Business Combinations under Common Control
Issues Paper

Objective

1 The purpose of this paper is twofold:

(a) to provide an update on the IASB's project *Business Combinations under Common Control* ('BCUCC'); and

(b) to seek EFRAG FR TEG-CFSS views on particular aspects of selecting the measurement method(s) to apply to BCUCCs (see questions in paragraphs 93-94).

Agenda Papers

2 In addition to this paper, agenda papers for this session are:

(a) Agenda paper 09-02 – IASB Staff cover paper 4A;

(b) Agenda paper 09-03 - The IASB Staff paper 4B on Initial views – The principle – for background; and

(a) Agenda paper 09-04 – The IASB Staff paper 4C on Initial views – Exceptions - for background.

Background

3 In November 2020, the IASB published its Discussion Paper DP/2020/2 *Business Combination under Common Control* ('the DP') with a comment period ending on 1 September 2021. EFRAG published its CL on 8 October 2021.

4 In December 2021 and January 2022, the IASB considered feedback on the DP and discussed a deliberation plan starting with the project scope and selecting the measurement method.

5 In March 2022, the IASB deliberated the objective and scope of the project and tentatively decided:

(a) to update the project's objective to reflect the stage of the project and to emphasise that the DP considers the needs of users of the receiving entity's (that is, the reporting entity's) financial statements; and

(b) **not to expand** the project's scope with:

(i) reporting by other entities;

(ii) reporting for an investment in a subsidiary received under common control in the separate financial statements; or

(iii) reporting of other common control transactions;

(c) the IASB has not yet made tentative decisions about other aspects such as group restructurings or transitory control.

6 In June 2022, the IASB started redeliberating its preliminary views on selecting the measurement method to apply to BCUCCs. The IASB was not asked to make any decisions and will continue its discussions on this topic at its November 2022 meeting.

Structure of this paper

7 This paper is structured as follows:

(a) The principle of selecting the measurement method to apply to BCUCCs; and

(b) IASB analysis of feedback on applying an exception or an exemption when selecting the measurement method.

The principle of selecting the measurement method to apply to BCUCCs

The IASB Staff's initial views on the principle of selecting the measurement method to apply to BCUCCs

8 The IASB's preliminary views in their DP were that:

(a) neither the acquisition method nor a book-value method should apply to all BCUCCs;

(b) in principle, the acquisition method should apply to BCUCCs that affect non-controlling shareholders of the receiving entity (NCS); and

(c) a book-value method should apply to BCUCCs that do not affect NCS.

9 The IASB Staff analyses feedback on the preliminary views as well as respondents' suggestions for other approaches to identify the principle of which measurement method to apply to a BCUCC. The approaches discussed in this paper include:

(a) applying a book-value method to all BCUCCs;

(b) the preliminary view - considering the effect on NCS;

(c) assessing the substance of each BCUCC; and

(d) allowing an accounting policy choice.

Applying a book-value method to all BCUCCs		
Observations/ conclusions in the DP	10	The IASB had disagreed with this approach because: (a) BCUCCs that affect NCS are similar to business combinations covered by IFRS 3 *Business Combinations*; and (b) for BCUCCs that affect NCS, the composition and common information needs of users are similar to the composition and common information needs of users in an IFRS 3.
Feedback	11	Most respondents agreed with the preliminary view that neither the acquisition method nor a book-value method should apply to all BCUCCs. Some respondents disagreed with the preliminary view and said a book-value method should apply to all BCUCCs.
IASB Staff analysis	12	The book-value method is expected to be less costly than the acquisition method. However, the IASB Staff consider that specifically for BCUCCs that affect NCS:

	(a) a book-value method would not meet common user information needs; and (b) applying the acquisition method would generally meet the cost-benefit trade-off better than applying a book-value method. 13 Applying a book-value method to all BCUCCs would remove opportunities to structure a BCUCC to qualify for either the acquisition method or a book-value method. 14 While applying a book-value method to all BCUCCs would improve comparability between BCUCCs, it would not result in comparable information for BCUCCs and IFRS 3 business combinations.
The preliminary view - considering the effect on NCS	
Observations/ conclusions in the DP	15 The acquisition method should apply to BCUCCs that affect NCS and a book-value method should apply to BCUCCs that do not affect NCS. Reasons are in paragraph 13 of Agenda paper 09-02.
Feedback	BCUCCs that affect NCS: 16 Many respondents agreed with the IASB DP while many respondents disagreed, of which: (a) some said a book-value method should apply to all BCUCCs; (b) some said the receiving entity should assess the substance of the BCUCC; or (c) some said the receiving entity should have a policy choice. BCUCCs that do not affect NCS: 17 Many respondents agreed with the IASB DP while many respondents disagreed, of which: (a) most said the acquisition method should apply in specific circumstances (most commonly if the receiving entity has publicly traded debt but otherwise agreed with the IASB DP; (b) a few said the receiving entity should assess the substance of the BCUCC; and (c) a few said the receiving entity should have a policy choice.
IASB Staff analysis	18 Examples of reasons provided by the IASB Staff who consider it an appropriate balance to apply the acquisition method to BCUCCs that affect NCS and a book-value method to BCUCCs that do not affect NCS: (a) meets common user information needs; (b) meets the cost-benefit trade-off; (c) results in comparability between BCUCCs in similar circumstances and also between BCUCCs that affect NCS and IFRS 3 business combinations; and (d) although this approach could create some structuring opportunities to qualify for a particular measurement method, some such structuring opportunities will exist unless the acquisition method applies to all BCUCCs.
Assessing the substance of each BCUCC	

Observations/ conclusions in the DP	19	As per the DP, the IASB decided not to base the selection of the measurement method on how similar a BCUCC is to an IFRS 3 business combination because: (a) it would be difficult to provide a workable set of indicators and moreover these indicators would be subjective; (b) some of the indicators (for example, the purpose of the combination or the process for deciding the terms of the combination) would not affect what information would be most useful to users.
Feedback	20	Some respondents said the receiving entity should apply either the acquisition method or a book-value method depending on the substance of the BCUCC to BCUCCs that affect NCS and to BCUCCs that do not affect NCS.
IASB Staff analysis	21 22	Might reduce structuring opportunities as an entity would determine the measurement method based on the substance of the BCUCC. However, it would be difficult to provide a workable set of indicators and moreover these indicators would be subjective. In addition, some of the indicators suggested by respondents would not affect what information is most useful to investors.
Allowing an accounting policy choice		
Observations/ conclusions in the DP	23	The IASB DP did not discuss allowing the receiving entity a choice of applying either the acquisition method or a book-value method to BCUCCs.
Feedback	24 25	Some respondents suggested allowing the receiving entity a choice of applying either the acquisition method or a book-value method to BCUCCs that affect NCS. A few respondents suggested allowing the receiving entity a choice of applying either the acquisition method or a book-value method to BCUCCs that do not affect NCS.
IASB Staff analysis	26 27	Would allow the receiving entity to consider whether the benefits to its users justify the costs of applying each method. However, there would be little comparability between BCUCCs because entities could choose to apply different methods to BCUCCs in similar circumstances. Also, some BCUCCs (specifically, BCUCCs that affect NCS) this approach would not meet common user information needs.

Summary of IASB Staff's initial views

28 The IASB Staff continue to agree with the IASB's preliminary view in the IASB DP:

(a) that neither the acquisition method nor a book-value method should apply to all BCUCCs. In particular, they disagree with applying a book-value method to all BCUCCs and applying the acquisition method to all BCUCCs; and

(b) to in principle, apply the acquisition method to BCUCCs that affect NCS and a book-value method to BCUCCs that do not affect NCS.

29 Agenda paper 09-03 (IASB Staff paper 4C) considers whether, due to cost-benefit or other considerations such as to minimise structuring opportunities, a different method should apply in particular situations. A summary is provided below.

EFRAG Secretariat analysis

30 In EFRAG's comment letter dated 8 October 2021, in response to the IASB DP:

31 EFRAG agreed that a single measurement approach is not appropriate for all BCUCC. Some BCUCC have common features with business combinations within the scope of IFRS 3 and therefore should be accounted for similarly. Other BCUCC are more akin to reallocations of economic resources across the reporting group without changing the ownership interest in those resources.

