IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	73. IFRS-FA / 01.03.2019 / 11:45 – 12:30 Uhr
TOP:	08 – Business Combinations under Common Control
Thema:	Überblick
Unterlage:	73_08a_IFRS-FA_BCUCC_Basis

Ausgangsproblematik

Before	After	Observations
Scenario 1 • Entity A and Entity B are controlled by different parties; • Entity B is a business. P₁ → A P₂ → B	**Entity A acquires Entity B** P₁ → A → B	**Scenario 1** • The transaction is a **business combination** • IFRS 3 *Business Combinations* requires the **acquisition method** • Entity A reflects identifiable assets and liabilities of Entity B at **fair value**
Scenario 2 • Entity A and Entity B are controlled by the same party; • Entity B is a business. P₁ → A P₁ → B		**Scenario 2** • The transaction is a **business combination under common control** • IFRS Standards do not specify how to account for such transactions which leads to **diversity in practice** • Entity A reflects identifiable net assets of Entity B at **fair value** or at **predecessor carrying amounts**

Umfang des Forschungsprojekts

focuses on transfers of **Business** (as defined in IFRS 3) under common control

includes **more** transactions than just **BCUCC**

addresses financial reporting by the **receiving entity**

considers **application questions**

Bilanzierung beim empfangenden Unternehmen fraglich

- Entity A acquires Entity C from Entity B. Entities A, B and C are all controlled by Entity P. Entity C is a business.
- The project focuses on the information needs of the **primary users** of the **receiving entity's** financial statements.

Controlling party
Transaction with NCI (disposal of 30% interest in Entity C) covered by IFRS 10 *Consolidated Financial Statements*

Receiving entity
Accounting not covered by IFRS Standards

Transferor
Disposal of a subsidiary is covered by IFRS 10 *Consolidated Financial Statements*

Transferee
Change in control (IAS 24 *Related Party Disclosures*)

Informationsbedürfnisse der primären Nutzer
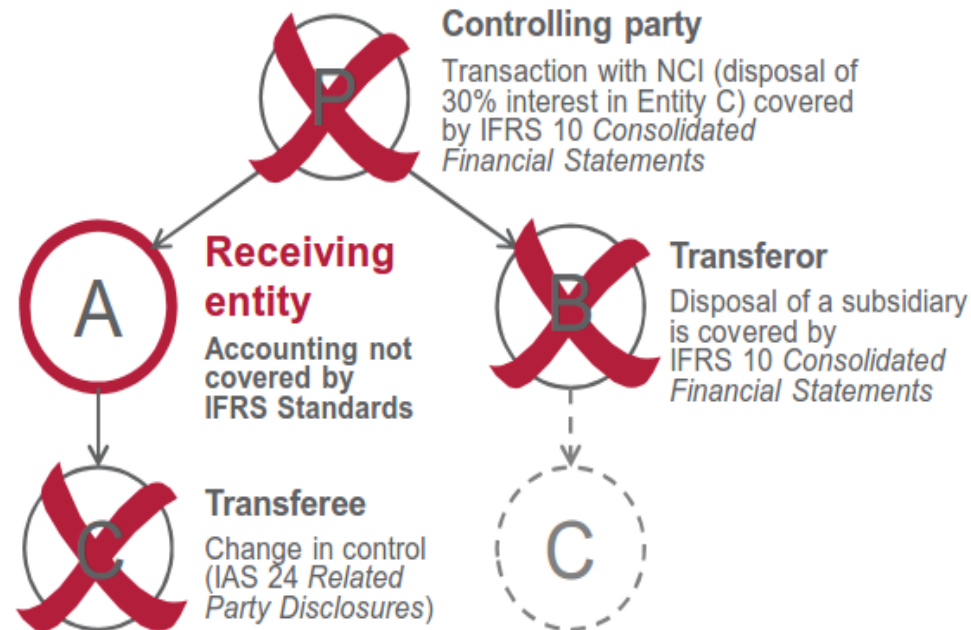
Primary users of the receiving entity's financial statements

Non-controlling shareholders	Lenders and creditors	Controlling party	Prospective capital providers
Indefinite interest in the receiving entity. Transaction may affect the value of their existing interest. Exposed to residual equity risks.	Finite interest in the receiving entity. Transaction may affect the value of their existing interest. Exposed to credit and liquidity risks.	Controls all combining entities before and after the transaction. Does not solely rely on the receiving entity's financial statements to meet its information needs.	No existing interest in any of the combining entities at the time of the transaction.

Information needs and cost-benefit analysis can be different for different primary users

Mögliche Bilanzierungs-/Bewertungsmethoden (1/4)

How should the receiving entity measure acquired assets and liabilities in a BCUCC?

Conceptual Framework

Historical cost	**Current value**	**Predecessor carrying amounts**

Existing practice

Receiving entity will allocate the consideration across the acquired assets and liabilities (eg based on their relative fair values). No goodwill is recognised.

Receiving entity will reflect acquired assets and liabilities at their current values (eg at fair values). Goodwill is measured as a residual.

Receiving entity will reflect acquired assets and liabilities at their predecessor carrying amounts (eg the carrying amounts reflected in the transferee's financial statements).

Consistent with the acquisition method required by IFRS 3 for business combinations

Mögliche Bilanzierungs-/Bewertungsmethoden (2/4)

Would a historical cost approach provide most useful information to the primary users of the receiving entity's financial statements at a cost that would be justified by the benefits?

