IFRS Accounting

Staff paper

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Project	**Business Combinations under Common Control**
Topic	**Other considerations**
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Introduction and purpose

1. This paper analyses other considerations for selecting the measurement method, including:

   (a) comparability;

   (b) challenges in applying the acquisition method; and

   (c) other specific suggestions.

2. This paper only considers these other considerations as part of reaching overall decisions on selecting the measurement method to apply to a business combination under common control (BCUCC). Deciding which measurement method to apply will involve considering all factors collectively including, for example, the cost-benefit trade-off (Agenda Paper 23F).

3. As noted in paragraph 15 of Agenda Paper 23A, this paper is a supporting paper included for reference—it does not contain questions for the International Accounting Standards Board (IASB). IASB members can raise any particular questions or comments on our analysis in this paper when discussing Agenda Papers 23B and 23C or when answering question (c) on page 8 of Agenda Paper 23A.

Structure of this paper

4. The paper is structured as follows:

   (a) comparability (paragraphs 5–15);

   (b) challenges in applying the acquisition method (paragraphs 16–49); and

   (c) Appendix A—Other specific suggestions and considerations.

Comparability

Observations/conclusions in the Discussion Paper and tentative decisions

5. Part of the project objective in the Discussion Paper *Business Combinations under Common Control* (Discussion Paper) was to provide users with more comparable information by requiring similar transactions to be reported in a similar way. In its March 2022 meeting, the IASB tentatively decided the project objective, retaining providing more comparable information as part of the objective.

6. Initial feedback in developing the Discussion Paper included:

   (a) stakeholders who said applying a book-value method to all BCUCCs would improve comparability in reporting BCUCCs; and

   (b) other stakeholders who said BCUCCs are similar to business combinations covered by IFRS 3 *Business Combinations* (IFRS 3 BCs) so applying the acquisition method to BCUCCs would improve comparability with IFRS 3 BCs.

7. The IASB considered that its preliminary views on selecting the measurement method (summarised in paragraphs 4–7 of Agenda Paper 23A) would meet the project objective while taking account of the cost-benefit trade-off. In particular, diversity in practice would be reduced by specifying:

   (a) which method should apply in which circumstances, so entities undertaking similar BCUCCs would apply the same method; and

   (b) how a book-value method would apply.[1]

Feedback

8. Some respondents who said a book-value method should be applied to all BCUCCs said applying the acquisition method to some BCUCCs and a book-value method to others would decrease comparability between BCUCCs.

9. Some respondents who agreed with the IASB's preliminary views said it would reduce diversity and improve comparability. Some respondents who suggested requiring a receiving entity to assess the 'substance' of a BCUCC to determine which method to apply said doing so would improve comparability.

[1] Specifying how a book-value method would be applied will reduce diversity in practice for BCUCCs to which it is applied. The analysis in this agenda paper focuses on comparability resulting from the selection of the measurement method.

Analysis

Comparability between BCUCCs

10. As explained in Agenda Paper 23D, we think the nature of all BCUCCs is similar to IFRS 3 BCs, therefore applying the same measurement method to all BCUCCs would maximise comparability between BCUCCs. Applying more than one measurement method to BCUCCs (for example, applying the IASB's preliminary views) means that the information provided about BCUCCs would not always be comparable. However, specifying when each measurement method should apply would increase comparability between BCUCCs in similar circumstances and reduce diversity in practice.

11. By contrast, allowing entities to choose which measurement method to apply would be inconsistent with the project's objective of providing users with more comparable information.

Comparability with IFRS 3 BCs

12. As explained in Agenda Paper 23D, we think the nature of all BCUCCs is similar to IFRS 3 BCs. Accordingly, applying the acquisition method to all BCUCCs would maximise comparability between BCUCCs and IFRS 3 BCs.

13. Applying the acquisition method to only some BCUCCs means there will be comparability between those BCUCCs and IFRS 3 BCs but not between other BCUCCs and IFRS 3 BCs.

