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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	**22. IFRS-FA / 04.12.2013 / 12:00 – 12:30 Uhr**
TOP:	**11 – PiR IFRS 3**
Thema:	**Erwarteter Inhalt des *Request for Information* (RfI)**
Unterlage:	**22_11a_IFRS-FA_PiR-IFRS3_DraftRfI**

1 In Konsultation einbezogene *constituents*

1 Die Identifizierung der im RfI zu adressierenden Themenbereiche des IFRS 3 fand unter Konsultation der folgenden *constituents* statt (aus IASB-Agendapapier 13A des November-Meetings):

Constituents	**Activities**
Users	We have had meetings and/or conference calls with: • individual members of the Corporate Reporting Users' Forum (CRUF) and Capital Markets Advisory Committee (CMAC); • CFA Institute (both International and UK branches); • EFRAG User Panel; • CMAC; • User Advisory Council (UAC) of the Canadian Accounting Standards Board (AcSB); and • European Federation of Financial Analysts Societies (EFFAS).
Preparers	We have had meetings and/or conference calls with: • preparers from the pharmaceutical industry; • a European group of preparers (written input); and • Global Preparers Forum (GPF).
Accounting firms	We have had meetings with the global IFRS groups of the largest accounting firms.
National standard-setters and endorsement advisory bodies	We have had meetings and/or conference calls with: • staff of the European Financial Reporting Advisory Group (EFRAG); • European national standard setters at the Consultative Forum of Standard Setters (CFSS) meeting organised by EFRAG in September;

Constituents	Activities
	• staff of the United States Financial Accounting Foundation (FAF) and United States Financial Accounting Standards Board (FASB); and • members of the International Forum of Accounting Standard-Setters (IFASS) and World Standard-Setters (WSS). We will also gather input from the Accounting Standards Advisory Forum (ASAF) in December.
Valuation specialists	We have had meetings and/or conference calls with: • International Valuation Standards Council (IVSC); and • valuation specialists from a number of firms.
Regulators	We have had meetings and/or conference calls with: • European Securities and Markets Authority (ESMA); and • International Organization of Securities Commissions (IOSCO).
Academic and other research	We have had meeting and/or conference calls with: • staff of the United States FAF; • ESMA and CASS Business School.
Other IFRS Foundation bodies	We have had the following meetings: • IFRS Interpretations Committee (IFRS IC) meeting in September; and • Advisory Council meeting in October.

2 Voraussichtlich im RfI enthaltene Themenbereiche

2 Entsprechend des aktuellen Entwurfs, werden voraussichtlich folgende Themenbereiche bzw. Fragen im RfI enthalten sein:

Background and experience

1. Please describe your background and experience in accounting for business combinations.

Definition of a business

IFRS 3 (2008) amended the definitions of a business and of a business combination and additional guidance was added for identifying when a group of assets constitutes a business. The assessment to determine whether a transaction involves a business is critical to determining whether a transaction is within the scope of the Standard or whether it corresponds to an acquisition of an asset or group of assets.

The accounting for business combinations differ from the accounting for an asset acquisition in the following key areas:

a) the accounting for a premium paid in addition to the identifiable net assets. Such a premium is either recognised as a separate asset (ie goodwill in business combinations) or is allocated to the identifiable assets based on their relative fair values (asset acquisition);

b) the accounting for deferred taxes. Deferred tax assets and deferred tax liabilities arising from the initial recognition of assets and liabilities, are recognised on the acquisition date in the case of business combinations, but, in the case of asset acquisitions they are not; and

c) the accounting for acquisition-related costs. They are capitalised in the case of asset acquisitions but recognised as an expense in the case of business combinations, with the exception of costs to issue debt or equity securities.

2. What are the relative benefits in terms of the information provided of one basis of accounting compared with the other (ie business combinations accounting vs asset acquisition accounting)?

3. What are the main practical implementation challenges you face when assessing a transaction to determine whether a business is present? What are the main considerations that you take into account in your assessment?

