



**IFRS Standards Discussion Paper DP/2020/2 - Business Combinations under
Common Control**

Project Scope
Question 1
<p>Paragraphs 1.10–1.23 discuss the Board’s preliminary view that it should develop proposals that cover reporting by the receiving company for all transfers of a business under common control (in the Discussion Paper, collectively called business combinations under common control) even if the transfer:</p> <ul style="list-style-type: none">(a) is preceded by an acquisition from an external party or followed by a sale of one or more of the combining companies to an external party (that is, a party outside the group); or(b) is conditional on a sale of the combining companies to an external party, such as in an initial public offering. <p>Do you agree with the Board’s preliminary view on the scope of the proposals it should develop?</p> <p>Why or why not? If you disagree, what transactions do you suggest that the Board consider and why?</p>

TFAC:



Selecting the measurement method

Question 2

Paragraphs 2.15–2.34 discuss the Board’s preliminary views that:

- (a) neither the acquisition method nor a book-value method should be applied to all business combinations under common control.

Do you agree? Why or why not? If you disagree, which method do you think should be applied to all such combinations and why?

- (b) in principle, the acquisition method should be applied if the business combination under common control affects non-controlling shareholders of the receiving company, subject to the cost–benefit trade-off and other practical considerations discussed in paragraphs 2.35–2.47 (see Question 3).

Do you agree? Why or why not? If you disagree, in your view, when should the acquisition method be applied and why?

- (c) a book-value method should be applied to all other business combinations under common control, including all combinations between wholly-owned companies.

Do you agree? Why or why not? If you disagree, in your view, when should a book-value method be applied and why?

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Selecting the measurement method

Question 3

Paragraphs 2.35–2.47 discuss the cost–benefit trade-off and other practical considerations for business combinations under common control that affect non-controlling shareholders of the receiving company.

- (a) In the Board’s preliminary view, the acquisition method should be required if the receiving company’s shares are traded in a public market.

Do you agree? Why or why not?

- (b) In the Board’s preliminary view, if the receiving company’s shares are privately held:

- (i) the receiving company should be permitted to use a book-value method if it has informed all of its non-controlling shareholders that it proposes to use a book-value method and they have not objected (the optional exemption from the acquisition method).

Do you agree with this exemption? Why or why not? Do you believe that the exemption will be workable in practice? If not, in your view, how should such an exemption be designed so that it is workable in practice?

- (ii) the receiving company should be required to use a book-value method if all of its non-controlling shareholders are related parties of the company (the related-party exception to the acquisition method).

Do you agree with this exception? Why or why not?

- (c) If you disagree with the optional exemption (Question 3(b)(i)) or the related-party exception (Question 3(b)(ii)), in your view, how should the benefits of applying the acquisition method be balanced against the costs of applying that method for privately held companies?

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Selecting the measurement method

Question 4

Paragraphs 2.48–2.54 discuss suggestions from some stakeholders that the optional exemption from and the related-party exception to the acquisition method should also apply to publicly traded companies. However, in the Board’s preliminary view, publicly traded receiving companies should always apply the acquisition method.

- (a) Do you agree that the optional exemption from the acquisition method should not be available for publicly traded receiving companies? Why or why not? If you disagree, in your view, how should such an exemption be designed so that it is workable in practice?
- (b) Do you agree that the related-party exception to the acquisition method should not apply to publicly traded receiving companies? Why or why not?

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Applying the acquisition method

Question 5

Paragraphs 3.11–3.20 discuss how to apply the acquisition method to business combinations under common control.

- (a) In the Board’s preliminary view, it should not develop a requirement for the receiving company to identify, measure and recognise a distribution from equity when applying the acquisition method to a business combination under common control.

Do you agree? Why or why not? If you disagree, what approach for identifying and measuring a distribution from equity do you recommend and why? In particular, do you recommend either of the two approaches discussed in Appendix C or do you have a different recommendation?

- (b) In the Board’s preliminary view, it should develop a requirement for the receiving company to recognise any excess fair value of the identifiable acquired assets and liabilities over the consideration paid as a contribution to equity, not as a bargain purchase gain in the statement of profit or loss, when applying the acquisition method to a business combination under common control.

Do you agree? Why or why not? If you disagree, what approach do you recommend and why?

- (c) Do you recommend that the Board develop any other special requirements for the receiving company on how to apply the acquisition method to business combinations under common control? If so, what requirements should be developed and why are any such requirements needed?

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Applying a book-value method

Question 6

Paragraphs 4.10–4.19 discuss the Board’s preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should measure the assets and liabilities received using the transferred company’s book values.

Do you agree with the Board’s preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

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Applying a book-value method

Question 7

Paragraphs 4.20–4.43 discuss the Board’s preliminary views that:

- (a) the Board should not prescribe how the receiving company should measure the consideration paid in its own shares when applying a book-value method to a business combination under common control; and
- (b) when applying that method, the receiving company should measure the consideration paid as follows:
 - (i) consideration paid in assets—at the receiving company’s book values of those assets at the combination date; and
 - (ii) consideration paid by incurring or assuming liabilities—at the amount determined on initial recognition of the liability at the combination date applying IFRS Standards.

Do you agree with the Board’s preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

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Applying a book-value method

Question 8

Paragraphs 4.44–4.50 discuss the Board’s preliminary views that:

- (a) when applying a book-value method to a business combination under common control, the receiving company should recognise within equity any difference between the consideration paid and the book value of the assets and liabilities received; and
- (b) the Board should not prescribe in which component, or components, of equity the receiving company should present that difference.

Do you agree with the Board’s preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

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Applying a book-value method

Question 9

Paragraphs 4.51–4.56 discuss the Board’s preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should recognise transaction costs as an expense in the period in which they are incurred, except that the costs of issuing shares or debt instruments should be accounted for in accordance with the applicable IFRS Standards.

Do you agree with the Board’s preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

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Applying a book-value method

Question 10

Paragraphs 4.57–4.65 discuss the Board’s preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should include in its financial statements the assets, liabilities, income and expenses of the transferred company prospectively from the combination date, without restating pre-combination information.

Do you agree with the Board’s preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

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Disclosure requirements

Question 11

Paragraphs 5.5–5.12 discuss the Board’s preliminary views that for business combinations under common control to which the acquisition method applies:

- (a) the receiving company should be required to comply with the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment; and
- (b) the Board should provide application guidance on how to apply those disclosure requirements together with the disclosure requirements in IAS 24 Related Party Disclosures when providing information about these combinations, particularly information about the terms of the combination.

Do you agree with the Board’s preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

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Disclosure requirements

Question 12

Paragraphs 5.13–5.28 discuss the Board’s preliminary views that for business combinations under common control to which a book-value method applies:

- (a) some, but not all, of the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment, are appropriate (as summarised in paragraphs 5.17 and 5.19);
- (b) the Board should not require the disclosure of pre-combination information; and
- (c) the receiving company should disclose:
 - (i) the amount recognised in equity for any difference between the consideration paid and the book value of the assets and liabilities received; and
 - (ii) the component, or components, of equity that includes this difference.

Do you agree with the Board’s preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

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