32 EFRAG considers that establishing an appropriate dividing line between applying the acquisition method and a book-value method to BCUCC is crucial for achieving the project's objectives. BCUCC transactions are effected for various reasons and EFRAG is of the view that the economic substance should be the key element for selecting the measurement method for BCUCC transactions. … Furthermore, EFRAG notes that selecting the measurement method will depend heavily on the definition of a public market which may not be sufficiently robust. … EFRAG also recommends the IASB to further consider the interests of other stakeholders, like lenders and other creditors, when determining the measurement method. …

33 EFRAG considers that applying the acquisition method to BCUCC which affect the non-controlling shareholders of the publicly traded receiving company would produce more relevant information, subject to cost-benefit and other practical considerations. EFRAG also accepts that a book-value method should be applied to all other BCUCC where the controlling party's ownership interest is unchanged. …

34 Based on EFRAG's comment letter above, the EFRAG Secretariat agrees with the IASB Staff's initial views in paragraph 28.

IASB analysis of feedback on applying an exception or an exemption when selecting the measurement method

35 In its DP, the IASB's preliminary views on the principle of selecting the measurement method to apply to BCUCCs is:

(a) the acquisition method should be applied to BCUCCs that affect non-controlling shareholders (NCS) of the receiving entity whose shares are publicly traded subject to the cost–benefit trade-off and other practical considerations; and

(b) a book-value method should be applied to all other BCUCCs, including all combinations between wholly-owned companies.

36 However, if the receiving company's shares are privately held, based on a cost-benefit trade-off and other practical considerations, the application of the measurement method to BCUCCs is subject to:

(a) *a related-party exception* - the receiving company whose shares are not publicly traded should be required to use a book-value method if all of its non-controlling shareholders are related parties of the company; and

(b) *an optional exemption* - the receiving company whose shares are not publicly traded should be permitted to use a book-value method if it has informed all of its NCS that it proposes to use a book-value method and they have not objected.

37 The IASB's preliminary views are summaries in the diagram included in Appendix 1.

38 This section of agenda paper 09-01 considers whether, as a result of the cost-benefit trade-off and other practical considerations, in some circumstances:

(a) an entity should be permitted or required to apply a different method (exemptions and exceptions);

(b) an entity should be prohibited from applying an exception or an exemption.

Whether to apply a book-value method to some BCUCCs that affect NCS

Optional exemption

DP's conclusions

39 A receiving entity whose shares are not publicly traded should be permitted to apply a book-value method if it has informed all NCS that it proposes to use a book-value method and the NCS have not objected.

Feedback

40 Many respondents agreed with the optional exemption. Some respondents generally agreed with the optional exemption but suggested modifying it so that it allows entities to disregard objecting NCS if those NCS are insignificant.

41 Some respondents disagreed with the optional exemption because:

(a) it allowed NCS to decide accounting policies;

(b) the optional exemption would affect measurement in current and subsequent reporting periods while currently in IFRS Accounting Standards similar conditions are used in connection with presentation and disclosure requirements;

(c) the optional exemption would reduce comparability between entities that apply the optional exemption and those that do not.

IASB Staff analysis

42 The IASB Staff is of the view that the IASB should continue to consider the optional exemption and disagrees with some comments from respondents on:

(a) the optional exemption allows NCS to decide an accounting policy - NCS would not decide the accounting policy but only influence the accounting policy by objecting if management request to apply the optional exemption in situations where NCS want information provided by the acquisition method;

(b) the optional exemption would affect measurement requirements – there are other examples in IFRS Accounting Standards which affect recognition and measurement requirements (i.e., IFRS 10 *Consolidated Financial Statements* – recognition of an investment in subsidiary measured IAS 27 *Separate Financial Statements* or the subsidiary's individual assets and liabilities measured applying various IFRS Accounting Standards).

43 The IASB Staff, however, acknowledges that:

(a) the optional exemption would not prevent structuring opportunities – BCUCCs could be structured with insignificant NCS only to qualify for the acquisition method and the receiving entity could choose not to apply the optional exemption;

(b) the optional exemption could result in a lack of comparability between BCUCCs by entities with only privately held shares because they could choose whether to apply the optional exemption;

(c) if objecting NCS are insignificant, the costs of applying the acquisition method might outweigh the benefits.

IASB Staff initial view

44 The IASB Staff's initial view is that the optional exemption could be used in developing a package of exceptions or exemptions as further elaborated in paragraphs 80-83.