Fair value measurement and associated disclosures

Fair value measurement has long been a feature of business combination accounting. IAS 22 Business Combinations*, issued in 1983, required each asset acquired and liability assumed in a business combination to be measured at fair value.*

The IASB is interested to understand whether the following factors, or any others, have had an impact on the extent of the use, implementation challenges, audit and enforcement, of fair value measurements on business combinations:

a) The amendments to the criteria for recognition of intangible assets in IAS 38 Intangible Assets *carried out by IFRS 3 (2004) and IFRS 3 (2008) may have resulted in an increase in the intangible assets recognised as a result of business combinations.*

b) The exchange notion included in the previous definition of fair value was revised in IFRS 13 Fair Value Measurement*, issued in 2011, and was modified to be an exit price notion.*

c) The financial crisis that started in 2007 may have increased the challenges to measure specific assets and liabilities at fair value.

Fair value is also used in the impairment calculations of goodwill and other assets or group of assets.

Disclosure requirements relating to the fair value measurements as of the date of the acquisition (for example, the valuation technique(s) and significant inputs used in the measurements) in IFRS 3 (2008) are limited to NCIs.

4. ***To what extent is the information disclosed about fair value measurements sufficient? If there are deficiencies, what are they?***
5. ***What have been the most significant valuation challenges in measuring fair value within the context of business combination accounting?***
6. ***Are there particular elements, for example, specific assets, liabilities, consideration etc, that have presented particular challenges in the measurement of fair value?***

Separate recognition of intangible assets from goodwill

IFRS 3 (2004) stressed the existing requirement in IAS 22 and the previous version of IAS 38 for recognising an intangible asset acquired in a business combination separately from goodwill because the IASB had observed that, despite those requirements, intangible assets were often included in the amount recognised as goodwill.

In addition, IFRS 3 (2004) and IFRS 3 (2008) amended the criteria for recognition of intangible assets arising from business combinations in IAS 38. The expected effect of the changes in the requirements is an increase in the intangible assets recognised as a result of business combinations.

7. ***What do you find useful about this separate identification of intangible assets? Does it provide you with the information you need to understand and analyse the acquired business? If not, what changes do you think are needed?***
8. ***What are the main implementation, auditing or enforcement challenges in the separate identification and measurement of intangible assets from goodwill? What do you think are the main causes of those challenges?***

Non-amortisation of indefinite life intangible assets and goodwill

One of the main changes to business combinations accounting introduced by IFRS 3 was to require goodwill to be tested annually for impairment, instead of being subject to an annual amortisation charge. The main reason for this change is that we understood that assessing the impairment of goodwill annually provides better information than an arbitrary allocation through amortisation.

In addition, IAS 38 was amended to require an intangible asset to be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the *entity. Intangible assets with an indefinite useful life are not amortised but tested for impairment annually.*

The requirements for performing the annual impairment test of goodwill and of an intangible asset with indefinite useful life are set out in IAS 36 Impairment of Assets*.*

9. How useful have you found the information provided by the annual impairment test, and, why?
Do you think improvements are needed? If so, what are they?

10. What are the main implementation challenges in testing goodwill or indefinite life intangible assets for impairment (or auditing or enforcing the impairment tests), and why?

Non-controlling interest

As part of the 2003 revision of IAS 27 Consolidated and Separate Financial Statements*, minority (non-controlling) interests were required to be presented in the consolidated statement of financial position within equity, separately from the equity of the shareholders of the parent. At that time, the IASB concluded that a minority (non-controlling) interest is not a liability of a group because it does not meet the definition of liability in the Conceptual Framework. IFRS 3 (2008) changed the term 'minority interest' to 'non-controlling interest' and redefined it.*

In addition, IFRS 3 (2008) introduced:

a) a choice of measurement basis for NCIs that are present ownership interests to be measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's net identifiable assets; and
b) amendments to IAS 27 (2008) to require that after control of an entity is obtained, changes in a parent's ownership interest that do not result in a loss of control are accounted for as equity transactions. This means that no gain or loss from these changes should be recognised in profit or loss. It also means that no change in the carrying amounts of the subsidiary's assets (including goodwill) or liabilities should be recognised as a result of such transactions.

11. How useful is the information about NCIs? Does it adequately reflect the claims on consolidated equity that are not attributable to the parent? If not, what improvements do you think are needed?

