

STAFF PAPER

February 2018

IASB Meeting

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

1. This paper:
 - (a) introduces Agenda Paper 23A *Starting point in developing proposals* to be discussed at this month's International Accounting Standards Board (Board) meeting (paragraphs 4–7); and
 - (b) sets out next steps in the Business Combinations under Common Control (BCUCC) research project (paragraphs 8–9).
2. Appendix A of this paper reports the tentative decisions the Board has made to date on the project.
3. This paper is for information only and there are no questions for the Board.

Paper for this meeting

4. At this month's Board meeting, the staff will present Agenda Paper 23A *Starting point in developing proposals*.
5. In Agenda Paper 23A, the staff seek direction from the Board on the starting point in developing proposals for transactions within the scope of the project. That paper:
 - (a) discusses alternative approaches;
 - (b) provides staff recommendation; and
 - (c) asks the Board for a decision.
6. In particular, the staff recommend that the Board should use the acquisition method set in IFRS 3 *Business Combinations* as the starting point in developing proposals for transactions within the scope of the BCUCC project.
7. Agenda Paper 23A also reports feedback received on the topic from Accounting Standards Advisory Forum and the Emerging Economies Group members (Appendix A and Appendix B of Agenda Paper 23A).

Next steps

8. Assuming the Board agrees with the staff recommendation in Agenda Paper 23A for this month's meeting (see paragraph 6 of this paper), the staff plan to discuss with the Board at future meetings:
 - (a) how to identify transactions within the scope of the project for which the acquisition method would provide useful information.
 - (b) how to account for transactions within the scope of the project for which the acquisition method would not provide useful information at a cost that is justified by the benefits of that information. When exploring the accounting method for those transactions, the Board could:
 - (i) start with a blank sheet of paper and develop a new method; or
 - (ii) consider a variation of the so-called 'predecessor method'.

In the latter case, the staff will discuss with the Board:

- (i) which carrying amounts of the assets acquired and liabilities assumed should be used (eg those reported by the immediate or ultimate controlling party or by the transferred business);
- (ii) whether to restate comparative information and from which date the combining parties should be combined;
- (iii) how to measure the consideration transferred; and
- (iv) where to recognise any difference between the consideration transferred and the assets acquired and the liabilities assumed.

9. The staff expect that the next due process document in the project will be a Discussion Paper.

Appendix A—Board’s tentative decisions to date

- A1. This appendix is provided for information only and the staff do not plan to discuss it at the meeting.
- A2. The table below reflects tentative decisions the Board made up to and including its meeting on 14 December 2017. An updated version of this table will be provided at each Board meeting at which the Board will discuss the BCUCC project.

Board meeting	Topic	Tentative decision
June 2014 (Agenda Paper 14)	Scope of the project	The Board tentatively decided that the BCUCC project should consider: <ul style="list-style-type: none"> (a) business combinations under common control that are currently excluded from the scope of IFRS 3 <i>Business Combinations</i>; (b) group restructurings; and (c) the need to clarify the description of business combinations under common control, including the meaning of ‘common control’.
October 2017 (Agenda Paper 23)	Scope of the project	The Board clarified that the scope of the BCUCC project includes transactions under common control in which a reporting entity obtains control of one or more businesses, regardless of whether IFRS 3 <i>Business Combinations</i> would identify the reporting entity as the acquirer if IFRS 3 were applied to the transaction.
December 2017 (Agenda Paper 23B)	Scope of the project	The Board tentatively decided that the scope of the project also includes transactions involving transfers of one or more businesses where all of the combining parties are ultimately controlled by the same controlling party or parties, and the transactions are: <ul style="list-style-type: none"> (a) preceded by an external acquisition and/or followed by an external sale of one or more of the combining parties; or (b) conditional on a future sale such as in an IPO.