

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

BCUCC

Cover Note

Objective

- 1 The objective of this session is to consider:
 - (a) when the presence of non-controlling interests should result in business combinations under common control ('BCUCC') being accounted for under an IFRS 3 *Business Combinations* approach (or similar approach); and
 - (b) whether the predecessor method could result in some useful information that is not provided by an acquisition method similar to the method required by IFRS 3. This includes considering whether it results in the most useful information to adjust comparative figures to reflect how the financial statements would have looked like had the transferred business or entity been part of the receiving entity in previous periods.

Background

- 2 Previously, when discussing the BCUCC project, EFRAG TEG members have provided various arguments in favour and against the use of the predecessor method, but members have not agreed on a preliminary view.
- 3 At the June 2018 meeting, however, most EFRAG TEG members seemed to be of the view that when non-controlling interests would be present in the receiving party in business combinations under common control ('BCUCC') those BCUCC should be accounted for as an acquisition. For example, an IFRS 3 approach (or similar approach where the transferred business is measured at fair value) should be used to account for the transfer in the financial statements of the receiving party. However, EFRAG TEG did not discuss situations in which non-controlling interest would own parts of other entities or business that are part of the transfer.

The financial statements considered

- 4 As under the previous discussions, the financial statements to be considered in the discussions are the financial statements of the receiving party. In addition, the discussions only relate to BCUCC.

Agenda Papers

- 5 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 03-02 – Issues paper on when non-controlling interests are affected by BCUCC; and

- (b) Agenda paper 03-03 – Issues paper on the view of EFRAG TEG on the predecessor method.