## Business Combinations under Common Control—At a glance

#### What is a business combination under common control?

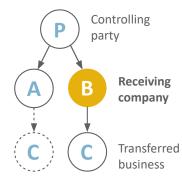
The transfer of a business from one company within a group to another.

# Example—A business combination under common control

Companies A, B and C are part of a group controlled by Company P.

Company C is transferred from Company A to Company B.

Company C is a business.



### What problem is the project trying to solve?

IFRS Standards require the acquisition method for business combinations but do not address business combinations under common control.

- Similar transactions are reported differently.
- The acquisition method and a variety of book-value methods are used in practice, making comparisons difficult.
- Often, little information is provided about these transactions.

#### What is the scope of the project?

The project focuses on filling the gap in IFRS Standards.

The project is considering:

- reporting by the receiving company;
- typically, only in its consolidated financial statements;
- on the transfer of a business under common control.

book-value method.

Reporting by the controlling party is not affected by this project.

### How is the IASB proposing to solve the problem?

The Board's view is that one size does not fit all—for some business combinations under common control, the acquisition method should be used, and for the others a book-value method should be used.

The Board's view is that companies should provide similar information about similar transactions when the benefits of providing that information outweigh the costs.



When the receiving company has non-controlling shareholders, it should use the acquisition method (with limited exceptions).

# In all other cases, the receiving company should use a

#### How should the acquisition method be applied?

- Generally, the acquisition method should be applied just as set out in existing IFRS Standards.
- This method measures assets and liabilities received in the combination at fair value, and recognises goodwill.

### How should a book-value method be applied?

- IFRS Standards would specify a single book-value method.
- This method measures assets and liabilities received in the combination at their existing book values.

#### What will change if the IASB's preliminary views are implemented?

Better information about business combinations under common control.

- Reporting of these transactions will become more transparent and more comparable.
- Listed companies and companies preparing for listing will be required to apply these new requirements.
- Special requirements will apply to privately held companies in specified circumstances.