12. What are the main challenges in the accounting for NCI, or auditing or enforcing such accounting?

Step acquisitions

IFRS 3 provides guidance on how to account for step acquisitions. These are business combinations that are achieved in stages; the acquirer first purchases a minority stake in the target entity, and then in a separate and independent transaction, it acquires another stake that, cumulatively, gives it control of the target entity. The two main changes to the accounting for step acquisitions that were introduced by IFRS 3 (2008) are:

a) *assets and liabilities of the acquiree are measured at fair value at acquisition date and goodwill is measured as the difference at acquisition date between the value of any investment in the acquiree held before the acquisition, the consideration transferred, the amount of any non-controlling interest and the net assets acquired.*
   Prior to IFRS 3 (2008) the assets and liabilities of the acquiree in a step acquisition were measured at fair value at each step in a step acquisition for the purposes of calculating a portion of goodwill. This often resulted in assets being measured at a composite of the different fair values at the different dates on which the acquirer had purchased each tranche, with goodwill recognised at each step in a step acquisition; and

b) *the acquirer remeasures its previously held equity interest at its acquisition-date fair value and recognises the related gain or loss in profit or loss.*

The IASB had decided to require this accounting because it thought that the acquisition-date fair values used for the assets and liabilities of the acquiree would be more useful information. The recognition of gain or losses in profit or loss at the acquisition date facilitates the use of the acquisition- date fair values for the assets and liabilities and also reflects the significant change in the relationship between the acquirer and the acquiree, ie the IASB thought that obtaining control was a significant change in the nature of and economic circumstances surrounding that investment.

13. ***How useful do you find the information provided by the step acquisition guidance under IFRS 3 in comparison to the previous requirements? If any of the information is unhelpful, please explain why.***

Disclosures

IFRS 3 requires information to be disclosed about the assets and liabilities of the acquiree, the consideration transferred, and the contribution by the acquiree to the performance of the group.

14. ***What other information is needed to properly understand the effect of the acquisition on the group?***

15. ***Of the information provided, what parts are not useful and therefore should be reassessed?***
16. ***What are the main challenges to preparing (or auditing or enforcing) the disclosures required by IFRS 3, and why?***

Other matters

17. ***What other matters do you think the IASB should be aware of as it considers the implementation review of IFRS 3? The IASB is interested in practical implementation matters, whether from the perspective of applying the Standard, auditing the information or enforcing the Standard. The IASB is also interested in understanding how useful the information that is provided by the Standard is, and what improvements are needed, and why.***

Effects

18. ***From your point of view, which matters or areas of the Standard:***
    (i) have contributed to benefits to users and/or preparers of financial information;
    (ii) have represented considerable unexpected costs to users and/or preparers of financial information; or
    (iii) have had an effect on how acquisitions are carried out (for example, an effect on contractual terms) and/or an effect on the way in which management approaches the accounting for a business combination?

3 Voraussichtlich nicht enthaltene Themenbereiche

3 Folgende Themenbereiche wurden zwar im Rahmen der Phase I des bereits PiR erörtert, werden jedoch voraussichtlich nicht explizit im RfI angesprochen:

- **Contingent consideration** (Classification as debt or equity; initial and subsequent measurement)
- **Consideration vs. compensation**
- **Adjustments to fair value amounts during the measurement period**
- **Tax effects of business combinations** (Adjustments to goodwill; Tax liabilities)
- **Separate Financial Statements** (Step acquisitions; Acquisition related-costs)
- **Identifying the acquirer**
- **Pooling of interest**
- **Acquisiton related costs**

4 Der IASB-Mitarbeiterstab erwartet, dass diese Themenbereiche – sofern sie in den Stellungnahmen als relevant eingeschätzt werden – von den *constituents* bei der Beantwortung von Frage 17 (*Other matters*) angeführt werden.

4 Fragen an den IFRS-FA

5 Folgende Frage wird dem IFRS-FA zur Sitzung vorgelegt:

Stimmt der IFRS-FA den identifizierten Themenbereichen, welche im RfI voraussichtlich berücksichtigt bzw. nicht berücksichtigt werden, zu oder besteht aus Sicht des IFRS-FA Änderungs- bzw. Ergänzungsbedarf?