14. As Agenda Paper 23D explains, some respondents said BCUCCs lack substance from the controlling party's perspective or said BCUCCs are not all the same. Respondents who think the nature of (some or all) BCUCCs differs from IFRS 3 BCs may view comparability between such BCUCCs and IFRS 3 BCs as irrelevant.

Initial view

15. Because we think the nature of all BCUCCs is similar to IFRS 3 BCs (see Agenda Paper 23D), applying the acquisition method to all BCUCCs would maximise comparability between all BCUCCs and with IFRS 3 BCs. Specifying when two measurement methods should apply to BCUCCs (for example, applying the IASB's preliminary views) would increase comparability between BCUCCs in similar circumstances and reduce the diversity in practice.

Challenges in applying the acquisition method

16. Respondents identified practical challenges in applying the acquisition method to BCUCCs including:

    (a) identifying the acquirer (paragraphs 18–25); and

    (b) goodwill and the transaction price (paragraphs 26–42); and

    (c) measuring net assets received at fair value (paragraphs 43–49).

17. Although these challenges relate to applying the acquisition method, we have analysed the feedback in this paper because some respondents said these practical challenges influence their view on selecting the measurement method.[2] When the IASB deliberates how to apply acquisition method, we will analyse whether and how to mitigate these practical challenges.

Identifying the acquirer

Observations/conclusions in the Discussion Paper

18. Paragraphs 2.27 of the Discussion Paper explains:

> 2.27 … identifying the acquirer in a [BCUCC] involving wholly-owned companies like the group restructuring illustrated in Diagram 2.4 might be difficult. That difficulty arises because, when applying the acquisition method, the legal structure of the combination does not necessarily determine which company is the acquirer. Instead, IFRS 3 provides application guidance on identifying the acquirer. Some of that guidance considers the effects of the combination on the shareholders of the combining companies.[3] However, such effects would not arise for combining companies that are wholly owned by the controlling party. In such cases, it might be difficult to identify the acquirer in a way that results in useful information. In contrast, if non-controlling shareholders acquire an ownership interest in the economic resources transferred in the combination, the guidance in IFRS 3 could help identify the acquirer.

Feedback

19. A few respondents said it would be difficult to identify the acquirer for all BCUCCs, regardless of whether the BCUCC affects non-controlling shareholders of the receiving entity (NCS). Some respondents suggested providing guidance on how to identify the acquirer in BCUCCs when applying the acquisition method, particularly for BCUCCs that involve a new entity or a reverse acquisition. They said, for example:

    (a) some factors in paragraph B15 of IFRS 3 (which lists factors to consider when identifying the acquirer) might not be relevant because of the controlling party's role in the transaction and the fact that the consideration paid might not reflect an arm's length price; and

    (b) reverse acquisitions may be common in BCUCCs so the IFRS 3 requirements on reverse acquisitions should not apply to BCUCCs.

20. One accounting firm questioned why it would be easier to identify the acquirer in a BCUCC that affects NCS than in a BCUCC that does not affect NCS.

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[2] We did not receive feedback suggesting that practical challenges applying a book-value method influenced respondents' views on selecting the measurement method to apply to a BCUCC, so have not analysed practical challenges applying a book-value method at this stage.

[3] Paragraphs B15(a) and B15(b) of IFRS 3.

Analysis

21. We agree with respondents that some of the factors in IFRS 3 to consider when identifying the acquirer might not be relevant for some BCUCCs. For example, paragraph B17 of IFRS 3 says to consider 'which of the combining entities initiated the combination' which may not be relevant if the controlling party initiated the combination. However, other parts of IFRS 3's guidance could be applicable to all BCUCCs—for example paragraph B16 of IFRS 3 considers the 'relative size (measured in, for example, assets, revenues or profit)' of the combining entities.

22. We continue to agree that it may be more difficult to identify the acquirer in a BCUCC that does not affect NCS than in a BCUCC that affects NCS.[4] For example, paragraph B15(a) of IFRS 3 (which considers 'the combining entity whose owners as a group retain or receive the largest portion of the voting rights') would generally not be applicable for BCUCCs between wholly-owned entities because the controlling party owns both combining entities. However, this guidance would be applicable for BCUCCs that affect NCS.

