Purpose of this paper

1. At previous meetings, the Board tentatively decided that:

   (a) a current value approach would be applied to business combinations under common control that affect non-controlling shareholders of the receiving entity subject to an exception and an exemption for privately held entities. The current value approach would be the acquisition method set out in IFRS 3 Business Combinations. To address a feature not present for transactions within the scope of IFRS 3, that method would be complemented by a requirement to recognise any excess identifiable net assets acquired as an increase in the receiving entity’s equity (contribution), not as a gain on a bargain purchase in the statement of profit or loss.

   (b) a predecessor approach would be applied to all other transactions within the scope of the project, including transactions that affect lenders and other creditors of the receiving entity and potential equity investors.

2. This paper discusses what information about business combinations under common control should be disclosed. This topic completes the Board’s discussion of reporting business combinations under common control if the Board decides to publish a discussion paper for this project (see Agenda Paper 23B Due process).
Structure of this paper

3. This paper is structured as follows:

   (a) summary of staff recommendations (paragraph 4);

   (b) overview of findings in the staff’s research and outreach (paragraphs 5–17);

   (c) staff analysis and recommendations (paragraphs 18–64):
       (i) when the acquisition method is used (paragraphs 28–42);
       (ii) when a predecessor approach is used (paragraphs 43–64); and

   (d) Appendix A—Analysis of the applicability of disclosure requirements in IFRS 3 and of the proposals on disclosure in the Goodwill and Impairment project to transactions within the scope of the project.

Summary of the staff recommendations

4. The staff recommend that:

   (a) when the acquisition method is used:
       (i) the Board applies all the disclosure requirements in IFRS 3 and all the proposals on disclosure in the Goodwill and Impairment project;
       (ii) the Board does not require any additional disclosures about the transaction price on top of those required by IFRS 3 and proposed in the Goodwill and Impairment project;

   (b) when the predecessor approach is used:
       (i) the Board applies particular disclosure requirements in IFRS 3 and particular proposals on disclosure in the Goodwill and Impairment project, as set out in paragraph 46;
       (ii) the Board requires entities to disclose the amount of the difference recognised in equity between the consideration paid and the carrying amounts of assets and liabilities received, and also the component of equity in which that difference is recognised; and
(iii) the Board does not require any additional disclosures related to pre-combination information or the transaction price on top of those required by IFRS 3 as modified by the Board’s preliminary view in the Goodwill and Impairment project.

Overview of findings in the staff’s research and outreach

5. In developing recommendations on what information should be disclosed, the staff:

   (a) reviewed national requirements and guidance (paragraphs 6–9);
   (b) considered guidance published by accounting firms (paragraph 10);
   (c) performed a desktop review of business combinations under common control reported applying IFRS Standards\(^1\) (paragraphs 11–14); and
   (d) sought input on disclosures from stakeholders (paragraphs 15–17).

Review of requirements and guidance on disclosures

6. The staff’s review of national requirements and guidance covered, but was not limited to, those issued by member jurisdictions of the Accounting Standards Advisory Forum, the Emerging Economies Group and G20. As noted in January 2020 Agenda Paper 23B Predecessor approach—consideration and presentation in equity, the staff’s review covered 25 jurisdictions as well as IPSAS 40 Public Sector Combinations issued by the International Public Sector Accounting Standards Board.

7. The staff identified requirements and guidance on disclosures for business combinations under common control in most of the GAAPs reviewed.

8. The staff’s review indicated that disclosure requirements in national GAAPs that require or permit the acquisition method for business combination under common control vary:

   (a) some GAAPs require limited information to be disclosed such as the names of entities involved and the date of the combination;

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\(^1\) In performing the desktop review, the staff used the financial search engine, AlphaSense. The search was limited to annual reports written in English and would identify the existence of business combinations under common control only if those transactions were disclosed in annual reports.
(b) other GAAPs set out disclosure requirements that are largely consistent with those in IFRS 3 (for example, South Africa’s Standard of Generally Recognised Accounting Practice 105 *Transfer of Functions Between Entities Under Common Control*) or state that if the acquisition method is used, the disclosure requirements in IFRS 3 apply in full.

9. Disclosure requirements in national GAAPs for transactions reported applying a predecessor approach\(^2\) also vary:

(a) some GAAPs require limited information to be disclosed such as the name of the entities involved, the date of the combination and, in some cases, information about the resulting movement in equity (for example, in Chapter 32 *Common control transactions* issued by the Korea Accounting Standards Board);

(b) other GAAPs (for example, Accounting Standards for Business Enterprises 20 *Business Combinations* issued by the Ministry of Finance of the People’s Republic of China) require detailed information about the transaction, including information about:

(i) the amount of consideration transferred and whether it has been paid in cash, with non-cash assets or by assuming liabilities;

(ii) the carrying amounts of assets and liabilities received as of the of the previous reporting period and on the combination date;

(iii) the carrying amounts of assets or liabilities received which have been disposed of or are to be disposed of;

(iv) revenue, net profit and cash flows of the transferred entity from the beginning of the reporting period in which the combination occurs until the combination date; and

(v) any contingent liability assumed.

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\(^2\) A predecessor approach is sometimes referred to in national GAAPs as ‘pooling of interests method’ or ‘merger accounting’.
Guidance published by accounting firms

10. The staff reviewed guidance on disclosures for business combinations under common control published by accounting firms. All accounting manuals reviewed by the staff suggest separate disclosure of information about material related party transactions such as business combinations under common control—rather than aggregating it with information about other related party transactions. One firm also provides specific guidance on disclosure for business combinations under common control. That firm suggests that an entity should disclose its accounting policy for business combinations under common control and provide information that is necessary for users of financial statements to understand the effect of a transaction, in particular:

(a) if the acquisition method is applied, an entity should disclose information as required by IFRS 3.

(b) if a predecessor approach is applied, some of the IFRS 3 disclosure requirements are still applicable. For example, an entity should disclose the amounts recognised for each major class of assets acquired and liabilities assumed either at the date of the combination (if combining entities are combined from that date) or at the beginning of the earliest period presented (if they are combined from that date).

