d) a few CMAC members stated that sensitivity analysis is important. One of these members prioritised comparability of this information across companies and supported the method illustrated in Appendix A of Agenda Paper 4A. CMAC members suggested the following additional items of information that could be used to meet their objectives on defined benefit plans: a) two CMAC members said that the deferred tax asset related to the pension obligation should be disclosed. One of these members added that this information is needed to derive entities' enterprise value. However, the information is not generally available today; b) one CMAC member said that information to understand the impact of multi-employer plans, including mortality assumptions and the duration of plan assets should be provided; and	

c) another CMAC member said that information about any agreements in place with plan trustees, and any guarantees relating to pension obligations within a group should be disclosed.

IFRS 13 **Fair Value Measurement**

CMAC members provided fewer comments on IFRS 13 compared to IAS 19.

One CMAC member supported the following disclosure objectives:

a) D—assess the appropriateness of the inputs, techniques and amounts underlying an entity's fair value measurements; and
b) E—understand the nature and characteristics of the assets and liabilities measured at fair value, particularly for complex or hybrid instruments.

CMAC members provided the following feedback on specific items of information that users suggested could be used to meet their objectives on fair value measurements:

a) one CMAC member supported disclosure of the breakdown of the type of instruments within each level of the fair value hierarchy; reconciliation between opening and closing balances of Level 3 fair value measurement; and disclosure of the fair value of financial investments not held at fair value;
b) another CMAC member supported narrative information about how an entity has determined the level of the fair value hierarchy to which an instrument belongs. This member expressed doubt about whether the other identified additional disclosures (i.e. items of information suggested by users that are not already required by IFRS 13) would improve their understanding of fair value measurement or allow them to better compare entities; and
c) another CMAC member supported disaggregation of the fair value of assets and liabilities recognised on the balance sheet by instrument type. This member added that such information would be particularly important for interim financial reports.

	CMAC members suggested the following additional items of information that could be used to meet their objectives on fair value measurements: a) the CMAC member referred to in paragraph b said that their ideal set of information, in addition to the information disclosed today, would include the amount of income generated by Level 3 assets, the amount of capital that Level 3 assets consume and the duration of those assets. This member added that such disclosures would be helpful to improve comparability between entities, especially between financial entities; and b) a few CMAC members supported the provision of fair value disclosures in a tabular format. Several members commented that IFRS 13 disclosures are often voluminous and one member added that voluminous disclosures are more helpful and understandable in a tabular format than in a narrative format.	
IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets***	The purpose of this session was to seek CMAC members' views on the scope of a possible project to make targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Specifically, CMAC members discussed whether the Board should: a) align the liability definition and supporting guidance with the *Conceptual Framework*; b) clarify which costs to include in the measure of a provision; and c) specify whether the rate at which an entity discounts its provisions for the time value of money should include or exclude the entity's own credit risk. ***Aligning liability definition and guidance with the Conceptual Framework*** Several CMAC members expressed support for aligning the IAS 37 liability definition and supporting guidance with the *Conceptual Framework*, including replacing IFRIC 21 *Levies* with new application guidance. They reasoned that levies that accumulate over a period should be recognised on an accrual basis (ie progressively) rather than at the point in time when an entity takes the action that triggers payment of the levy. In response to a	At a future Board meeting, the staff will report the comments gathered from CMAC members. This will help the Board decide whether to undertake a project to make targeted improvements to IAS 37 and, if so, which aspects to consider improving.

	question from a Board member, some CMAC members said even levies of fixed amounts should be accrued over the period to which they relate. A CMAC member questioned some of the terminology. The staff clarified that the phrase ‘no practical ability to avoid’ in the *Conceptual Framework* is intended to have a similar meaning to ‘no realistic alternative’ in IAS 37. If the Board decides to align the IAS 37 liability definition and supporting guidance with the *Conceptual Framework*, it would consider whether to also align the terminology. In response to questions from CMAC members, the staff clarified that, if IAS 37 requirements are aligned with the *Conceptual Framework*, liabilities for some types of levies might continue to be recognised at a point in time, rather than progressively over a period. In some of those cases, the entity might also need to recognise an asset and amortise the asset over a subsequent period. The accounting could vary depending on the facts and circumstances. ***Clarifying which costs to include in the measure of a provision*** A CMAC member asked about current practices for measuring provisions. The staff said they were aware that some companies include only incremental costs; other companies also included an allocation of other directly related costs, but the Board does not have data on how prevalent the different practices are. CMAC members had no other comments on this topic. ***Specifying whether discount rate includes own credit risk*** CMAC members expressed support for excluding an entity’s own credit risk from the rates used to discount provisions. They reasoned that including an entity’s own credit risk: a) would produce a counter-intuitive result—higher risk entities would record smaller provisions; b) could create volatility; and c) would not provide useful information if an entity is a going concern.	

