IFRS

STAFF PAPER

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Accounting Standards Advisory Forum

Project	**Business Combinations under Common Control**		
Paper topic	Cover note		

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Purpose of this paper

1. The purpose of this session is to seek Accounting Standards Advisory Forum (ASAF) members views on the accounting approach to business combination under common control between entities that are wholly owned by the controlling party, including:
   (a) transactions that affect lenders and other creditors in the receiving entity; and
   (b) transactions undertaken in preparation for an initial public offering (IPO).
2. Agenda papers for this session include:
   (a) Agenda Paper 8A (March 2019 IASB Agenda Paper 23A) *Overview of the staff's approach*; and
   (b) Agenda Paper 8B (March 2019 IASB Agenda Paper 23B) *Lenders and other creditors in BCUCC.*
3. The March 2019 IASB meeting is educational and the staff will not ask the International Accounting Standards Board (Board) for decisions. The staff will provide summarise the input received from ASAF in a future paper for the Board.

Questions for ASAF members

1. Based on the analysis presented on slides 23–25 of Agenda Paper 8A, do you agree with the staff's conclusion on slide 26 that a predecessor approach would provide useful information to prospective equity investors about business combinations under common control between wholly owned entities undertaken in preparation for an IPO?

   Do you have any other comments on the analysis presented in Agenda Paper 8A?

2. Based on the analysis presented in Agenda Paper 8B, do you agree with the staff's conclusions:

   (a) in paragraph 29 of Agenda Paper 8B, that the result of the analysis by debt investors and credit analysts of the entity's ability to service and raise debt would not depend greatly on whether a current value approach or a predecessor approach is applied to account for a business combination under common control; and

   (b) paragraph 31 of Agenda Paper 8B, that the Board could therefore pursue different approaches for business combinations under common control that affect NCI in the receiving entity and those that affect lenders and other creditors in the receiving entity, in particular:

      (i) a current value approach for all or some transactions that affect NCI in the receiving entity (discussed in December 2018 Agenda Paper 2A *Approach for transactions that affect non-controlling interest*); and

      (ii) a different approach, such as a predecessor approach, for transactions that affect lenders and other creditors in the receiving entity but do not affect NCI?

   Do you have any other comments on the analysis presented in Agenda Paper 8B?