Research into current reporting practice

11. The staff performed a desktop review of business combinations under common control reported applying IFRS Standards.

12. For transactions reported applying the acquisition method, information disclosed was largely consistent with the requirements IFRS 3. Specifically:

(a) most entities disclosed the name and a description of the acquiree, acquisition date, percentage of equity interests acquired, amount and form of the consideration transferred, including information about any contingent consideration, and fair value of the acquired identifiable assets and liabilities;

(b) some entities disclosed reasons for the combination;
(c) for transactions that resulted in recognition of goodwill, many entities provided description of the factors that make up the goodwill;

(d) for transactions that resulted in recognising non-controlling interest, all entities disclosed the amount of non-controlling interest;

(e) many entities disclosed revenue and net profit of the acquiree since the acquisition date; and

(f) a few entities disclosed revenue and net profit (or an undefined measure of operating profit) for the combined entity for the current period as though the transaction occurred at the beginning of that period.

13. In one transaction reported applying the acquisition method a contribution to equity was recognised. For that transaction, the entity disclosed the amount recognised in equity and a description of why the transaction resulted in a contribution.

14. The staff reviewed disclosure provided for a sample of transactions reported applying a predecessor approach. The sample included 18 financial statements. The following disclosures were observed:

(a) many entities disclosed how a predecessor approach was applied, including the following information:

(i) many entities disclosed whether the transferred entities were consolidated from the date of the transaction or from the beginning of the earliest period presented;

(ii) many entities disclosed that assets and liabilities received in the combination were recognised at their predecessor carrying amounts and approximately half of those entities disclosed which predecessor carrying amount was used;

(iii) some entities disclosed how the consideration transferred was measured;

(iv) many entities disclosed that the difference between the consideration transferred and the carrying amounts of the assets and liabilities received was recognised in equity;

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3 The sample was selected randomly from entities operating in jurisdictions represented on the 20 largest stock exchanges (measured by domestic market capitalisation, as monitored by the World Federation of Exchanges).
(b) most entities disclosed the names of the entities involved, the date of the combination, the form of consideration and the amount of consideration;
(c) many entities disclosed the percentage of interest acquired;
(d) some entities disclosed the purpose of the transaction and identified the controlling party;
(e) some entities disclosed particular pre-combination information about the transferred entity and a few entities disclosed a full statement of financial position and a statement of profit or loss for that entity; and
(f) a few entities disclosed that adjustments were made to harmonise the accounting policies of the combining entities.

**Input received from the Board’s consultative bodies**

15. The staff received feedback on particular aspects of disclosure about business combinations under common control at the June 2019 joint Capital Market Advisory Committee (CMAC) and Global Preparer Forum (GPF) meeting and the July 2019 ASAF meeting.

16. Specifically, in discussing alternatives for reporting any overpayment in a business combination under common control reported applying a current value approach, some participants at those meetings suggested that entities should provide information about the purpose of the transaction and explain how the transaction price was determined so that investors could assess whether the entity paid a reasonable price.

17. In discussing what pre-combination information should be provided applying a predecessor approach and how that information should be provided, participants at those meetings made the following comments:

(a) most CMAC and GPF members considered pre-combination information useful, in particular for trend analysis and expressed a preference for disclosing any such pre-combination information in the notes rather than presenting it on the face of financial statements. They argued that primary financial statements should not provide a picture of a group that did not
exist before the combination and should reflect the transaction that resulted in the new group being created.

(b) some GPF members commented that providing historical pre-combination information for a transferred business would be difficult and would involve judgment and uncertainties in a carveout scenario when the transferred business was not a reporting entity before the combination.

(c) some CMAC members observed that in the context of an initial public offering (IPO), so called ‘pro-forma’ information is usually required to be included in the prospectus by regulators.

(d) some participants at the joint CMAC and GPF meeting raised a concern about complexity and costs of providing pre-combination information. On the other hand, one GPF member stated that such information is typically available for internal purposes.

(e) only a few ASAF members commented on pre-combination information. They suggested that although such information would be useful for assessing trends, preparing a complete set of pre-combination information for all combining entities could be challenging and involve measurement uncertainties.

Staff analysis and recommendations

18. In developing recommendations on disclosure for business combinations under common control, the staff used the existing disclosure requirements in IFRS 3 as a starting point and considered the work performed in the Goodwill and Impairment project on improving disclosures about business combinations.

19. IFRS 3 sets out disclosure objectives for business combinations in paragraphs 59 and 61 of the Standard as follows:

59 The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either:

(a) during the current reporting period; or
61 The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods.

20 Furthermore, paragraph 63 of IFRS 3 states:

63 If the specific disclosures required by this and other IFRSs do not meet the objectives set out in paragraphs 59 and 61, the acquirer shall disclose whatever additional information is necessary to meet those objectives.

21 IFRS 3 also contains a detailed set of disclosure requirements in paragraphs B64–B67 of the Standard. These requirements are reproduced in Appendix A to this paper.

22 In developing the proposals on improving disclosure about business combinations in the Goodwill and Impairment project, the Board considered feedback from investors received in the Post-Implementation Review (PIR) of IFRS 3. Investors said that they need better information to help them understand an acquisition, including whether the price paid for the acquired business is reasonable, how the acquisition has affected the entity and how the acquired business has performed. The Board also noted feedback from stakeholders who said that entities often use the current disclosure requirements in IFRS 3 mechanically as a checklist. The resulting information is sometimes ‘boilerplate’ and insufficient to meet investors’ information needs.

23 To address that feedback, the Board’s preliminary view in the Goodwill and Impairment project is that it should include in IFRS 3 more specific disclosure objectives that would require entities to provide information to help investors understand:

(a) the benefits expected from an acquisition that a company’s management considered when agreeing the price to pay to acquire a business; and

(b) the extent to which management’s objectives for a business combination are being met.

24 Furthermore, to help entities provide better information about business combinations in line with the clarified disclosure objectives, the Board’s preliminary view in that project is that it should amend the disclosure requirements in IFRS 3 to require that entities disclose information about:
(a) the strategic rationale for undertaking a business combination;
(b) management’s objectives for the business combination and whether those objectives are being met;
(c) expected synergies;
(d) financing and pension liabilities; and
(e) performance of the combined entity before the combination and of the acquired business after the combination.

25. Appendix A reproduces disclosure objectives and disclosure requirements proposed in the Goodwill and Impairment project based on a late draft of the forthcoming discussion paper for that project.

26. The following sections consider:

(a) whether and which disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project should apply to business combinations under common control; and

(b) whether additional information should be provided about business combinations under common control, in particular information about transaction price and performance of the combined entity before the combination.

27. These topics are addressed below separately for the following transactions within the scope of the project:

(a) those reported applying the acquisition method (paragraphs 28–42); and

(b) all others—those reported applying the predecessor approach (paragraphs 43–64).

