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Dear IASB members,

Re: Business Combinations under Common Control (DP/2020/2)

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Discussion Paper, "*Business Combinations under Common Control*" issued in November 2020.

Our process

As part of our due process for this Discussion Paper (DP), we consulted with stakeholders across Canada, including discussions with our User Advisory Committee and IFRS® Discussion Group. We also heard feedback from a stakeholder group in the banking sector. In carrying out our outreach and in keeping with our due process, we were pleased to have IASB members join several of our outreach sessions. We took the results of these discussions into account when developing this letter.

Our view

We commend the IASB for its work on *Business Combinations under Common Control* to develop proposals that will address an absence of guidance in IFRS Standards, reduce diversity in practice and improve the transparency of reporting for these combinations. We also commend the IASB for focusing the proposals on the needs of financial statement users and proposing that the acquisition or book-value methods apply to business combinations under common control based on the facts and circumstances associated with each combination.

While we are supportive of the IASB's objectives in developing the Discussion Paper, we encourage the IASB to consider areas where additional guidance is needed to address application challenges that may arise, should it decide to advance the proposals in the Discussion Paper. Our suggestions are made to strike an appropriate balance between users' needs for better information about business combinations under common control and the cost, effort and level of professional judgment required of preparers to generate that information.

Effect of Non-controlling Shareholders on the Accounting for Business Combinations Under Common Control for Publicly Traded Entities

We agree that the measurement method used to value assets and liabilities acquired should consider the information needs of non-controlling shareholders and the possible negative effects of a business combination under common control on their interest in the receiving company. We also agree that the existence of non-controlling shareholders in the acquiring entity is an important consideration to distinguish between measuring assets and liabilities acquired using the acquisition or book-value methods. However, we think that non-controlling shareholders are not all the same. Some non-controlling shareholders have greater access to an entity's financial information. These include non-controlling shareholders that have significant influence in the receiving company, are employees or are related parties of the receiving company. Therefore, we disagree that the existence of any non-controlling shareholders in the receiving company should be the only driver when determining whether the acquisition method provides the most useful information for a business combination under common control by a publicly traded receiving company.

We also disagree that the acquisition method should be required if there is insignificant interest in the receiving company held by non-controlling shareholders because we think the cost of applying the acquisition method does not outweigh the benefits in this situation.

We recommend the IASB retain the principle to consider non-controlling shareholders in determining when to apply the acquisition method. However, we think the requirement to use the acquisition method should consider both the existence of non-controlling shareholders, and the nature of those shareholders. That is, we think the acquisition method should be used if there are non-controlling shareholders, unless the interest held by non-controlling shareholders is insignificant or the non-controlling shareholders in the receiving company have significant influence, are employees or related parties of the receiving company or are controlled by the ultimate parent, in which case book value should be permitted.

Terminology Used in the Proposals

We think that some of the terms used in the Discussion Paper lack clarity. For example, the term "shares traded in a public market" is ambiguous and should be clarified. Specifically, it is unclear whether the term "shares" is limited to common shares only or whether it includes other forms of equity, such as preferred shares or participating interest from insurance policy holders. Further, we think that it is unclear whether the shares must be actively traded. In addition, we think that it is unclear whether entities with publicly traded debt are intended to be within the scope of the guidance. One approach to address the concerns raised could be to focus on "publicly accountable" entities that cover a broader range of entities with a similar user base rather than just entities with shares traded in a public market.

Using the Transferred Company's Book Values to Measure the Assets and Liabilities Acquired

When applying the book-value method to a business combination under common control, the proposals require the receiving company to measure the assets and liabilities acquired at the transferred company's book values. We appreciate the IASB's effort to provide this practical expedient for measuring the assets and liabilities acquired at the transferred company's book-values, as these values are easily identifiable in the transferred company's financial statements. However, we disagree that the transferred company's book-values are always the most relevant measurement basis for users of the receiving company's financial statements. Many business combinations under common control occur in our jurisdiction at the subsidiary level in a corporate group and often the book values of the assets and liabilities of the entity that ultimately controls the transferred company will be the most relevant. The transferred company may have existed prior to being acquired by the entity which controls it. Upon acquisition of control, the assets and liabilities of the transferred company were measured at fair value in an arm's length transaction. We think these values may provide more current and decision useful information to the financial statement users.