Related-party exception

DP's conclusions

45 A receiving entity whose shares are not publicly traded should apply a book-value method if all of its NCS are its related parties. In the IASB's preliminary view, receiving entities with publicly traded shares should not apply the related-party exception.

Feedback

46 Many respondents agreed with the related-party exception. Some respondents generally agreed, however, suggested modifying it so that a receiving entity would apply a book-value method if affected unrelated NCS are insignificant.

47 Many other respondents disagreed with the related-party exception because some related parties rely on financial statements to meet their information needs. Some respondents noted that applying the exception could be costly because it would require to identify related parties at the date of a BCUCC.

IASB Staff analysis

48 The IASB Staff is of the view that:

(a) the related-party exception would prevent some opportunities to structure a transaction (i.e., issuing shares to related parties only to qualify for the acquisition method), however, it would not prevent other structuring opportunities (i.e., issuing shares to an unrelated party only to qualify for the acquisition method);

(b) the costs of identifying whether an entity's NCS are all related parties at a particular date to be limited.

IASB Staff initial view

49 The IASB Staff disagrees with the suggestion of some respondents to extend the related-party exception to require a receiving entity to apply a book-value method if affected unrelated NCS are insignificant. This is unnecessary because if there are affected unrelated NCS then other exceptions or exemptions in the package could apply.

50 Furthermore, the IASB Staff is of the view that the IASB could consider whether to include the related-party exception as part of an overall package of which BCUCCs that affect NCS each method should apply to as described in paragraphs 80-83.

EFRAG Comment letter

51 In EFRAG's comment letter dated 8 October 2021, in response to the IASB DP:

52 EFRAG supports the optional exemption from the acquisition method for privately-held entities based on a cost-benefit consideration. However, EFRAG considers that additional guidance is necessary to make the exemption workable in practice. EFRAG agrees that the optional exemption should not be extended to publicly traded companies.

53 EFRAG also supports the related-party exception to the acquisition method for BCUCC affecting the non-controlling shareholders of a privately-held receiving entity based on a cost-benefit consideration. However, EFRAG considers that the related-party exception should be optional rather than required.

54 *EFRAG suggests the IASB to provide further guidance on the practical application of the exemption and the exception when there are different levels of receiving companies with NCS.*

55 *EFRAG also recommends the IASB to further consider the interests of other stakeholders, like lenders and other creditors, when determining the measurement method.*

Publicly traded shares

DP's conclusions

56 The IASB's preliminary view is that an entity should apply the acquisition method to BCUCCs that affect NCS if the entity's shares are traded in a public market. Consequently, this means that entities with publicly traded shares cannot apply either the optional exemption or the related-party exception.

57 Many jurisdictions typically prevent the listing of shares when NCS are insignificant, therefore, an entity with publicly traded shares would indirectly apply the quantitative consideration in the DP without being arbitrary and creating structuring opportunities.

58 The IASB considered whether to extend the application of the optional exemption and the related-party exception to entities with publicly traded shares, however, noted they may be more difficult to apply and to justify on cost-benefit grounds as well as have little practical effect.

Feedback

59 Most respondents agreed that an entity with publicly traded shares should apply the acquisition method if a BCUCC affects the entity's NCS. Therefore, the optional exemption and related-party exception should not apply to entities with publicly traded shares.

60 Some respondents disagreed stating that whether an entity has publicly traded shares should not affect the measurement method applied in a BCUCC because this would reduce comparability between entities with only privately held shares and entities with publicly traded shares.

IASB Staff analysis

61 The IASB Staff is of the view that designing exemptions for entities with only privately held shares would reflect the cost-benefit trade-off and provide relief to entities for which the costs of applying the acquisition method may outweigh the benefits.

IASB Staff initial view

62 The IASB Staff suggests that this criterion for selecting a measurement method to be considered in an overall package of which method should apply to BCUCCs.

Privately held shares

DP's conclusions

63 The IASB's preliminary view is that receiving entities with only privately held shares should apply a book-value method to BCUCCs that affect NCS only in specific circumstances (an optional exemption and related-party exception).

Feedback

64 Some of the respondents who disagreed with the optional exemption commented that entities with only privately held shares should apply a book-value method to all BCUCCs.