23. We will consider whether to provide requirements or guidance on how to identify the acquirer in a BCUCC when the IASB deliberates how to apply the acquisition method.

Initial view

24. We think that:

    (a) although some parts of IFRS 3's requirements on identifying the acquirer might not be applicable to some BCUCCs, the parts that are applicable could still be considered; and

    (b) it may be more difficult to identify the acquirer in a BCUCC that does not affect NCS than in a BCUCC that affects NCS.

25. The practical challenge of identifying the acquirer in some BCUCCs is an example of the costs of applying the acquisition method considered holistically in Agenda Paper 23F.

Goodwill and the transaction price

Observations/conclusions in the Discussion Paper

26. The Discussion paper explains:

Stakeholder input

[4] We also think structuring opportunities to determine which business would be identified as the acquirer could be particularly relevant for BCUCCs between wholly-owned entities as explained in paragraph 25 of Agenda Paper 23G.

> 2.9 [Some stakeholders say a book-value method should apply to all BCUCCs—in their view the acquisition method would:]
>
> (b) result in measuring goodwill at an amount that is not evidenced by a transaction price between independent parties;
>
> (c) treat any synergies between the combining companies as newly acquired in the combination, even though some of those synergies may have already existed before the combination…
>
> **Main considerations in selecting the measurement method**
>
> 2.19 …The [IASB] acknowledges that the pricing of some [BCUCCs] can differ from the pricing of [IFRS 3 BCs] (see paragraph 2.28) and that evidence of fair value may not always be readily available in a [BCUCC]. However, in the [IASB's] view, those considerations relate to the mechanics of how the selected measurement method should be applied rather than to the selection of the measurement method…
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> **Combinations that do not affect non-controlling shareholders**
>
> 2.28 Another difficulty with applying the acquisition method when the receiving [entity] does not have [NCS] is that the consideration paid might differ from the consideration that would have been paid to an unrelated party… However, as discussed further in Section 3, the measurement of goodwill applying the acquisition method is based on the premise that the amount of the consideration paid is determined in an arm's length negotiation and depends on the fair value of the acquired business and the price for any synergies expected from the combination. As a result, goodwill is measured at an amount that is expected to reflect the fair value of the pre-existing goodwill in the acquired business and the price for the synergies expected from the combination. In contrast, if [BCUCCs] are not priced at arm's length, applying the acquisition method might measure goodwill at an arbitrary amount that does not provide useful information.
>
> 2.29 As also discussed further in Section 3, such a scenario is less likely to arise in a [BCUCC that affects NCS]. The research for this project indicates that in such combinations, the consideration paid would typically approximate the consideration that would have been paid between unrelated parties, because many jurisdictions have regulations that are designed to protect non-controlling shareholders. However, those regulations would not apply if a transaction does not affect [NCS].

Feedback

27. Of respondents who said a book-value method should apply to all BCUCCs:

    (a) some said the acquisition method would treat any synergies between the combining entities as newly acquired, even though some of those synergies may have already existed before the combination and a few said the acquisition method would lead to the recognition of 'internally generated' goodwill; and

(b) some said the acquisition method would result in measuring goodwill at an amount not evidenced by a transaction price between independent parties.

28. Some of the respondents who suggested how a receiving entity should assess the substance of a BCUCC to determine which method to apply said the degree of measurement uncertainty and judgement required to determine whether the transaction is priced at arm's length should be considered.

Structure of analysis

29. In considering this feedback, we have analysed separately:

(a) pre-existing synergies (paragraphs 30–33);

(b) measurement of goodwill (paragraphs 34–39); and

(c) comparing to arm's length pricing (paragraphs 40–42).

Pre-existing synergies

Analysis

30. Applying the IASB's preliminary views, the acquisition method would not differentiate any synergies arising from the BCUCC from any synergies that may have already existed before the combination.[5] However, before the BCUCC the acquirer did not control any pre-existing synergies, so it only obtains control of all of the synergies as a result of the BCUCC.

