

EFRAG
35 Square de Meeus
B-1000 Brussels
Belgium

30 April 2012

Dear Sirs

Accounting for business combinations under common control

ACCA (Association of Chartered Certified Accountants) welcomes the opportunity to comment on the above discussion paper (DP). This was considered by ACCA's Corporate Reporting Global Forum and I am writing to give you their views.

ACCA is a professional accountancy body which is based in the UK but which operates on a global basis. We currently have 147,000 qualified members and 435,000 students training for the ACCA qualification. Over 200,000 of our members and students are based in EU countries. Our members work across the range of business sectors, including business, finance, audit and the public sector.

We are responding with a series of observations and reactions to the DP, rather than framing our views around the answers to the specific questions raised for comment in the DP.

We agree that the subject of the accounting for business combinations under common control (BCUCC) is a significant gap in IFRS and so an important matter to address. Ultimately the IASB needs to provide guidance on this subject. In our view EFRAG with this DP has helpfully brought the issue back into consideration and hopefully IASB will soon commence a project on it, utilising EFRAG's deliberations and the findings from this DP.

EFRAG limited the scope of the project, but in our view there may be a wider project addressing the accounting for transactions in general between entities under common control, not just business combinations. We agree with the DP that the BCUCC project also needs to cover the accounting by both transferor and transferee and in the individual and separate accounts of the parties involved.

The DP could have been improved by attempting a definition of 'under common control' which would have dealt among others with the situation in some countries where many business entities may ultimately be controlled by the state.

A cataloguing of the sort of BCUCC that exist and grouping them based on their significant attributes could have also been helpful. There seem a considerable variety of circumstances for example

- Reorganisations within a consolidated group with no change in the economic position of the group
- Combinations where there may be a common controlling individual, but no consolidation
- Where significant economic resources may leave the group
- Those where non-controlling interests are affected
- Where fair values are the basis and those where a calculated or tax-based value may be used
- Separation of businesses in preparation for a buy-out, listing etc.

Such a generic list of BCUCC could have been used to demonstrate and test the results of different accounting in the different cases.

Though there is an absence of clear IFRS guidance, there is some practice and guidance in national jurisdictions for dealing with BCUCC. An assessment of these would be helpful before considering what the right approach for IFRS should be.

We do not consider that EFRAG should approach the issue starting with the IAS8 hierarchy. This is what currently has to be done by companies. The development of new guidance should not be so constrained, but should look for consistency with the IFRS conceptual framework.

At this point we would support View 3. We note that BCUCC occur in a variety of circumstances and with a variety of objectives in mind, as noted above. Some of these would seem to be suitable for the IFRS3-fair value approach and



others would be more suitable for either predecessor accounting basis or the 'fresh start' model. The generic list of BCUCC would be a useful starting point for considering what the defining criteria might be for determining which model might be most appropriate.

If there are any matters arising from the above please be in touch with me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Martin', with a stylized flourish at the end.

Richard Martin
Head of Financial Reporting