65 Some other respondents said that entities with only privately held shares should have a choice between applying the acquisition method or a book-value method to all BCUCCs.

<u>IASB Staff analysis</u>

66 The IASB Staff is of the view that entities with only privately held shares should be required or permitted to apply a book-value method to BCUCCs only in specific situations. This is because:

(a) even though, for entities with only privately held shares the costs of applying the acquisition method could outweigh the benefits for some BCUCCs that affect NCS, in other such BCUCCs the benefits would justify the costs;

(b) if entities with only privately held shares have a choice which method to apply to BCUCCs that affect NCS, there would be little comparability between such BCUCCs because entities could choose to apply different methods.

<u>IASB Staff initial view</u>

67 The IASB Staff is of the view that the IASB should not require or permit privately held entities to apply a book-value method to all BCUCCs because we think the benefits of such entities applying the acquisition method justify the costs for at least some BCUCCs that affect NCS.

Government-related entities – new consideration

<u>New consideration for government-related entities</u>

68 An exception could be designed such that if the controlling party in a BCUCC that affects NCS is a government, the receiving entity would be required to apply a book-value method to the BCUCC.

<u>DP's conclusions</u>

69 In its DP, the IASB's preliminary views did not include an exception for BCUCCs that affect NCS in which the controlling party is a government.

<u>Feedback</u>

70 A few respondents commented that BCUCCs in which the controlling party is a government might have some characteristics that could affect the applicability of the acquisition method and the usefulness of information provided by the acquisition method for such transactions (i.e., BCUCCs are undertaken for non-commercial societal objectives).

<u>IASB Staff analysis</u>

71 The IASB Staff acknowledge that creating such exception for government-related entities might have some characteristics that could affect the applicability of the acquisition method and the usefulness of information resulting from it for such entities, however:

(a) such an exception would reduce comparability between BCUCCs that affect NCS in which the controlling party is a government and other BCUCCs that affect NCS or with IFRS 3 BCs; and

(b) whether the controlling party is the government may not affect NCS' information needs or the costs of applying the acquisition method to an individual BCUCC.

<u>IASB Staff initial view</u>

72 The IASB Staff is of the view that the IASB could consider whether to include this exception as part of an overall package of which BCUCCs that affect NCS each

method should apply to. Paragraphs 80-83 explain further consideration of how this exception could be incorporated into a package.

Insignificant NCS – new consideration

<u>New consideration for insignificant NCS</u>

73 Introducing an exception to require or permit an entity to apply a book-value method if there are insignificant NCS (for simplicity referred to as 'insignificant NCS').

<u>DP's conclusions</u>

74 In its DP, the IASB's preliminary view did not consider creating a criterion to require a book-value method if NCS's ownership interest is below a quantitative threshold because such a requirement would be arbitrary, lacks conceptual basis and may create some structuring opportunities.

<u>Feedback</u>

75 Some respondents generally agreed the acquisition method should apply to BCUCCs that affect NCS but suggested requiring or permitting an entity to apply a book-value method if there are insignificant NCS for the following reasons:

(a) insignificant NCS exception would reduce structuring opportunities;

(b) the costs of applying the acquisition method would outweigh the benefits for BCUCCs that affect insignificant NCS.

<u>IASB Staff analysis</u>

76 The IASB Staff is of the view that the IASB could consider whether to require entities to apply a book-value method to BCUCCs that affect NCS in situations in where:

(a) NCS' ownership interest is quantitatively insignificant; and/or

(b) NCS do not rely on general purpose financial statements to meet their information needs.

77 The IASB Staff acknowledges that a choice of which method to apply to BCUCCs that affect insignificant NCS would:

(a) impair comparability between such BCUCCs because entities could choose to apply different methods;

(b) reduce structuring opportunities (i.e., issuing shares to an unrelated party to qualify for the acquisition method);

(c) the costs of applying the acquisition method to such BCUCCs may outweigh the benefits of the information it provides.

78 However, such and exception could be difficult to design and judgemental to apply because entities would be required to assess NCS' information needs and/or whether NCS are quantitatively insignificant.

<u>IASB Staff initial view</u>

79 The IASB Staff is of the view that the IASB should consider an exception that requires entities to apply a book-value method to BCUCCs that affect insignificant NCS exception further. Paragraphs 80-83 explain how this exception could be used in developing a package of exceptions or exemptions.