When the acquisition method is used

Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project

28. In principle, the staff think that disclosure requirements in IFRS 3 and the proposals on disclosure in the Goodwill and Impairment project should also apply to business combinations under common control reported applying the acquisition method. As
noted in paragraph 1(a), that method would be applied to business combinations under common control that affect non-controlling shareholders of a receiving entity and are similar to acquisitions in the scope of IFRS 3. Those non-controlling shareholders need similar information about all business combinations, irrespective of whether those combinations are under common control or not.

29. As discussed in paragraph 8, a similar approach is adopted in some national GAAPs that require or permit the acquisition method for business combinations under common control. Those GAAPs set out disclosure requirements that are largely consistent with IFRS 3 or require that the disclosure requirements in IFRS 3 apply in full when the acquisition method is applied. Furthermore, as stated in paragraph 10(a), a similar approach is also advocated in an accounting manual of one of the accounting firms. That firm expresses a view that if the acquisition method is used to report a business combination under common control, the entity should provide disclosures required by IFRS 3. Finally, as discussed in paragraph 12, such an approach is also largely applied in practice for transactions reported applying the acquisition method.

30. The staff analyse in Appendix A whether all disclosure requirements in IFRS 3 and all proposals on disclosure in the Goodwill and Impairment project would be applicable for business combinations under common control reported applying the acquisition method.

31. Based on that analysis, the staff identified two requirements that would apply differently to business combinations under common control than to other business combinations:

(a) disclosure requirements in paragraph B64(n) of IFRS 3 for a bargain purchase apply to business combinations in rare cases but would never apply to business combinations under common control. This is because in a business combination under common control, as previously discussed by the Board⁴, any excess fair value of the acquired identifiable net assets over the fair value of the consideration paid results from a transaction with owners acting in their capacity as owners and would be recognised as a contribution to equity rather than as a gain on a bargain purchase.

⁴ Paragraphs 40–42 of December 2019 Agenda Paper 23A Applying a current value approach in BCUCC.
(b) in the staff’s view, disclosure requirements in paragraph B64(l) of IFRS 3 for separate transactions would apply to a contribution to equity recognised in a business combination under common control. In contrast, such a contribution would never arise in a business combination between third parties.

32. Based on the analysis in Appendix A, the staff recommend that disclosure requirements in IFRS 3 and proposals on disclosure in the Goodwill and Impairment project should also apply to business combinations under common control reported applying the acquisition method. The staff have identified no need to exempt those transactions from those disclosure requirements or proposals. In addition, not exempting those transactions would avoid drawing a ‘line’ between types of business combinations for disclosure purposes.

33. The Board intends to investigate as one of the next steps in the Goodwill and Impairment project whether it can remove some disclosure requirements from IFRS 3 without depriving investors of useful information. In addition, the Board may consider whether to add or amend disclosure requirements in that project. In principle, the staff think that any such further disclosure proposals for business combinations are also likely to apply to business combinations under common control reported applying the acquisition method. The staff will analyse any such further proposals as both projects progress.

**Question 1 for the Board**

Does the Board agree with the staff recommendation in paragraph 32 to apply the disclosure requirements in IFRS 3 and proposals on disclosure in the Goodwill and Impairment project to business combinations under common control reported applying the acquisition method?

**Should additional disclosures be required?**

34. Business combinations under common control are not at arm’s length. Therefore, the staff considered whether, when the acquisition method is applied, additional disclosures should be provided on top of those required by IFRS 3 and proposed in the Goodwill and Impairment project, in particular disclosures about the transaction price.
Some such additional disclosures would be required by IAS 24 Related Party Disclosures. That Standard requires an entity to disclose:

(a) the name of its parent and, if different, the ultimate controlling party; and
(b) information about related party transactions by category of related parties, including information about the nature of the relation party relationship, the amount of the transaction and any outstanding balances.

However, that Standard does not require an entity to disclose the financial terms of related party transactions. In addition, it states that disclosures that related party transactions were made on terms equivalent to those that prevail in arm’s length transactions are made only if such terms can be substantiated.

The question arises whether additional information about a transaction price in a business combination under common control should be disclosed. Indeed, as noted in paragraph 16, in discussing reporting alternatives for any overpayment in a business combination under common control, some stakeholders emphasised that users need information to help them make their assessment of whether the entity paid a reasonable price. The Board considered that feedback in discussing how a current value approach should be applied. The Board tentatively decided not to require entities to identify, measure and recognise any distribution from equity in a business combination under common control but noted that it would consider what information about the transaction price should be disclosed to help users assess whether the fair value of the consideration transferred exceeds the fair value of the acquired interest.

Feedback received from stakeholders in this project is consistent with the feedback received in the PIR of IFRS 3 indicating that investors need better information to help them understand whether the price paid for the acquired business is reasonable. As discussed in paragraphs 23–24, to address that feedback, the Board developed proposals in its Goodwill and Impairment project to add to IFRS 3:

(a) a specific disclosure objective that would require entities to provide information to help investors understand the benefits expected from an acquisition that the management considered when agreeing the price to pay to acquire a business; and
(b) requirements to disclose the information about expected synergies:
(i) a description of the synergies expected from combining the operations of the acquiree and acquirer;

(ii) when they are expected to be met;

(iii) their amount (or range of amounts); and

(iv) the estimated cost (or range of cost) to achieve those synergies.

39. The staff think that these proposals would also help address feedback received in this project. Provided that the Board agrees with the staff recommendation in paragraph 32 to apply these proposals to business combinations under common control, the staff do not think that additional disclosures about transaction price should be required for business combinations under common control.

40. However, if the Board decides to develop additional disclosures about transaction price, the staff considered what such additional disclosures could be. The staff have identified the following disclosure practices and requirements:

(a) some entities, in discussing transaction price in a business combination under common control, provided information about involvement of a third-party valuer;

(b) some national GAAPs, in some cases, require disclosure of the terms and the conditions of a related party transaction, including a business combination under common control;

(c) some regulators require disclosure about the financial terms of related party transactions, including business combinations under common control, including information about:

(i) whether the financial terms of the transaction are supported by an independent valuation or appraisal;

(ii) whether the transaction is subject to specified approval procedures such as shareholder approval; and

(iii) whether the financial terms of the transaction were reviewed by an external body or by the Board of Directors before the transaction took place.