We also think using the transferring company book-values reduces or eliminates differences on consolidation. Furthermore, this approach is consistent with US GAAP ASC 805-50-30-5, which requires the transferred assets and liabilities be measured at the historical cost of the parent company. We encourage the IASB to maintain consistency between IFRS Standards and U.S. GAAP where possible because we think that having accounting frameworks that are largely consistent results in increased efficiency in capital markets and ensures that users receive relevant and comparable information when assessing entities applying either IFRS Standards or U.S. GAAP.

Comparative Financial Statements

We are supportive of the IASB's effort to reduce the cost of applying the amendments by not requiring the restatement of comparative financial statements when the book-value method is applied. However, we think an option to restate comparative financial statements should be available. Business combinations under common control sometimes occur in contemplation of a future sale or initial public offering (IPO). In our jurisdiction, entities are required to provide three years of comparative financial statements in their IPO filing. As such, if the proposals limit an entity's ability to restate comparative financial statements, additional costs may be incurred to file pre-combination financial statements of both the transferred and receiving entities. Similarly, if an entity is required to prepare both IFRS and U.S. GAAP financial statements, an option to restate comparatives will be helpful as U.S. GAAP requires retrospective restatement for business combinations under common control. We've heard from users in our jurisdiction that restated comparative financial statements are helpful in assessing trends in the newly consolidated entity.

Our responses to your questions

The Appendix to this letter responds to the questions posed in the **Discussion Paper** and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Kelly Khalilieh, Director, Accounting Standards (+1 416 204-3453 or email kkhalilieh@acsbcanada.ca) or Mohamed Hassanali, Principal, Accounting Standards (+1 416 204-2967 or email mhassanali@acsbcanada.ca).

Yours truly,

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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

APPENDIX

Section 1 – Objective, scope and focus

Question 1
Paragraphs 1.10–1.23 discuss the Board's preliminary view that it should develop proposals that cover reporting by the receiving company for all transfers of a business under common control (in the Discussion Paper, collectively called business combinations under common control) even if the transfer: (a) is preceded by an acquisition from an external party or followed by a sale of one or more of the combining companies to an external party (that is, a party outside the group); or (b) is conditional on a sale of the combining companies to an external party, such as in an initial public offering. Do you agree with the Board's preliminary view on the scope of the proposals it should develop? Why or why not? If you disagree, what transactions do you suggest that the Board consider and why?

1. We agree that the proposals cover reporting by the receiving company for most transfers of businesses under common control based on the rationale stated in paragraphs 1.10 – 1.23 of the Discussion Paper.

2. Some of the financial statement users that we consulted thought that the proposals should exclude business combinations under common control which are undertaken in contemplation of an initial public offering (IPO). These users thought business combination under common control contemplated in connection with a future sale or IPO should always be accounted for using the book-value method. Other users thought that if a business combination under common control is undertaken in contemplation of an IPO, that the acquirer should apply the acquisition method if the transaction terms are similar to those of an arm's length business combination. We acknowledge this feedback and encourage the IASB to clarify the boundaries of common control and whether the proposals apply to a business combination under common control in contemplation of an IPO. We also encourage the IASB to seek additional feedback from financial statement users to determine what information is most useful if these transactions remain in the scope of the proposals.

Section 2 – Selecting the measurement method

Question 2
Paragraphs 2.15–2.34 discuss the Board's preliminary views that: (a) neither the acquisition method nor a book-value method should be applied to all business combinations under common control. Do you agree? Why or why not? If you disagree, which method do you think should be applied to all such combinations and why? (b) in principle, the acquisition method should be applied if the business combination under common control affects non-controlling shareholders of the receiving company, subject to the cost–benefit trade-off and other practical considerations discussed in paragraphs 2.35–2.47 (see Question 3). Do you agree? Why or why not? If you disagree, in your view, when should the acquisition method be applied and why? (c) a book-value method should be applied to all other business combinations under common control, including all combinations between wholly-owned companies. Do you agree? Why or why not? If you disagree, in your view, when should a book-value method be applied and why?