31. To the extent stakeholders view the acquisition method as not differentiating between pre-existing synergies and synergies arising from the combination, this would not be unique to BCUCCs. Although it could be less common (because the acquirer and acquiree are not under common control), in an IFRS 3 BC the acquirer could have pre-existing synergies with the acquiree but the measurement of goodwill would not be affected by whether those synergies already existed.

32. We disagree with respondents who said applying the acquisition method could lead to the recognition of 'internally generated' goodwill. The reporting entity is the receiving entity and from the receiving entity's perspective, any goodwill it would recognise would not be internally generated.

Initial view

33. Although the acquisition method would not differentiate any synergies arising from a BCUCC from any synergies that may have already existed, before the BCUCC the acquirer did not control any pre-existing synergies and the goodwill that it would recognise is not 'internally generated'. We therefore

[5] Paragraphs 51–52 of IFRS 3 provide guidance on determining whether a pre-existing relationship (for example, vendor and customer) should be recognised separately from the business combination. The analysis in this agenda paper assumes the pre-existing synergies do not arise from a pre-existing relationship to which paragraphs 51–52 of IFRS 3 apply.

think that the potential existence of pre-existing synergies should not prevent the acquisition method being applied to BCUCCs.

Measurement of goodwill

Analysis—BCUCCs that affect NCS

34. The feedback from respondents (see paragraph 27) was in the context of the IASB's preliminary views to, in principle, apply the acquisition method to BCUCCs that affect NCS. In an IFRS 3 BC, unrelated willing parties generally exchange equal values so the consideration transferred provides the best evidence of the acquirer's interest in the acquiree in many, if not most, situations (paragraph BC331 of the Basis for Conclusions on IFRS 3). Applying the IASB's preliminary views, consistent with an IFRS 3 BC, goodwill would be measured at an amount determined by the fair value of the consideration transferred.[6] We therefore agree with respondents that, applying the IASB's preliminary views, the acquisition method could result in measuring goodwill at an amount not evidenced by a transaction price between independent parties.

35. Although the consideration might not be evidenced by a transaction price between independent parties, we think measuring goodwill at an amount determined by the fair value of the consideration transferred could provide useful information to enable the affected NCS to assess the initial investment made and the subsequent return on that investment.[7]

36. Appendix A of Agenda Paper 23D explains that overpayments or underpayments would be unlikely to occur in practice for a BCUCC that affects NCS. It is likely that the price will be comparable to an arm's length price and, while possible, we think it is unlikely that the amount of goodwill recognised will include overpayments or underpayments. The IASB will consider whether and how any distribution or contribution should be identified, recognised and measured when deliberating how to apply the measurement methods (although difficulty may arise in identifying and measuring overpayments or underpayments separately).

Analysis—BCUCCs that do not affect NCS

37. Although the feedback from respondents was in the context of BCUCCs that affect NCS, we also considered whether the acquisition method would be appropriate for BCUCCs that do not affect NCS given that it would result in measuring goodwill at an amount not evidenced by a transaction price

[6] The IASB's preliminary views in the Discussion Papers were that the receiving entity should not recognise any distributions from equity (that is, it should recognise any excess of the consideration paid over the fair value of the identifiable acquired assets and liabilities as goodwill) and should recognise any excess fair value of the identifiable acquired assets and liabilities over the consideration paid as a contribution to equity. Agenda Paper 23A of the IASB's January 2022 meeting explains respondents' feedback.

[7] This is consistent with the IASB's reasons for selecting the acquisition method explained in paragraph BC25 of the Basis for Conclusions on IFRS 3. For further analysis of user information needs see Agenda Paper 23E.

between independent parties (assuming the IASB's preliminary views on how to apply the acquisition method to BCUCCs that affect NCS would also apply to BCUCCs that do not affect NCS).

38. Unlike BCUCCs that affect NCS, overpayments or underpayments may be more likely to occur for BCUCCs that do not affect NCS than for BCUCCs that affect NCS or IFRS 3 BCs (see paragraph 53 of Agenda Paper 23D). Applying the IASB's preliminary views on how to apply the acquisition method, goodwill could be measured at an arbitrary amount (which could economically include contributions to or distributions from the receiving entity's equity) which may not provide useful information. If the IASB decides to require entities to identify, measure and recognise overpayments or underpayments separately from goodwill, difficulty may arise in doing so.