A package of exceptions

80 Considering all of the exceptions individually and as a package, the IASB Staff is proposing two potential packages to be further deliberated:

(a) Package 1 - optional exemption package; and

(b) Package 2 - insignificant NCS package.

Package 1 - optional exemption package

81 Package 1 proposes the optional exemption to be used as a starting point in building this package because by directly reflecting user information needs, it appropriately reflects the cost-benefit trade-off. The optional exemption could be:

(a) *amended such that an entity disregards insignificant objections* – to modify the optional exemption in a way that entities disregard objecting NCS if those NCS are insignificant when applying the exemption. Ignoring insignificant objections may better reflect the cost-benefit trade-off because the costs of applying the acquisition method may outweigh the benefits if only insignificant NCS object;

(b) *combined with the related-party exception* - combine the optional exemption with the related-party exception so a receiving entity would be required to apply a book-value method if all NCS are its related parties. This would prevent structuring opportunities by issuing shares to related parties to qualify for the acquisition method, however, might result in information that might not meet the information needs of some related parties (i.e., related parties that rely on financial statements to meet their information needs);

(c) *combined with the criterion for publicly traded shares* – to combine the optional exemption with the criterion for publicly traded shares (to restrict the optional exemption to entities with only privately held shares). This would reflect the cost-benefit trade-off - for entities with publicly traded shares, the benefits of the information provided by the acquisition method are likely to justify the costs of applying and be consistent with similar conditions existing in IFRS Accounting Standards;

(d) *combined with an exception for government-related entities* - combine the optional exemption with an exception for government-related entities so a receiving entity would be required to apply a book-value method if the controlling party is a government.

Package 2 - insignificant NCS package

82 Package 2 proposes an insignificant NCS exemption to be used as a starting point in building this package because the exemption could reduce structuring opportunities. In this package, the optional exemption could be:

(a) *combined with the related-party exception* – the related-party exception to be incorporated as an indicator of insignificant NCS - that is, as an indicator that NCS might not rely on information provided by financial statements;

(b) *combined with the criterion for publicly traded shares* – to combine an insignificant NCS exemption with the criterion for publicly traded shares - that is, only considering whether there are insignificant NCS for entities with only privately held shares;

(c) *combined with an exception for government-related entities* – to combine an insignificant NCS exemption with an exception for government-related entities - a receiving entity is required to apply a book-value method if the controlling party is a government.

Other consideration

83 Furthermore, the IASB Staff suggests the option to consider combining the insignificant NCS exception package with the optional exemption package. This can be considered in some situations where the insignificant NCS package may require an entity to apply the acquisition method while if the optional exemption is applied no (or only insignificant) NCS would object to a book-value method. However, this combination could make reporting requirements more complex, as there would be more exceptions.

Whether to apply the acquisition method to some BCUCCs that do not affect NCS

84 The IASB's preliminary view is that a book-value method should apply to all BCUCCs that do not affect NCS.

85 This section explores a suggestion made by some respondents to require entities with publicly traded debt to apply the acquisition method, regardless of whether the BCUCC affects NCS.

DP's conclusions

86 In its DP, the IASB's preliminary view is that a book-value method should apply to all BCUCCs that do not affect NCS (with no exceptions) for the following reasons:

(a) there is no change in the ultimate ownership interest in the transferred business;

(b) similar information would be produced regardless of whether a BCUCC takes place or how any combination is structured;

(c) applying the acquisition method to a BCUCC involving wholly-owned entities may be difficult; and

(d) a book-value method is typically less costly to apply and would provide useful information.

Feedback

87 Most users agreed with the IASB's preliminary view that a book-value method should be applied to a BCUCC by a wholly-owned receiving entity which has bank debt or bonds traded in a public market.

88 However, some users disagreed and commented that the acquisition method should be applied because lenders and other creditors need information provided by the acquisition method.

89 Some respondents also said similar information should be provided regardless of whether a publicly traded instrument is classified as debt or equity for accounting purposes.

IASB Staff analysis

90 In general, holders of publicly traded debt do not need the information provided by the acquisition method. An exception for receiving entities with publicly traded debt would result in comparable information about all BCUCCs and IFRS 3 BCs for holders of publicly traded debt. However, it may not result in comparable information for other users (i.e. potential investors).