3. We support the IASB's current view that neither the acquisition method nor a book-value method should be applied to all business combinations under common control. We also support the IASB's view that the book-value method should apply to all combinations between wholly-owned companies.

4. We agree that the existence of non-controlling shareholders in the receiving entity is an important consideration to distinguish between measuring assets and liabilities acquired using the acquisition or book-value methods. However, we think that non-controlling shareholders are not all the same. Some non-controlling shareholders have greater access to an entity's financial information. These include non-controlling shareholders that have significant influence in the receiving company, are employees or are related parties of the receiving company. Therefore, we disagree that the existence of any non-controlling shareholders in the receiving company should be the only driver when determining whether the acquisition method provides the most useful information for a business combination under common control by a publicly traded receiving company.

5. Similarly, we disagree that the acquisition method should be required if there is insignificant interest in the receiving company held by non-controlling shareholders because we think the cost of applying the acquisition method does not outweigh the benefits in this situation.

6. Many business combinations under common control in our jurisdiction occur because of corporate reorganizations and to affect tax optimization strategies. We think that if the existence of any non-controlling shareholders requires such combinations to be accounted for using the acquisition method, there could be an artificial inflation of assets in the receiving entity. These asset values, particularly goodwill or previously unrecognized intangible assets, may not be substantiated, as purchase prices of business combinations under common control are not determined by arm's length parties and may lack economic substance. Therefore, the existence of non-controlling shareholders alone does not necessitate the need for fair value information and therefore, the cost of the generating that information exceeds the benefit that the financial statement users would derive from its use.

7. In addition, since the transaction is being undertaken by related entities and therefore, not conducted at market terms, the receiving entity may pay consideration that exceeds market value of the net assets of the transferor to affect a specific outcome. Therefore, goodwill created in these circumstances will be immediately impaired and recorded in the profit or loss statement of the receiving company soon after the combination.

8. We recommend the IASB retain the principle to consider non-controlling shareholders in determining when to apply the acquisition method. However, we think the requirement to use the acquisition method should consider both the existence of non-controlling shareholders, and the nature of those shareholders. That is, we think the acquisition method should be used if there are non-controlling shareholders, unless the interest held by non-controlling shareholders is insignificant or the non-controlling shareholders in the receiving company have significant influence, are employees or are related parties of the receiving company, in which case book value should be permitted.

Question 3
Paragraphs 2.35–2.47 discuss the cost–benefit trade-off and other practical considerations for business combinations under common control that affect non-controlling shareholders of the receiving company. (a) In the Board's preliminary view, the acquisition method should be required if the receiving company's shares are traded in a public market. Do you agree? Why or why not? (b) In the Board's preliminary view, if the receiving company's shares are privately held: i. the receiving company should be permitted to use a book-value method if it has informed all of its non-controlling shareholders that it proposes to use a book-value method and they have not objected (the optional exemption from the acquisition method). Do you agree with this exemption? Why or why not? Do you believe that the exemption will be workable in practice? If not, in your view, how should such an exemption be designed so that it is workable in practice? ii. the receiving company should be required to use a book-value method if all of its non-controlling shareholders are related parties of the company (the related-party exception to the acquisition method). Do you agree with this exception? Why or why not? (c) If you disagree with the optional exemption (Question 3(b)(i)) or the related-party exception (Question 3(b)(ii)), in your view, how should the benefits of applying the acquisition method be balanced against the costs of applying that method for privately held companies?

9. We agree with the IASB's preliminary view that the acquisition method should apply to business combinations under common control if the receiving company's shares are traded in a public market subject to the cost-benefit trade-offs discussed in paragraphs 2.35 – 2.47 of the Discussion Paper.

10. However, we think there is significant ambiguity in the terminology "shares traded in a public market" which may exclude many entities that are publicly accountable in our jurisdiction. For example, it is unclear

whether "shares" is limited to common shares only or does it include other forms of equity such as preferred shares or participating interest from insurance policy holders. Further, we think that it is unclear whether the shares must be actively traded to fit within the phrase "traded in a public market". In addition, we think that it is unclear whether enterprises with publicly traded debt are intended to be included with entities that have "shares traded in a public market". We recommend the IASB clarify what types of entities are scoped into this criterion or revise the criterion to focus on "publicly accountable" enterprises.