	Two CMAC members suggested specifying more precisely in IAS 37 the discount rates that should be used to measure provisions.	
Management Commentary Practice Statement	The purpose of this session was to seek CMAC members' views on: a) challenges in current practice of reporting performance and position in management commentary; b) the interaction between management commentary and other reports; c) overview of performance and position; d) forecasts and targets in management commentary; and e) information about tax in management commentary. ***Challenges in current practice of reporting performance and position in management commentary*** Overall, CMAC members observed that the challenges identified by the staff reflected issues they recognised in practice. A few members asked that staff also consider additional challenges: a) difficulty in understanding the link between management commentary and the financial statements. The lack of a clear connection often necessitates discussion with management, which is not possible for all users. b) inconsistent information reported in different periods; for example, when a metric previously used in management commentary would show an unfavourable performance in the current period, the entity uses a different metric that shows a more favourable outcome. c) information on intangibles is not sufficiently detailed. In particular, management commentary does not include sufficiently disaggregated information to help users identify which expenditure is for maintenance and which is for business growth. ***The interaction between management commentary and other reports***	The staff will consider the feedback from CMAC members in preparing future agenda papers for the Board.

	CMAC members discussed the staff's proposals for incorporating information into management commentary by cross-referencing to financial statements and to other reports published by the entity. Some members agreed that cross-referencing between management commentary and financial statements (which some referred to as 'internal cross-referencing' when management commentary and financial statements are part of the same document) was helpful and could avoid unnecessary duplication. Members' suggestions on good practice of cross-referencing included: a) avoiding excessive cross-referencing; b) avoiding long chains of cross-references; c) using two-way cross-referencing, particularly in electronic documents; and d) clearly identifying the cross-referenced information. Some members cautioned against incorporating information in management commentary by cross-referencing to entity's reports other than financial statements, because: a) if information is material, it should be included directly in the text of management commentary rather than be incorporated by cross reference, even if that results in duplication. Those members were concerned that cross-referencing to the entity's published reports, other than the financial statements, could discourage preparers from reporting material information in management commentary or make it more difficult for users to see a 'coherent story'. A few members suggested that management commentary needs to be a stand-alone document which contains all necessary material information and any cross references should only be used to refer to additional information. A member emphasised that the request for a stand-alone document was not just about convenience—or about easily accessing information in a single location—it was also about reducing the chances of the user missing material information. b) doing so has possible legal implications. A few members were concerned that in some jurisdictions, for example, the United States, a cross-reference from management commentary to information in another document could be	

interpreted to include that the whole document—not just the referenced information—is legally part of the management commentary.

Other members suggested that cross-referencing to the entity's published reports, other than the financial statements, may be appropriate if:

a) the other report is filed as part of the annual report of which management commentary forms part, for example, the corporate governance report; and
b) the cross-reference is to regulatory filings in a regulated industry, for example, cross-referencing to Basel Pillar 3 reports in the banking sector.

A member commented that cross-referencing to external reports published by other parties may be useful if the entity discusses key performance indicators reflecting how the entity is perceived in the market—adding that it is helpful to know the source of the indicators.

Another member emphasised that cross-referencing within management commentary itself is helpful.

A member recommended that in developing the proposals for the revised Practice Statement, the Board should consider the guidance on cross-referencing in the EU Non-Financial Reporting Directive on non-financial information.

Overview of performance and position

A member reported that from experience, overviews and earnings releases tend to be overly positive even when the financial statements do not support such optimism. That member did not expect that introducing a requirement to provide an overview would necessarily change this current practice of positive bias because at present management changes information it reports only in response to investor challenges and queries. Another member agreed that dialogue with investors, where investors asked the entity to include specific information was generally a disciplining mechanism to improve entities' reporting.

One member said that the market and competitive context is often missing from an overview—the financial performance of an entity is often discussed in isolation. That member suggested that factual information on an entity’s market position, such as whether it is losing or gaining market share and whether its position in the market is sustainable, should be included in the high-level overview of performance and position.

A few members agreed that performance measures (including adjusted performance measures) should be included in the overview of performance and position but added that more information than just the measures themselves was required. The members said that information such as why those measures are used, and why measures have been replaced and new ones introduced, should be explained. However, another member commented that requirements to explain reasons for changing such measures could lead entities to stop reporting those measures in management commentary and just include them in other communications.

One member suggested that matters discussed in the entity’s capital markets days should be included in the overview, or at least elsewhere in the management commentary. However, a few members disagreed, saying that including all those matters in the management commentary would unnecessarily inflate it and suggested that such duplication would not be needed, provided that capital markets communications were publicly available.

Forecasts and targets in management commentary

A few members agreed with the proposal of including in management commentary forecasts and targets published elsewhere because it is helpful to confirm their continued validity or to see that they have changed.