91 Based on request from respondents the IASB could consider combining an exception for receiving entities with publicly traded debt with other exceptions - for example, it could be combined with the criterion for publicly traded shares.

IASB Staff initial view

92 The IASB Staff is of the view that an exception for publicly traded debt should not be considered further because we think debt holders (including holders of publicly traded debt) could work with information provided by either method and applying a book-value method to all BCUCCs that do not affect NCS reflects the cost-benefit trade-off.

Questions for EFRAG FR TEG-CFSS

93 Does EFRAG FR TEG-CFSS have any comments or suggestions on the analysis of possible exceptions/exemptions, specifically:

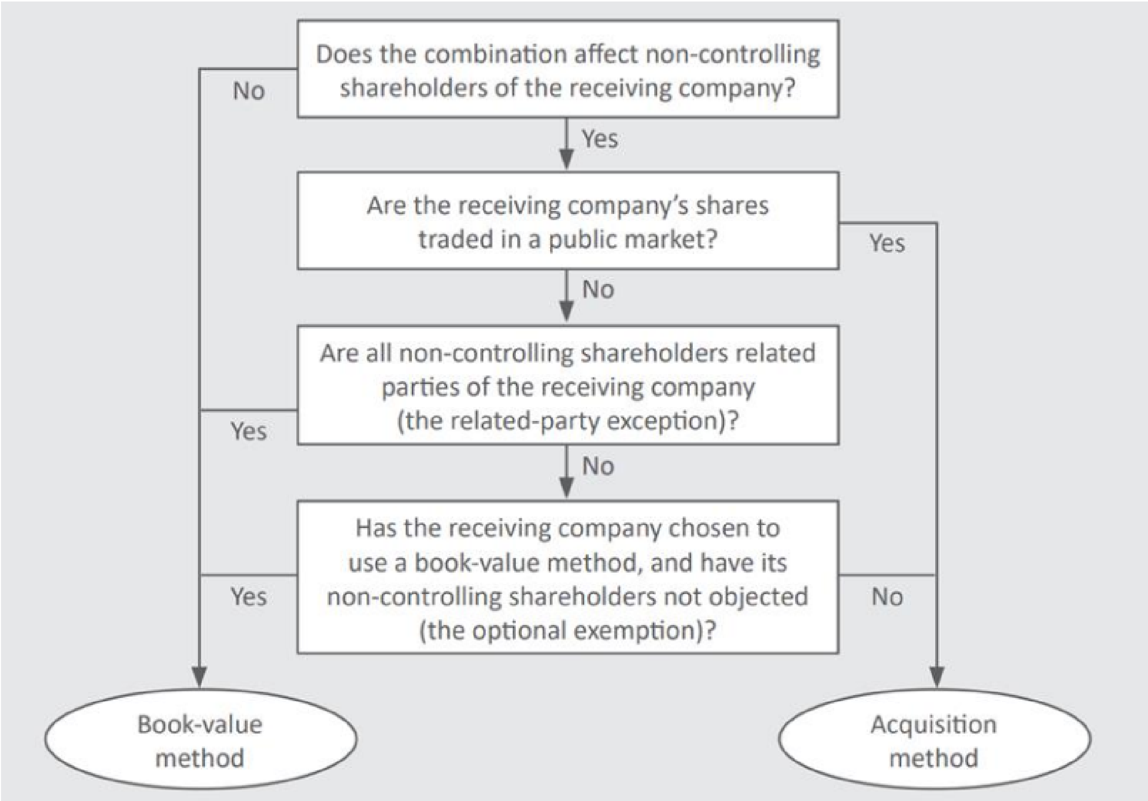
(a) the possible exceptions/exemptions which were not included in the DP (insignificant NCS, government-related entities and disregarding insignificant objections when applying the optional exemption);

(b) how the possible exceptions could be combined into a package (for example, the optional exemption package and insignificant NCS package); and

(c) if the IASB decides to explore the insignificant NCS exemption further, what do you think the IASB should consider when designing such an exemption?

94 Does EFRAG FR TEG-CFSS have any other comments or feedback on this agenda paper or the analysis provided?

Appendix 1: IASB's preliminary views on selecting the measurement method for BCUCCs



Source: the IASB