11. For privately held receiving companies, we agree in principle with the optional exemption from the acquisition method. However, while such an exception already exists in IFRS Standards, we think that operationalizing it can be challenging and the benefits of applying the acquisition method may not always outweigh the costs. For example, if a non-controlling shareholder with an insignificant interest were to object, we think the benefit of applying the acquisition method does not outweigh the cost. Similarly, it would be impractical to adequately notify and explain the rationale for using the book-value method to a widely dispersed pool of non-controlling shareholders. Therefore, if the IASB intends to retain this exception, we think the proposals could be improved by only allowing non-controlling shareholders with collectively more than an insignificant holding to object to using the book-value method. Consider an example when non-controlling shareholders individually hold an insignificant interest in an entity but collectively hold 49% of the common shares of the entity. In this example, we think that the acquisition method should be required if more than an insignificant proportion of those non-controlling shareholders collectively object to using the book-value method.

12. We agree with the related party exemption as proposed in the Discussion Paper as related parties will often have greater access to financial information in the receiving company. However, as previously stated, we think this related party exemption should also apply to publicly traded entities if the IASB decides to retain this criterion.

Question 4
Paragraphs 2.48–2.54 discuss suggestions from some stakeholders that the optional exemption from and the related-party exception to the acquisition method should also apply to publicly traded companies. However, in the Board's preliminary view, publicly traded receiving companies should always apply the acquisition method. (a) Do you agree that the optional exemption from the acquisition method should not be available for publicly traded receiving companies? Why or why not? If you disagree, in your view, how should such an exemption be designed so that it is workable in practice? (b) Do you agree that the related-party exception to the acquisition method should not apply to publicly traded receiving companies? Why or why not?

13. We do not support the IASB's view that publicly traded receiving companies should always apply the acquisition method. We think the acquisition or book-value methods should apply to business

combinations under common control based on the facts and circumstances associated with each combination.

14. We agree that the optional exemption from the acquisition method should not be available for publicly traded receiving companies. While such an exception already exists in IFRS Standards, operationalizing it can be challenging. However, we think the related-party exception to the acquisition method should apply to publicly traded receiving companies. Refer to our response to Questions 2 and 3 above for additional rationale and recommendations.

Section 3 – Applying the acquisition method

Question 5
Paragraphs 3.11–3.20 discuss how to apply the acquisition method to business combinations under common control. (a) In the Board's preliminary view, it should not develop a requirement for the receiving company to identify, measure and recognise a distribution from equity when applying the acquisition method to a business combination under common control. Do you agree? Why or why not? If you disagree, what approach for identifying and measuring a distribution from equity do you recommend and why? In particular, do you recommend either of the two approaches discussed in Appendix C or do you have a different recommendation? (b) In the Board's preliminary view, it should develop a requirement for the receiving company to recognise any excess fair value of the identifiable acquired assets and liabilities over the consideration paid as a contribution to equity, not as a bargain purchase gain in the statement of profit or loss, when applying the acquisition method to a business combination under common control. Do you agree? Why or why not? If you disagree, what approach do you recommend and why? (c) Do you recommend that the Board develop any other special requirements for the receiving company on how to apply the acquisition method to business combinations under common control? If so, what requirements should be developed and why are any such requirements needed?

15. We agree the IASB should not develop a requirement for the receiving company to identify, measure and recognize a distribution from equity when applying the acquisition method to a business combination under common control in line with the rationale in paragraphs 3.11 – 3.14 of the Discussion Paper.

16. We agree the IASB should develop a requirement for the receiving company to recognize any excess fair value of the identifiable assets acquired and liabilities over the consideration paid as a contribution to equity, not as a bargain purchase gain in the statement of profit or loss, when applying the acquisition method to a business combination under common control. We think this will eliminate arbitrary gains or losses in the financial statements as business combinations under common control occur between non-arm's length parties.

17. We do not recommend the IASB develop any other special requirements for the receiving company on how to apply the acquisition method to business combinations under common control as the proposals are sufficient to apply the acquisition method.