41. The Board could propose similar requirements for business combinations under common control. However, as noted above, the staff think that the proposals in the
Goodwill and Impairment project would provide users with useful information about the transaction price in a business combination under common control. In addition, the requirement in IAS 24 prohibiting statements that related party transactions were made on terms equivalent to those that prevail in arm’s length transactions if such terms cannot be substantiated would also prevent misleading statements. Finally, as stated in paragraph 32, setting the same disclosure requirements for business combinations under common control reported applying the acquisition method as for business combinations in the scope of IFRS 3 avoids creating an additional distinction for disclosure purposes.

42. On that basis, for business combinations under common control reported applying the acquisition method the staff do not recommend any additional disclosures about the transaction price on top of those required by IFRS 3 and proposed in the Goodwill and Impairment project. However, the staff think that the discussion paper could discuss such potential additional disclosure requirements and seek feedback from stakeholders.

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<th>Question 2 for the Board</th>
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<tr>
<td>Does the Board agree with the staff recommendation in paragraph 42 not to require additional disclosures about the transaction price for business combinations under common control reported applying the acquisition method on top of those required by IFRS 3 and proposed in the Goodwill and Impairment project?</td>
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**When the predecessor approach is used**

*Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project*

43. Unlike for business combinations under common control reported applying the acquisition method, the staff do not think that all disclosure requirements in IFRS 3 and all proposals in the Goodwill and Impairment project should apply when the predecessor approach is used. This is because:

(a) the population of users for the latter transactions is different and therefore both their common information needs and the cost-benefit assessment can be different. In addition, the population of users can also be different for
different transactions reported applying a predecessor approach. These can range from internal reorganisations that do not affect any primary users to transactions that affect lenders and other creditors or, in some cases for private entities, affect non-controlling shareholders.

(b) the nature of some of the transactions reported applying the predecessor approach can be different from acquisitions in the scope of IFRS 3.

(c) the measurement approach is different and therefore some of the disclosures required by IFRS 3, for example, disclosures about goodwill that arises on the combination, would not apply.

44. In addition, as noted in Agenda Paper 23B for this month’s meeting, the Board has not yet developed the predecessor approach in detail. For example, the Board has not discussed how to apply a predecessor approach to a combination that is achieved in stages or whether and how to address the circumstances when initial accounting for a combination is not complete by the end of the reporting period (the issue could arguably arise if the combination is effected near the reporting date and the transferred entity did not prepare financial statements in accordance with IFRS Standards). Accordingly, before the measurement approach is developed further to address those circumstances, it is premature to consider whether and which disclosure requirements should apply in those circumstances.

45. The staff analyse in Appendix A whether the disclosure requirements in IFRS 3 and those proposed in the Goodwill and Impairment project would apply to business combinations under common control reported applying the predecessor approach.

46. In summary, based on the considerations set out in paragraph 43 and subject to the limitations explained in paragraph 44, the staff think that when the predecessor approach is applied, only a limited number of disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project should be applied, as follows:

(a) the disclosure objective in paragraph 59 of IFRS 3 that requires information that enables users of financial statements to evaluate the nature and financial effect of a business combination. However, the specific information that may be needed to satisfy this objective applying the
predecessor approach would differ from information provided applying the acquisition method.

(b) the additional disclosure objective proposed in the Goodwill and Impairment project that would require explanation of the expected benefits of the combination that were considered when agreeing the price to acquire the business. The staff think that information would help users understand why an entity undertook a business combination under common control and what it paid is useful to all types of primary users. However, as also noted in paragraph 46(a), the information that may be needed to satisfy this objective applying the predecessor approach would differ from the information provided applying the acquisition method. In particular, the staff think that the proposed disclosure requirements for expected synergies should not be required applying the predecessor approach. This is because the nature of combinations reported applying the predecessor approach can be different compared to acquisitions in the scope of IFRS 3. In addition, even when their nature is similar to acquisitions, the staff do not think that the benefits of providing that information would justify the costs of providing it given a different composition of primary users of information about such transactions.

(c) the requirements in paragraphs B64 (a-c) of IFRS 3 to disclose the name and the description of the transferred entity, the date of the combination and the percentage of the voting equity interests acquired.

(d) the requirement in paragraph B64(d) of IFRS 3 to disclose the reasons for the combination and a description of how the receiving entity obtained control of the transferred entity. However, the staff think that the amendments to that paragraph proposed in the Goodwill and Impairment project that would require entities to disclose the management objectives for the combination and how those objectives are monitored should not be required applying the predecessor approach. This is due to both the nature of some transactions reported applying that method and the composition of primary users of information about such transactions.
(e) the requirement in paragraph B64(f) of IFRS 3 to disclose fair value of non-cash assets transferred as consideration. The Board tentatively decided that consideration paid in the form of assets would be measured at the carrying amounts of those assets. As no gain on disposal of those assets would be recognised, the staff think that information about fair value of those assets would be useful, for example, to lenders and other creditors to help them assess whether the disposal affects the prospects for cash flows to the entity and the entity’s ability to service its debts.

(f) the requirement in paragraph B64(i) of IFRS 3 to disclose amounts recognised as of the combination date for each major class of assets acquired and liabilities assumed, including for liabilities arising from financial activities and defined benefit pension liabilities as proposed in the Goodwill and Impairment project. Applying the predecessor approach an entity would disclose the carrying amounts rather than fair values.

(g) the requirement in paragraph B64(k) of IFRS 3 to disclose the total amount of goodwill that is expected to be deductible for tax purposes. Although no goodwill is recognised applying the predecessor approach, the disclosure requirement relates to tax laws and regulations that the entity is subject to rather than the amounts recognised in financial statements. Although such circumstances may not arise often, if they do arise the staff think that the goodwill deductible for tax purposes should be disclosed. Besides, the staff are mindful that some internal reorganisations are undertaken primarily in order to achieve tax benefits.

(h) the requirement in paragraph B64(o) of IFRS 3 to disclose the carrying amount of non-controlling interest if the receiving entity holds less than 100 per cent of the equity interests in the transferred entity at the date of combination. The Board has not yet discussed how such non-controlling interest should be measured.

(i) the requirements in paragraph B64(q) of IFRS 3, including amendments to those requirements proposed in the Goodwill and Impairment project, to provide specified information about performance of the transferred entity since the combination date and about performance of the combined entity.
for the current reporting period as though the combination date had been as of the beginning of the reporting period.