Non-controlling shareholders	Lenders and creditors	Controlling party	Prospective capital providers

Staff's initial assessment

No	No	No	No

Mögliche Bilanzierungs-/Bewertungsmethoden (3/4)

Would a predecessor carrying amounts provide most useful information to the primary users of the receiving entity's financial statements at a cost that would be justified by the benefits?

Non-controlling shareholders	Lenders and creditors	Controlling party	Prospective capital providers

Staff's initial assessment

No	Work in progress	Yes	Work in progress

Mögliche Bilanzierungs-/Bewertungsmethoden (4/4)

Would a current value provide most useful information to the primary users of the receiving entity's financial statements at a cost that would be justified by the benefits?

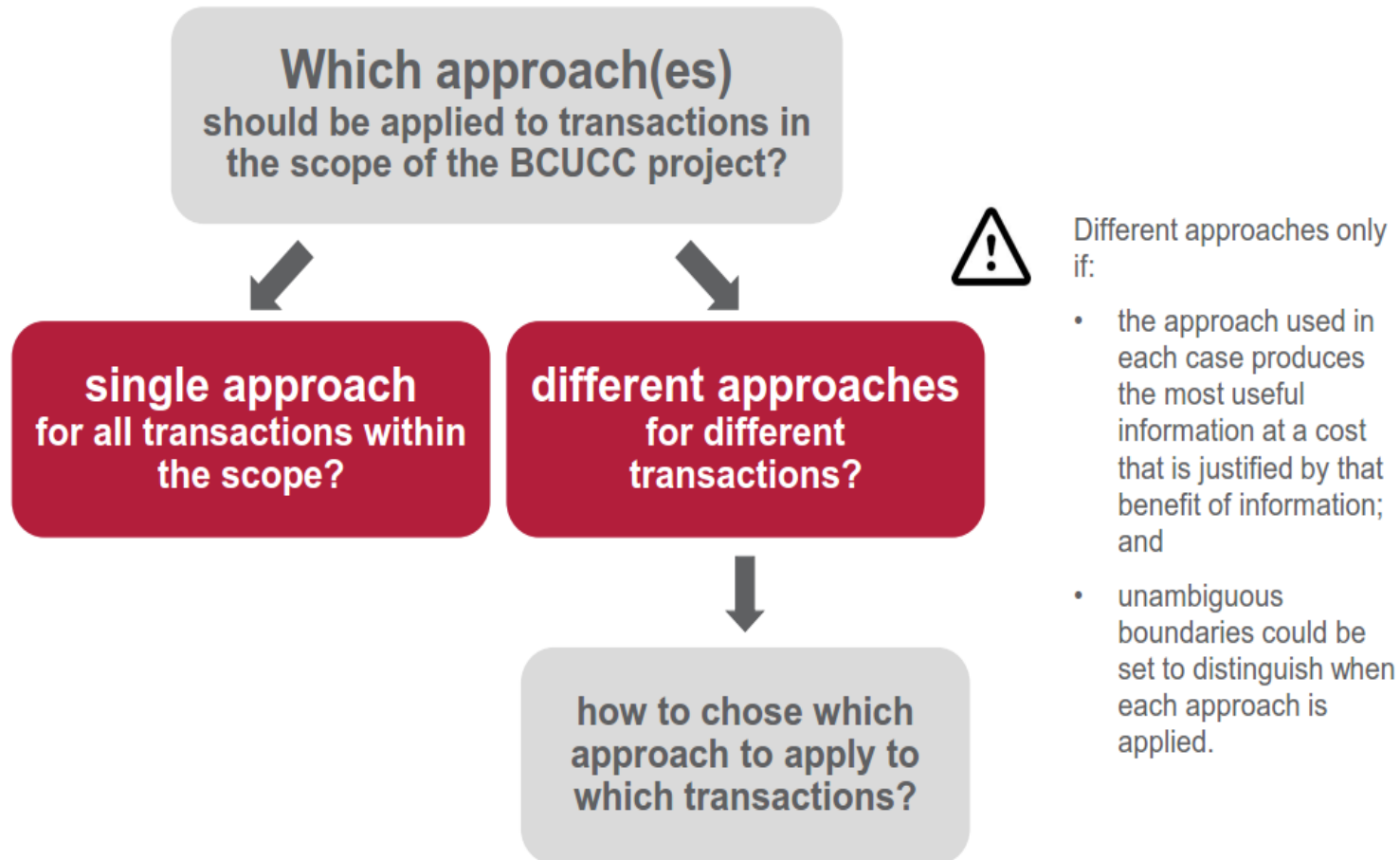| Non-controlling shareholders	Lenders and creditors	Controlling party	Prospective capital providers

Staff's initial assessment

Yes	No	No	Work in progress

Auswahl der geeigneten Methode(n)

Which approach(es)
should be applied to transactions in
the scope of the BCUCC project?

single approach
for all transactions within
the scope?

different approaches
for different
transactions?

how to chose which
approach to apply to
which transactions?

Different approaches only
if:

- the approach used in
  each case produces
  the most useful
  information at a cost
  that is justified by that
  benefit of information;
  and

- unambiguous
  boundaries could be
  set to distinguish when
  each approach is
  applied.

Nächste Schritte

Zeitplan

Work plan

ALL	**RP** RESEARCH PROJECTS	**SP** STANDARD-SETTING PROJECTS

MP MAINTENANCE PROJECTS

Before the Board initiates a project to develop a new IFRS Standard, or make a major amendment to an IFRS Standard, it carries gather evidence about whether standard-setting is required. Read about the Board's Research Programme. Print this tab.

Sort by   Project Name

Project	Next milestone	Expected date	Open for comment
RP Business Combinations under Common Control	Discussion Paper	H1 2020	