

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **Transfers of a business or entity under common control (BCUCC)**

### **Cover Note**

#### **Objective**

- 1 The purpose of this session is to:
  - (a) Update EFRAG TEG on the IASB's deliberations on a forthcoming discussion paper on transfers of a business or entity under common control ('the BCUCC project').
  - (b) Discuss advantages and disadvantages of various methods to account for the transfers of a business or entity under common control in the financial statements of the receiving party.

#### **Background**

- 2 IAS 22 *Business Combinations* did not deal with transactions among enterprises under common control. IFRS 3 *Business Combinations* retained the scope exclusion although the accounting for business combinations under common control was supposed to be considered in the second phase of the Business Combinations project.
- 3 In 2007, the IASB decided to add the project on business combinations under common control to its agenda. In 2009, the project was put on hold because of changed priorities of the IASB resulting from the global financial crisis. Little or no work had been performed on the project by that time. In 2011 EFRAG and the OIC issued the discussion paper *Accounting for business combinations under common control*.
- 4 On the basis of the views received during the 2011 IASB Agenda Consultation, the IASB identified business combinations under common control ('BCUCC') as one of its priority research projects. In June 2014, the IASB sought input from ASAF members on the scope of the project. Most ASAF members thought that the scope of the project should be narrow and should focus on the most pervasive application issues: business combinations under common control and group restructurings as a broader scope would result in a project that would take a long time to complete. The IASB staff conducted targeted outreach with various types of stakeholders in order to understand various aspects related to BCUCC.
- 5 The scope of the project and the factors influencing the manner to account for BCUCC were considered at the November 2017 EFRAG TEG/CFSS meeting in preparation for the December 2017 ASAF meeting. At the December 2017 IASB meeting, the IASB tentatively decided on the scope of the project (see Agenda paper 10-02).

**Agenda Papers**

- 6 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 10-02 – Update on the IASB’s deliberations in relation to a forthcoming discussion paper on BCUCC; and
  - (b) Agenda paper 10-03 – Assessment of approaches for BCUCC.