(j) the requirement in paragraph B65 of IFRS 3 for individually immaterial business combinations, to disclose in aggregate the information required by paragraph B64 of IFRS 3.

(k) the requirement in paragraph B66 of IFRS 3 for combinations after the end of the reporting period but before the financial statements are authorised for issue, to disclose the information required by paragraph B64 of IFRS 3. However, as noted in paragraph 44, the Board has not yet discussed whether and how to address circumstances when initial accounting for a combination is not complete by the end of the reporting period.

(l) the requirement in paragraph B67(e) of IFRS 3 to disclose the amount and an explanation of any gain or loss that relates to assets and liabilities received in a business combination and that is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity’s financial statements.

(m) the requirement in paragraph 63 of IFRS 3 to disclose whatever additional information is necessary to meet the disclosure objectives for business combinations.

As noted in paragraph 9, some of the disclosures set out above are sometimes required in national GAAPs for transactions reported applying a predecessor approach. Furthermore, as discussed in paragraph 10, one of the accounting firms that discusses disclosure about business combinations under common control suggests that some of the disclosure requirements in IFRS 3 should also apply when a predecessor approach is used. Finally, as discussed in paragraph 14, the staff’s desktop review of current practice indicated that some such information is disclosed in the notes to financial statements.

Accordingly, the staff recommend that for business combinations under common control reported applying the predecessor approach the Board applies particular disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project as set out in paragraph 46.
Question 3 for the Board

Does the Board agree with the staff recommendation to apply particular disclosure requirements in IFRS 3 and particular proposals on disclosure in the Goodwill and Impairment project as set out in paragraph 46 to business combinations under common control reported applying the predecessor approach?

Should additional disclosures be required?

49. Paragraphs 37–41 discuss whether additional disclosures about the transaction price, on top of those required by IFRS 3 and proposed in the Goodwill and Impairment project, should be required for business combination under common control reported applying the acquisition method. For the reasons summarised in paragraph 41, notably in the light of the improved disclosures proposed in the Goodwill and Impairment project, the staff concluded that such additional disclosures should not be required. The staff think that the same conclusion and for the same reasons also applies to business combinations under common control reported applying a predecessor approach.

50. The staff identified two further considerations that only arise for business combinations under common control reported applying a predecessor approach:

(a) whether disclosures should be required about the difference recognised in equity between consideration paid and the carrying amounts of assets and liabilities received and if so, what information should be disclosed (paragraphs 51–53); and

(b) whether disclosures of particular pre-combination information about all combining entities should be required and if so, what information should be disclosed (paragraphs 54–64).

Disclosure of difference recognised in equity

51. Applying requirements in paragraph 106 of IAS 1 Presentation of Financial Statements, an entity is required to disclose, for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period disclosing separately changes resulting from profit or loss, other comprehensive income and transactions with owners in their capacity as owners. As discussed in
January 2020 Agenda Paper 23B, the difference recognised in equity applying the predecessor approach does not meet a definition of an element of financial statements and does not constitute an item of income or expense that could be recognised in other comprehensive income or in the statement of profit or loss. Furthermore, as also discussed in that paper, that difference does not, at least not in its entirety, result from transactions with owners acting in their capacity as owners. Accordingly, the disclosure of that difference would not be captured by the existing requirements in IAS 1.

52. The staff think that information about the amount of the difference between consideration paid and the carrying amounts of the assets and liabilities received and about the component of equity in which that difference was recognised would be useful to users of financial statements. As discussed in January 2020 Agenda Paper 23B, the staff’s research indicated that information about that difference is required by many of the national GAAPs reviewed by the staff. In addition, as discussed in paragraph 14, entities often separately present this difference in practice.

53. Accordingly, the staff recommend that entities are required to disclose information about the amount of the difference, and the component of equity in which that difference is included.5

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<th>Question 4 for the Board</th>
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<tr>
<td>Does the Board agree with the staff recommendation in paragraph 53 to require a receiving entity in a business combination under common control reported applying the predecessor approach to disclose the following information about the difference between consideration paid and the carrying amounts of assets and liabilities received:</td>
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<td>(a) the amount of the difference; and</td>
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<td>(b) the component of equity in which that difference is recognised?</td>
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5 At the January 2020 meeting, the Board tentatively decided not to prescribe in which component of equity that difference should be recognised, including whether that difference should be presented as a separate component of equity. The Board does not generally prescribe the form of presentation within a reporting entity’s equity because these matters are often affected by national requirements and regulations.
Disclosure of pre-combination information

54. As noted in paragraph 17, in discussing pre-combination information applying the predecessor approach, most stakeholders agreed that pre-combination information for all combining entities is useful, in particular for trend analysis. Most stakeholders also expressed a preference for disclosing any such pre-combination information in the notes rather than presenting it on the face of financial statements. They argued that primary financial statements should not provide a picture of a group that did not exist before the combination and should reflect the transaction that resulted in the new group being created. They also noted that preparing a complete set of pre-combination information for all combining entities could be challenging and involve measurement uncertainties, in particular if the transferred businesses were not reporting entities before the combination. Some stakeholders, including users of financial statements, expressed skepticism about the usefulness of hypothetical ‘pro forma’ pre-combination information for all combining entities.

55. The Board considered that feedback in discussing pre-combination information applying the predecessor approach. At its October 2019 meeting, the Board tentatively decided that pre-combination information in the primary financial statements would be provided only for the receiving entity. The Board noted that it would discuss at a future meeting whether particular pre-combination information about all combining entities should be disclosed in the notes.

56. The staff identified two questions that the Board would need to consider if the Board decides to require disclosure of pre-combination information about all combining entities:

   (a) what the scope of the disclosed pre-combination information should be:

      (i) a full set of pre-combination information for all combining entities, for example a full or condensed set financial statements; or

      (ii) a limited set of pre-combination information for all combining entities, for example specified line items or sub-totals of the statement of profit or loss and the statement of cash flows;
(b) whether to provide guidance on how that pre-combination information should be prepared, for example:

(i) how to develop pre-combination information for the transferred businesses if they were not reporting entities before the combination or if they did not prepare financial statements applying IFRS Standards;

(ii) whether to provide combined information for all combining entities or separate information for those entities for which the consolidated financial statements do not already provide that information; or

(iii) if combined information is provided, whether transactions and balances between combining entities before the combination date should be eliminated and whether and how to adjust those transactions and balances for transactions that might not have occurred or might have occurred on different terms if the entities had already been combined.