Initial view

39. We agree with respondents that the acquisition method could result in measuring goodwill at an amount not evidenced by a transaction price between independent parties. We think:

    (a) for BCUCCs that affect NCS, it is likely that the price will be comparable to an arm's length price and therefore the amount of goodwill recognised will not include overpayments or underpayments; and

    (b) for BCUCCs that do not affect NCS, it is more likely that overpayments or underpayments would occur so, applying the IASB's preliminary views on how to apply the acquisition method, goodwill could be measured at an arbitrary amount.

Comparing to arm's length pricing

Analysis

40. As explained in paragraphs 46–58 of Agenda Paper 23D, the consideration paid in a BCUCC might not always be evidenced by a transaction price between independent parties. Measuring the consideration that would have been paid in an arm's length transaction (to assess whether the BCUCC is priced at arm's length) may involve significant measurement uncertainty. However, applying the IASB's preliminary views, a receiving entity would not need to determine whether a BCUCC is priced at arm's length.

41. The IASB considered (but rejected) requiring the receiving entity to separately recognise a distribution from equity when applying the acquisition method. If the IASB requires the receiving entity to separately recognise a distribution from equity when applying the acquisition method, possible approaches to measure the distribution would include:

    (a) the impairment-based approach explained in Appendix C of the Discussion Paper, which measures a distribution by applying the requirements on testing goodwill for impairment in IAS 36 *Impairment of Assets*;

(b) the fair-value based approach explained in Appendix C of the Discussion Paper, which measures a distribution as the excess of the consideration transferred over the fair value of the acquired business—as a result, the price paid for any synergies expected from the combination would be included in measuring the distribution from equity, not in measuring goodwill; or

(c) measuring a distribution as the excess of the consideration transferred over the consideration that would have been paid in an arm's length transaction—as a result, the price paid for any synergies expected from the combination would be included in measuring goodwill, not in measuring the distribution from equity.

Initial view

42. We agree separately recognising and measuring a distribution when applying the acquisition method by assessing whether a BCUCC is priced at arm's length could involve measurement uncertainty. However:

(a) applying our initial views and the IASB's preliminary views, the acquisition method would apply only to BCUCCs that affect NCS and such a distribution is unlikely to occur in those BCUCCs (see paragraphs 46–58 of Agenda Paper 23D).

(b) applying the IASB's preliminary views, a receiving entity would not separately recognise a distribution and would not need to determine whether a BCUCC is priced at arm's length to apply the acquisition method.

Measuring net assets received at fair value

Observations/conclusions in the Discussion Paper

43. The Discussion paper explains that:

> 2.9 [Some stakeholders argue a book-value method should apply to all BCUCCs, in their view the acquisition method would] involve significant uncertainty in measuring at fair value assets and liabilities received in a related party transaction.

44. The IASB did not separately conclude on whether applying the acquisition method to BCUCCs would involve significant measurement uncertainty in measuring the identifiable net assets received. However, after considering various factors, the IASB reached a preliminary view to apply the acquisition method to particular BCUCCs.

Feedback

45. Some respondents who said a book-value method should be applied to all BCUCCs said measuring assets and liabilities received in a related party transaction at fair value would involve significant uncertainty, and provided the following additional feedback:

(a) some said fair values may be unreliable; and

(b) one user said reliable book values would be more useful than the potential relevance of fair values in the absence of an external transaction.

46. A few respondents said the controlling party may want to manipulate the reported values of assets and liabilities (for example, to achieve a tax benefit). One individual said in their experience BCUCCs by state-owned enterprises involve assets with high specificity and no actively quoted prices, so it is difficult to measure their fair values. One national standard-setter said judgements and estimates involved may negatively affect the quality of accounting information and the stability of the capital market.

Analysis

47. We agree there could be measurement uncertainty when measuring the fair values of assets and liabilities acquired in a business combination. However:

(a) such measurement uncertainty arises for all business combinations, regardless of whether they are under common control. Except for one respondent (analysed in paragraph 47(d)), respondents did not provide feedback suggesting that levels of measurement uncertainty would be higher in BCUCCs than IFRS 3 BCs.