Section 4 – Applying a book-value method

Question 6
Paragraphs 4.10–4.19 discuss the Board's preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should measure the assets and liabilities received using the transferred company's book values. Do you agree with the Board's preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

18. We do not agree with the IASB's proposals that, when applying a book-value method to a business combination under common control, the receiving company should measure the assets and liabilities received using the transferred entity's book values. While the book-values in the entity transferred and the transferring company can be the same, there are situations when differences arise. For example, if the transferred company was acquired by the transferring company, the carrying values of assets and liabilities in the transferring company will represent the acquisition date fair values whereas, the transferred company carrying values will reflect the historical book values. Therefore, measurement differences between the historical book values of the transferred entity and the book-values of the transferring company may need to be eliminated on consolidation.

19. Similarly, as many business combinations under common control occur at the subsidiary level in a corporate group, the transferred entity may have no statutory or other requirement to prepare standalone financial statements. As such, the transferred entity may not be preparing financial statements in accordance with IFRS or any framework. Therefore, the book-values of the transferred entity are not as reliable as the book-values of the transferring company (which oftentimes is the ultimate parent) that is preparing financial statements in accordance with IFRS and is most likely subject to audit.

20. We think the book values of the entity which controls the transferred company provides the most relevant information to users of the receiving company financial statements and reduces or eliminates differences on consolidation. This is because the book-values in the entity which controls the transferred company represents the acquisition date fair values of the assets and liabilities of the transferred company if the entity was acquired. This approach is also consistent with US GAAP ASC 805-50-30-5 which requires the transferred assets and liabilities be measured at the historical cost of the parent company. We encourage the IASB to maintain consistency between IFRS Standards and U.S. GAAP as much as possible. We think that having accounting frameworks that are largely consistent results in increased efficiency in capital markets and ensures that users receive relevant and comparable information when assessing entities applying either IFRS Standards or U.S. GAAP.

Question 7
Paragraphs 4.20–4.43 discuss the Board's preliminary views that:

(a) the Board should not prescribe how the receiving company should measure the consideration paid in its own shares when applying a book-value method to a business combination under common control; and (b) when applying that method, the receiving company should measure the consideration paid as follows: i. consideration paid in assets—at the receiving company's book values of those assets at the combination date; and ii. consideration paid by incurring or assuming liabilities—at the amount determined on initial recognition of the liability at the combination date applying IFRS Standards. Do you agree with the Board's preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

21. We agree that the IASB should not prescribe how the receiving company should measure the consideration paid in its own shares when applying the book-value method. We also agree the consideration paid in assets should be measured at the receiving company's book values at the combination date and consideration paid by incurring or assuming liabilities should be measured at the amount determined on the initial recognition of the liability at the combination date applying IFRS Standards. We think the benefit of determining fair values would not justify the costs when assets and liabilities are being measured at book value.

Question 8
Paragraphs 4.44–4.50 discuss the Board's preliminary views that: (a) when applying a book-value method to a business combination under common control, the receiving company should recognise within equity any difference between the consideration paid and the book value of the assets and liabilities received; and (b) the Board should not prescribe in which component, or components, of equity the receiving company should present that difference. Do you agree with the Board's preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

22. We agree with the IASB's view that when applying a book-value method to a business combination under common control, the receiving company should recognize within equity any difference between the consideration paid and the book value of the assets and liabilities received. We think this will eliminate arbitrary gains or losses in the financial statements as business combinations under common control occur between non-arm's length parties.

23. We agree with the IASB's proposal to not prescribe which component of equity the receiving company should present the difference in as this allows the receiving entity to apply judgement based on the facts and circumstances applicable to the combination. However, we recommend the IASB clarify in its subsequent proposals whether any subsequent remeasurements of contingent consideration applicable to a business combination under common control should be accounted for in equity or in the profit and loss. While contingent consideration may be infrequent, we think that clarifying that it should also be accounted for in equity will be consistent with the other proposals in the discussion paper.

Question 9
Paragraphs 4.51–4.56 discuss the Board's preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should recognise transaction costs as an expense in the period in which they are incurred, except that the costs of issuing shares or debt instruments should be accounted for in accordance with the applicable IFRS Standards. Do you agree with the Board's preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

24. We agree with the IASB's view that, when applying the book-value method to a business combination under common control, the receiving company should recognize transaction costs as an expense in the period in which they are incurred, except that the costs of issuing shares or debt instruments should be accounted for in accordance with the applicable IFRS Standards based on the rationale in paragraphs 4.51 – 4.56 of the Discussion Paper.