57. In developing the proposals in the Goodwill and Impairment project, the Board considered the existing disclosure requirements for pre-combination information in paragraph B64(q) of IFRS 3 and whether and how those requirements could be improved in the light of the feedback received in the PIR of IFRS 3.

58. Paragraph B64(q) of IFRS 3 requires entities to disclose, to the extent practicable, the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period (‘pro forma’ information). That information is intended to help investors to compare the entity’s financial performance in the next reporting period, which will include the acquired business for a full year, with its financial performance in the current period. To do this, investors need information about the financial performance of the acquired business from the beginning of the current period to the combination date. That information is also intended to help investors to estimate the future contribution of the acquired business to both future financial performance and future cash flows of the combined entity.
Commenting on this requirement during and after the PIR of IFRS 3, stakeholders provided feedback similar to the feedback on pre-combination information received in the Business Combinations under Common Control project, specifically:

(a) some stakeholders argued that such ‘pro forma’ information is not useful because it is hypothetical. They also noted that there is a lack of guidance on how to prepare such information which results in diversity in practice in how this information is prepared and in lack of comparability. However, other stakeholders, notably users of financial statements, stated that the ‘pro forma’ information is important to them even with its limitations.

(b) some stakeholders stated that information about the revenue and profit of the acquired business before the acquisition is not always readily available and that it is costly to produce ‘pro forma’ information because there is a need, for example, to align accounting policies. However, others stated that such information is simple to produce. This difference in views could reflect diversity in how the information is prepared.

The Board considered that feedback in the Goodwill and Impairment project and investigated whether and how it could amend the requirement in paragraph B64(q) of IFRS 3. The Board reached a preliminary view that it should:

(a) replace the term ‘profit or loss’ in paragraph B64(q) of IFRS 3 with the term ‘operating profit before deducting acquisition-related costs and integration costs’. Operating profit or loss would be defined as in the Exposure Draft General Presentation and Disclosures.

(b) add a requirement to paragraph B64(q) to disclose cash flow from operating activities.

(c) retain the requirement for the information (revenue, operating profit before deducting acquisition-related costs and integration costs and cash flow from operating activities) to be disclosed for the combined entity as if the acquisition had occurred at the beginning of the reporting period.

If the Board agrees with the staff recommendation in paragraph 46(i), these proposals would also apply to business combinations under common control reported applying the predecessor approach.
62. Considering the work performed in the Goodwill and Impairment project as well as the feedback received from stakeholders in this project, the staff think that for transactions reported applying the predecessor approach the Board should not:

(a) extend the scope of pre-combination information to be disclosed beyond what is proposed in the Goodwill and Impairment project. The benefits of any additional pre-combination information provided for transactions reported applying the predecessor approach are less likely to justify the costs of providing this information for these transactions than for other business combinations. This is because only some transactions reported applying the predecessor approach would affect non-controlling shareholders and some of these transactions may not affect any users of financial statements (for example, internal reorganisations).

(b) propose guidance on how to prepare the pre-combination information or require entities to disclose how they prepare such information. The Board expects to consider this topic in the Goodwill and Impairment project once it has reviewed the feedback on that discussion paper. In principle, the staff think that any further conclusions reached for business combinations are also likely to apply to business combinations under common control reported applying the predecessor approach. The staff will analyse this topic further as both projects progress.

63. The staff acknowledge that for a subset of transactions under common control reported applying the predecessor approach, pre-combination information for all combining entities would arguably be more useful than in any other circumstances. That could be the case for business combinations under common control undertaken in preparation for an IPO. This is because if there is no requirement to provide pre-combination information for all combining entities, users of financial statements, notably potential equity investors in the IPO, would receive different information about economically similar transactions depending on how the combination was structured (ie depending on which entity is receiving and which entity is transferred). However:

(a) to ensure that similar information is provided about similar transactions regardless of the mere legal form of those transactions, the Board would
arguably need to require pre-combination information about all combining entities on the face of financial statements rather than in the notes. At its October 2019 meeting, the Board tentatively decided against such an approach.

(b) the staff understand that historical information about the combined entity and about entities involved in the business combination, is usually required by regulators in a prospectus.

(c) all the arguments against preparing pre-combination information discussed in paragraphs 54-59 equally apply in a pre-IPO scenario.

64. Accordingly, based on the analysis in paragraphs 54-63, for transactions reported applying the predecessor approach, the staff do not recommend any additional disclosures related to pre-combination information on top of those required by IFRS 3 as modified by the Board’s preliminary view in the Goodwill and Impairment project. However, the staff think that the discussion paper could discuss whether and what additional disclosures related to pre-combination information should be required for all or some such transactions and seek feedback from stakeholders.

Question 5 for the Board

Does the Board agree with the staff recommendation in paragraph 64 not to require additional disclosures of pre-combination information for business combinations under common control reported applying the predecessor approach on top of those required by IFRS 3, as modified by the Board’s preliminary view in the Goodwill and Impairment project?
Appendix A—Analysis of the applicability of disclosure requirements in IFRS 3 *Business Combinations* and of the proposals on disclosure in the Goodwill and Impairment project\(^6\) to business combinations under common control

<table>
<thead>
<tr>
<th>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</th>
<th>Common control – when the acquisition method is used</th>
<th>Common control – when the predecessor approach is used</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Transactions affecting non-controlling shareholders (with exception and exemption for private entities(^7)).</td>
<td>All other transactions, including those that affect lenders and other creditors or potential equity investors.</td>
</tr>
</tbody>
</table>

59 The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either:
- during the current reporting period; or
- after the end of the reporting period but before the financial statements are authorised for issue.

| | Applies. | Applies subject to editorial changes (eg the reference to the acquirer will be replaced by a reference to the receiving entity). |

60 To meet the objective in paragraph 59, the acquirer shall disclose the information specified in paragraphs B64—B66.

| | Applies. | See comments below. |

**Preliminary view of the Board in the Goodwill and Impairment project**

To add disclosure objectives to IFRS 3 that require companies to provide information to help investors to understand:

| | Applies. | See comments below. |

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\(^6\) As noted in paragraph 25, the analysis in this appendix is based on a late draft of the forthcoming discussion paper on Goodwill and Impairment project.