(b) as paragraph 2.19 of the *Conceptual Framework for Financial Reporting (Conceptual Framework) explains*, the use of reasonable estimates is an essential part of the preparation of financial information and does not undermine the usefulness of the information if the estimates are clearly and accurately described and explained.

(c) as Agenda Paper 23D notes, we think the nature of all BCUCCs is similar to IFRS 3 BCs. As paragraph 34 of Agenda Paper 23E explains, in developing IFRS 3 the IASB concluded that overall (considering all of the characteristics of a faithful representation) information provided by a form of book-value method provides a less faithful representation of the combined entity's performance in periods after the combination than information provided by the acquisition method.

(d) although some BCUCCs involve assets with high specificity and no actively quoted prices, this is not unique to BCUCCs and could occur in some IFRS 3 BCs. IFRS 13 *Fair Value Measurement* includes requirements on measuring fair value with unobservable inputs.

48. We also disagree that the potential for bias or manipulation of fair values would be higher for BCUCCs than for IFRS 3 BCs. An entity would apply the relevant requirements in IFRS Accounting Standards, for example, the requirements in IFRS 13, when determining the fair value of individual assets and liabilities.

Initial view

49. We think it would not be significantly more challenging to measure the fair value of assets and liabilities received in a BCUCC compared to an IFRS 3 BC. Therefore, we think the uncertainty in measuring the net assets received in a BCUCC at fair value should not prevent the acquisition method from applying to BCUCCs.

Summary of initial views

50. We think applying the acquisition method to BCUCCs that affect NCS could involve some practical challenges (for example, identifying the acquirer), which are costs of applying the acquisition method considered holistically in Agenda Paper 23F.

51. We think the practical challenges could be more significant if the acquisition method was applied to BCUCCs that do not affect NCS. For example, compared to BCUCCs that affect NCS:

    (a) it may be more challenging to identify the acquirer in a BCUCC that does not affect NCS; and

    (b) overpayments or underpayments are more likely to occur in a BCUCC that does not affect NCS so, applying the IASB's preliminary views on how to apply the acquisition method, goodwill could be measured at an arbitrary amount.

Appendix A—Other specific suggestions and considerations

A1. This table explains suggestions by respondents and other alternatives we considered that are not covered in other agenda papers for this meeting.

Suggestion / consideration	***Staff analysis***
1. One academic said materiality of the transferred business should be considered in selecting the measurement method.	Paragraph 2.11 of the *Conceptual Framework* says: …materiality is an *entity-specific* aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report… [emphasis added] We think the materiality of information about a BCUCC does not affect the principles for selecting the measurement method.
2. One preparer representative group suggested allowing the receiving entity a choice of applying either the acquisition method or a book-value method to BCUCCs that affects its NCS. The respondent said this would give the receiving entity flexibility to avoid unanticipated outcomes, for example asymmetry with the transferring entity's reporting.	As paragraph 25(b) of Agenda Paper 23 of the IASB's March 2022 meeting discusses, we see no reason for the accounting by the transferring and receiving entity to be symmetrical. It is not uncommon for the reporting of the same transaction by different parties to that transaction to be asymmetrical. For example, the acquirer in an IFRS 3 BC typically recognises any excess of the fair value of assets and liabilities acquired over consideration paid as goodwill; however, the entity losing control typically recognises a gain or loss on disposal.