A member commented on the feedback from the Management Commentary Consultative Group that a requirement to include in the management commentary previously published forecasts could discourage entities from publishing forecasts elsewhere. In that member’s opinion, this was not a downside as it was preferable to just have forecasts which were subject to the rigour applied to management commentary. However, a few members disagreed, saying that forecasts prepared by management would still be useful

	information for their analysis regardless of the level of oversight over those forecasts. Accordingly, in those members' view, management should not be deterred from providing forecasts elsewhere. A few members said information about matters known to management that could affect the future of the entity would be more useful to users than an entity's own forecasts, because users can use such information for their own forecasting. ***Information about tax in management commentary*** Most members said they would like more information on tax in management commentary, particularly on cash tax rates. Some members said that management needed to provide discussion when the cash tax rate differs from the effective tax rate in the profit or loss statement so users can understand the reason for the difference and if the difference was expected to continue in future. Most members agreed that they are not expecting management to forecast a rate of tax, but instead want information on the sustainability of the tax rate and on factors that could cause the tax rate to change. Members suggested including the following information about tax: a) geographical mix, including levels of losses by jurisdiction; b) tax incentives, tax breaks and tax credits; c) tax litigation; d) deferred tax assets; and e) tax losses carried forward. A few members suggested that management commentary should discuss management's plans for when the current economic cycle, characterised by low tax rates that have contributed to profitability, comes to an end and entities may have to pay higher taxes in the future.	
Business Combinations	The purpose of this session was to seek input from CMAC members on: a) whether the measurement approaches being developed by the staff for business combinations under common control would meet the information needs of the	The staff considered the views expressed by CMAC in the papers discussed at the April 2019 Board

Under **Common** **Control**	receiving entity's investors, lenders and other creditors. Those approaches are a current value approach based on the acquisition method set out in IFRS 3 Business Combinations and a predecessor approach; and b) how to determine when each of those approaches should be applied to a business combination under common control. Members discussed whether a current value approach should be applied to business combinations under common control that affect non-controlling shareholders in the receiving entity. In particular, members discussed if that method should be applied to all or only some such transactions and if only to some, how that distinction should be made. A few CMAC members who commented on the topic supported the use of a current value approach when a transaction affects non-controlling shareholders in the receiving entity. Two of those members, for the reasons discussed in Agenda Paper 7, also supported the staff's tentative view that requiring current value information only in those non-controlling shareholders scenarios when the receiving entity's equity instruments are traded in a public market is a viable approach to explore, if the Board continued to pursue a current value approach for some transactions that affect non-controlling shareholders . No members objected to that view. Two members highlighted that this is a complex area and that they don't have significant practical experience dealing with such transactions. Nevertheless, one of those members suggested that considering cost-benefit factors could lead to a conclusion that a form of predecessor approach could be appropriate in at least some transactions that affect non-controlling shareholders. Members next discussed the information needs of lenders and other creditors of the receiving entity in a business combination under common control. CMAC members who commented on the topic—including members specialising in credit analysis— agreed with the staff's conclusion that the result of credit analysis would be largely unaffected by whether a current value approach or a form of predecessor approach is used to account for business combinations under common control. One member specialising in credit analysis also emphasised in support of the staff's conclusion that in his experience corporate credit ratings are typically determined by considering the corporate group as a whole and the extent of linkages between members of that group, rather than at an individual entity level. Another member specialising in credit analysis agreed that cash	meeting. At that meeting, the Board tentatively decided that it need not pursue a single measurement approach for all transactions within the scope of the project. At the same meeting, the Board directed the staff to continue developing measurement approaches for transactions within the scope of the project by considering: whether and how transactions within the scope of the project can be different from business combinations that are not under common control; what information would be useful to various primary users of the receiving entity's financial statements; whether the benefits of providing particular information would justify the costs of providing that information; and complexity and accounting arbitrage opportunities that could arise under various approaches. At the June joint CMAC and GPF meeting the staff plan to seek

	flows are the primary focus of debt providers and credit analysts but stated that current value information may also be useful for credit analysis in some circumstances. However, that member acknowledged that consideration of current value is secondary to the focus on cash flows in credit analysis and agreed with the staff's conclusion. No members objected to that conclusion. Members then discussed whether a form of predecessor approach would provide useful information about business combinations under common control between wholly owned entities to prospective equity investors in an initial public offering (IPO). CMAC members who commented on the topic agreed with the staff's observation that various legal forms that such transactions can take would not affect the economic substance of those transactions and agreed that a form of predecessor approach would provide useful information about the businesses being sold in the IPO to prospective equity investors. No members objected to the staff's observation. One member noted that prospective equity investors in an IPO would likely always prefer a predecessor approach.	members' feedback on particular aspects of how a current value approach and a form of predecessor approach should be applied to transactions within the scope of the project. That input received will be reported in future papers for the Board.