\(^7\) As noted in paragraph 1, the Board tentatively decided that a privately held receiving entity would be required to apply the predecessor approach if all its non-controlling shareholders are the entity’s related parties as defined in IAS 24 *Related Party Disclosures*, and permitted to apply that approach if all its non-controlling shareholders have been informed about, and not objected to, the entity applying that approach.
Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project

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<thead>
<tr>
<th>Common control – when the acquisition method is used</th>
<th>Common control – when the predecessor approach is used</th>
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<tbody>
<tr>
<td>(a) the benefits expected from an acquisition that a company’s management considered when agreeing the price to acquire the business; and (b) the extent to which management’s (chief operating decision maker (CODM)) objectives for an acquisition are being met.</td>
<td>On balance, the staff think the disclosure objective in paragraph (a) should apply (subject to editorial changes) because information about how the price was determined would be useful to lenders and other creditors. However, specific information needed to satisfy this objective may differ from information that would be provided applying the acquisition method (see comments on paragraph B64(e) of IFRS 3). The staff think that the disclosure objective in paragraph (b) (and the related proposals(^8) on paragraph B64(d) of IFRS 3) should not be required because the nature of, and the reasons for, transactions reported applying the predecessor approach can be different compared to acquisitions in the scope of IFRS 3.</td>
</tr>
</tbody>
</table>

B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period:

- (a) the name and a description of the acquiree.
- (b) the acquisition date.
- (c) the percentage of voting equity interests acquired.

| Applies. | Applies (subject to editorial changes). |

B64  (d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.

| Applies. | As noted above, the staff do not think that the proposed amendments to paragraph B64(d) of IFRS 3 and the additional proposed |

\(^8\) Throughout this table, the terms ‘proposal’ and ‘proposed’ refer to the Board’s preliminary views on Goodwill and Impairment project.
Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project | Common control – when the acquisition method is used | Common control – when the predecessor approach is used
---|---|---
Preliminary view of the Board in the Goodwill and Impairment project

(a) To amend paragraph B64(d) of IFRS 3 replacing the requirement to disclose the primary reasons for a business combination with a requirement for a company to disclose:

(i) the strategic rationale for undertaking an acquisition; and

(ii) management’s (CODM) objectives for the acquisition.

(b) To add a disclosure requirement for companies to disclose:

(i) in the year when an acquisition occurs, the metrics that management (CODM) will use to monitor whether the objectives of the acquisition are being met;

(ii) the extent to which the acquisition’s objectives are being met using those metrics, for as long as management (CODM) monitors the acquisition against its objective;

(iii) if management (CODM) does not monitor whether the acquisition’s objectives are being met, that fact and the reasons why;

(iv) if management (CODM) stops monitoring whether those objectives are being met before the end of the second full year after the year of acquisition, that fact and the reasons why; and

(v) if management (CODM) changes the metrics it uses to monitor whether the objectives of the acquisition are being met, the new metrics and the reason for the change.

B64 (e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.

Applies.

Paragraph B64(e) of IFRS 3 is not applicable as no goodwill is recognised applying a predecessor approach.
### Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project

<table>
<thead>
<tr>
<th>Preliminary view of the Board in the Goodwill and Impairment project</th>
<th>Common control – when the acquisition method is used</th>
<th>Common control – when the predecessor approach is used</th>
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<tbody>
<tr>
<td>To amend paragraph B64(e) of IFRS 3 to require a company to disclose:</td>
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<td>The staff think that the preliminary view should not apply because the nature of, and reasons for, transactions reported applying the predecessor approach can be different compared to acquisitions in the scope of IFRS 3. Even if some such transactions are similar to acquisitions, the staff still think that the proposed disclosure should not be required due to cost-benefit considerations as the composition of primary users is also different.</td>
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<tr>
<td>(i) a description of the synergies expected from combining the operations of the acquired business with its business;</td>
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<td>(ii) when the synergies are expected to be met;</td>
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<td>(iii) the estimated amount (or range of amounts) of the synergies; and</td>
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<tr>
<td>(iv) the estimated cost (or range of cost) to achieve those synergies.</td>
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### B64 (f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:

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<th>Applies.</th>
<th>At the January 2020 meeting, the Board tentatively decided that consideration in the form of assets or liabilities would be measured at the carrying amounts of those assets and liabilities. The Board also tentatively decided not to prescribe measurement of consideration in the form of shares. Accordingly, the staff do not think that disclosure of fair value by class of consideration should be required except for information about fair value of the assets transferred as consideration. Because no gain would be recognised on disposal of those assets, the staff think that information about fair value of those assets would be useful, for example, to lenders and other creditors to help them assess whether the disposal affects the prospects for cash flows to the entity and the entity’s ability to service its debts.</th>
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<td>(i) cash;</td>
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<td>(ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;</td>
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<td>(iii) liabilities incurred, for example, a liability for contingent consideration; and</td>
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<tr>
<td>(iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests.</td>
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<tr>
<td>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</td>
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| B64 (g) for contingent consideration arrangements and indemnification assets:  
   (i) the amount recognised as of the acquisition date;  
   (ii) a description of the arrangement and the basis for determining the amount of the payment; and  
   (iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact. | Applies. | The Board has not yet discussed all aspects of the predecessor approach, including whether and how to address contingent consideration arrangements and indemnification assets. The staff think that such arrangements and assets are less likely to arise in transactions reported applying the predecessor approach than in acquisitions in the scope of IFRS 3. |
| B64 (h) for acquired receivables:  
   (i) the fair value of the receivables;  
   (ii) the gross contractual amounts receivable; and  
   (iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected.  
   The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables. | Applies. | The staff think that paragraph B64(h) of IFRS 3 is not applicable as assets and liabilities received are recognised at their carrying amounts rather than their fair values. In addition, the staff note that disclosures about exposure to credit risk are required by IFRS 7 Financial Instruments: Disclosures. |
| B64 (i) the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed. | Applies. | Applies, except that applying the predecessor approach an entity would disclose the carrying amounts for each major class of assets acquired and liabilities assumed, including for liabilities arising from financial activities and defined benefit pension liabilities as proposed in the Goodwill and Impairment project. |
| **Preliminary view of the Board in the Goodwill and Impairment project**  
To amend paragraph B64(i) of IFRS 3 to specify that liabilities arising from financing activities and defined benefit pension liabilities are always major classes of liabilities. |  |  |
| B64 (j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:  
   (i) the information required by paragraph 86 of IAS 37; and | Applies. | Paragraph B64(j) of IFRS 3 is not applicable as no contingent liabilities are recognised applying a predecessor approach. |
<table>
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<tr>
<th>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</th>
<th>Common control – when the acquisition method is used</th>
<th>Common control – when the predecessor approach is used</th>
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<tr>
<td>(ii) the reasons why the liability cannot be measured reliably.</td>
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<tr>
<td>B64 (k) the total amount of goodwill that is expected to be deductible for tax purposes.</td>
<td>Applies.</td>
<td>Applies. While no goodwill is recognised applying the predecessor approach, the disclosure requirement relates to tax laws and regulations rather than the amounts recognised in financial statements. Although such circumstances may not arise often, if they arise the staff think that the amount of goodwill deductible for tax purposes must be disclosed.</td>
</tr>
<tr>
<td>B64 (l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51:</td>
<td>Any excess of the fair value of the acquired identifiable net assets over the fair value of the consideration would be recognised as a contribution to equity and not as a gain. The staff think that any such contribution would fall under the requirements for separate transactions in paragraph B64(l) of IFRS 3.</td>
<td>The Board has not yet discussed all aspects of the predecessor approach, including whether and how to address separate transactions.</td>
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<td>(i) a description of each transaction;</td>
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<td>(ii) how the acquirer accounted for each transaction;</td>
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<td>(iii) the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and</td>
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<tr>
<td>(iv) if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.</td>
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<td>B64 (m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed.</td>
<td>Applies.</td>
<td>Applies.</td>
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<tr>
<td>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</td>
<td>Common control – when the acquisition method is used</td>
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| B64 (n) in a bargain purchase (see paragraphs 34–36):  
(i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and  
(ii) a description of the reasons why the transaction resulted in a gain. | As noted above, credit would be recognised as a contribution to equity and not as a gain. The staff think that any such contribution would fall under the requirements for separate transactions in paragraph B64(l) of IFRS 3. | Any difference between consideration transferred and assets and liabilities received would be recognised in equity. Accordingly, the requirements in paragraph B64(n) of IFRS 3 for a gain on a bargain purchase would not be applicable. However, the staff think that an entity should be required to provide information about the difference recognised in equity as discussed in paragraph 53 of this paper. |
| B64 (o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:  
(i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and  
(ii) for each non-controlling interest in an acquiree measured at fair value, the valuation technique(s) and significant inputs used to measure that value. | Applies. | The staff think that an entity should be required to disclose the carrying amount of non-controlling interest if the receiving entity holds less than 100 per cent of the equity interests in the transferred entity at the date of combination. The Board has not yet discussed how such non-controlling interest should be measured. |
| B64 (p) in a business combination achieved in stages:  
(i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and  
(ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42) and the line item in the statement of comprehensive income in which that gain or loss is recognised. | Applies. | The Board has not yet discussed all aspects of the predecessor approach, including how to apply that approach to a business combination under common control achieved in stages. |
<p>| B64 (q) the following information: | Applies. | Applies, including the proposals in the Goodwill and Impairment project. |</p>
<table>
<thead>
<tr>
<th>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</th>
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<tbody>
<tr>
<td>(i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and (ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.</td>
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<tr>
<td>If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This IFRS uses the term ‘impracticable’ with the same meaning as in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</td>
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**Preliminary view of the Board in the Goodwill and Impairment project**

(a) To replace the term ‘profit or loss’ in paragraph B64(q) of IFRS 3 with the term ‘operating profit before deducting acquisition-related transaction and integration costs.’

(b) To add a requirement to disclose the cash flow from operating activities of the acquired business after the acquisition date and of the combined entity, on a pro forma basis for the current year.

<p>| B65 | For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph B64(e)–(q). | Applies. | Applies. |
| B66 | If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 unless the initial accounting for the business combination is incomplete at the time the financial | Applies. | Applies to the extent that disclosures in paragraph B64 of IFRS 3 are required applying a predecessor approach except that the Board has not yet discussed whether and how |</p>
<table>
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<tr>
<td>statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.</td>
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<td>to address circumstances when initial accounting for a combination is not complete by the end of the reporting period (the issue could arguably arise if the combination is effected near the reporting date and the transferred entity did not prepare financial statements in accordance with IFRS Standards).</td>
</tr>
<tr>
<td>The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods.</td>
<td>Applies.</td>
<td>The Board has not yet discussed all aspects of the predecessor approach, including whether in some cases an entity would recognise adjustments related to business combinations that occurred in the period or previous reporting periods.</td>
</tr>
<tr>
<td>To meet the objective in paragraph 61, the acquirer shall disclose the information specified in paragraph B67.</td>
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<tr>
<td>To meet the objective in paragraph 61, the acquirer shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:</td>
<td>Applies.</td>
<td>See comment on paragraph 61 of IFRS 3.</td>
</tr>
<tr>
<td>(a) if the initial accounting for a business combination is incomplete (see paragraph 45) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally:</td>
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<tr>
<td>(i) the reasons why the initial accounting for the business combination is incomplete;</td>
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<tr>
<td>(ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and</td>
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<td>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</td>
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<td>(iii) the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49.</td>
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</table>
| B67 (b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:  
   (i) any changes in the recognised amounts, including any differences arising upon settlement;  
   (ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and  
   (iii) the valuation techniques and key model inputs used to measure contingent consideration. | Applies. | The Board has not yet discussed all aspects of the predecessor approach, including whether and how to address contingent consideration arrangements. |
| B67 (c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of IAS 37 for each class of provision. | Applies. | Paragraph B67(c) of IFRS 3 is not applicable as no contingent liabilities are recognised applying the predecessor approach. |
| B67 (d) a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:  
   ... | Applies. | Paragraph B67(d) of IFRS 3 is not applicable as no goodwill is recognised applying the predecessor approach. |
| B67 (e) the amount and an explanation of any gain or loss recognised in the current reporting period that both:  
   (i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and  
   (ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity’s financial statements. | Applies. | Applies to the extent that any such gain or loss arises on assets and liabilities recognised applying a predecessor approach. |
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<thead>
<tr>
<th>Disclosure requirements in IFRS 3 and proposals in the Goodwill and Impairment project</th>
<th>Common control – when the acquisition method is used</th>
<th>Common control – when the predecessor approach is used</th>
</tr>
</thead>
<tbody>
<tr>
<td>63 If the specific disclosures required by this and other IFRSs do not meet the objectives set out in paragraphs 59 and 61, the acquirer shall disclose whatever additional information is necessary to meet those objectives.</td>
<td>Applies.</td>
<td>Applies.</td>
</tr>
</tbody>
</table>