3. One academic representative group said the measurement method should depend on whether the fair value of the acquired business has been 'reliably determined'. This respondent also suggested other criteria, for example, whether the BCUCC affects NCS, which have been analysed separately and are therefore not repeated here.	This is similar to the suggestion to consider the degree of measurement uncertainty and judgement required to determine whether the transaction is priced at arm's length which is analysed in paragraphs 40–41. In particular, applying the IASB's preliminary views, a receiving entity would not need to determine the fair value of the acquired business.
4. Appendix A of the Discussion Paper says the term 'receiving company' refers not only to the immediate receiving company but also to those parent companies (if any) of that immediate receiving company that did not control the transferred company before the combination. Paragraphs B.14–B.15 of the Discussion Paper illustrate an example. A few respondents asked whether different levels of receiving entity would apply different measurement methods to the same transaction (for example, applying the IASB's preliminary views to a BCUCC which affects NCS at one level of receiving entity but does not affect NCS at another level of receiving entity). Respondents said applying different measurement methods to the same transaction would be burdensome or result in inconsistent information being reported by those receiving entities.	We think each reporting entity would determine which measurement method to apply, so it is possible that different levels of receiving entity would apply different measurement methods to the same BCUCC. We think it is unnecessary for assets and liabilities to be reported at the same values by different receiving entities, for the reasons explained in paragraphs 45–46 of Agenda Paper 23E. Applying the IASB's preliminary views, and in our initial view, the acquisition method would be applied only to BCUCCs for which we think the benefits of applying the acquisition method justify the costs.

5. One preparer representative group suggested requiring receiving entities with publicly traded shares to apply the acquisition method to all BCUCCs, regardless of whether NCS are affected.	For the reasons explained in paragraph 18 of Agenda Paper 23B, we think the principle for selecting the measurement method should be whether a BCUCC affects NCS and we think a book-value method should apply to BCUCCs that do not affect NCS. We expect all entities with shares traded in a public market to have NCS, so this suggestion would change the measurement method only if such an entity has NCS who are not affected by a BCUCC. If the IASB tentatively decides to pursue this principle, we will clarify what 'affects' means in a future meeting so the IASB can decide whether and how to respond to this clarification request.
6. One regulator suggested requiring a receiving entity to apply the acquisition method when consideration for a BCUCC is paid in assets or by issuing a liability, and a book-value method in other situations. This respondent said applying a book-value method to a BCUCC when the consideration is paid in cash or by issuing a liability 'can cause a serious equity problem' if it would result in the receiving entity having negative total equity. The receiving entity's equity may affect its ability to IPO or remain listed on a stock exchange.	In reaching its preliminary views, the IASB considered whether the form of the consideration would change which information would be most useful about a BCUCC when developing the Discussion Paper (see slide 15 of Agenda Paper 23 to the IASB's April 2018 meeting). Applying the IASB's preliminary views, the form of the consideration would not affect the selection of the measurement method.
7. One preparer said when the controlling party undertakes a transaction such as a spin-off, it may be considering selling a minority interest to one new non-controlling shareholder	When developing IFRS 3, the IASB noted concerns about the quality and availability of information at the acquisition date. Paragraphs 45–50 of IFRS 3 provides guidance on applying the acquisition method when initial accounting is incomplete by the end of the

before the BCUCC (that is, it might find an investor to acquire a non-controlling interest during the spin-off process) so it might not know whether NCS will be affected when the BCUCC occurs—in such cases, being required to change between a book-value method and the acquisition method could jeopardise the transaction timetable.	reporting period and provisional amounts are adjusted during the measurement period. If a transaction timetable did not allow for complete application of the acquisition method, an entity could report provisional amounts and adjust those amounts during the measurement period. We also note in the example provided, there is only one investor affected. It is possible that a book-value method would be applied to such a BCUCC when the IASB decides on exceptions to selecting the measurement method (see Agenda Paper 23C). For example, if the IASB decides to allow the optional exemption, this investor could choose to not object.
8. One individual said IFRS Accounting Standards do not generally require transactions under common control to be measured at fair value (regardless of the involvement of NCS) and instead require disclosure applying IAS 24 *Related Party Disclosures* which, in the respondent's view, indicates disclosures can meet NCS' information needs.	We disagree. Other than IFRS 3, IFRS Accounting Standards do not generally exclude common control transactions from their scope so require all transactions to be measured similarly (which could be fair value or another measurement basis), regardless of whether they are under common control. As explained in paragraph 47 of Agenda Paper 23E, we think NCS' information needs for a BCUCC will be no different to those for an IFRS 3 BC, for which IFRS 3 requires the acquisition method.