Question 10
Paragraphs 4.57–4.65 discuss the Board's preliminary view that, when applying a book-value method to a business combination under common control, the receiving company should include in its financial statements the assets, liabilities, income and expenses of the transferred company prospectively from the combination date, without restating pre-combination information. Do you agree with the Board's preliminary view? Why or why not? If you disagree, what approach do you suggest and why?

25. We disagree with the IASB's preliminary view that when applying a book-value method to a business combination under common control, the receiving company should include in its financial statements the assets, liabilities, income and expenses of the transferred company prospectively from the combination date, without restating pre-combination information. Pre-combination information can be very useful information to users of the financial statements to assess trending of the receiving company. Comparative information is also especially important for IPOs which require three years of comparative financial statements in our jurisdiction.

26. We note that the Discussion Paper acknowledges the value of comparative financial statements and that regulators require comparatives when a company chooses to list their shares. The inability to restate comparatives would result in companies having to prepare multiple sets of financial statements adding to the costs of preparing financial statements for the company.

27. Therefore, we propose that the IASB allow a choice for entities to restate comparative financial statements when using the book-value method to account for a business combination under common control. If the IASB does not agree with this proposal, at a minimum we recommend that the IASB permit this information be included in the notes of the receiving companies' financial statements for the comparative periods so long as the entities were under common control over that period.

Section 5 – Disclosure requirements

Question 11
Paragraphs 5.5–5.12 discuss the Board's preliminary views that for business combinations under common control to which the acquisition method applies: (a) the receiving company should be required to comply with the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment; and (b) the Board should provide application guidance on how to apply those disclosure requirements together with the disclosure requirements in IAS 24 Related Party Disclosures when providing information about these combinations, particularly information about the terms of the combination. Do you agree with the Board's preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

28. We agree with the IASB's proposals that when applying the acquisition method, the receiving company should be required to comply with the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment based on the rationale in paragraphs 5.5 – 5.12 of the Discussion Paper.

29. We also agree with the IASB's proposal to provide application guidance on how to apply those disclosure requirements together with the disclosure requirements in IAS 24 *Related Party Disclosures* when providing information about these combinations, particularly information about the terms of the combination as the disclosure guidance in IAS 24 is not specifically targeted to business combinations under common control.

Question 12
Paragraphs 5.13–5.28 discuss the Board's preliminary views that for business combinations under common control to which a book-value method applies: (a) some, but not all, of the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment, are appropriate (as summarised in paragraphs 5.17 and 5.19); (b) the Board should not require the disclosure of pre-combination information; and (c) the receiving company should disclose: i. the amount recognised in equity for any difference between the consideration paid and the book value of the assets and liabilities received; and ii. the component, or components, of equity that includes this difference. Do you agree with the Board's preliminary views? Why or why not? If you disagree, what approach do you suggest and why?

30. We agree with the IASB's proposals that some but not all, of the disclosure requirements in IFRS 3 Business Combinations, including any improvements to those requirements resulting from the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment, are appropriate based on the rationale in paragraphs 5.17 – 5.19 of the Discussion Paper.

31. As stated earlier, we recommend the IASB provide an option to restate comparative information when the book-value method is applied. If the IASB does not agree with this proposal, at a minimum, we think this option should be available in the notes to the financial statements.

32. We agree with the IASB's proposals that the receiving company should disclose the amount recognized in equity for any difference between the consideration paid and the book value of the assets and liabilities received; and the component, or components, of equity that includes this difference to clarify for users of the financial statements how much the difference is and where it is recognized.

Other Considerations

33. A number of stakeholders we consulted expressed concern with the potential for the proposals to apply retrospectively to business combinations under common control that occurred before the proposals become effective. Consistent with our stakeholders, we think any guidance on accounting for business combinations under common control should apply on a prospective basis to combinations occurring after the new standards are effective. We think the benefit of restating previous business combinations under common control will not exceed the benefit of this information for financial statement users.