

IFRS Developments

IASB ends project on business combinations under common control

What you need to know

- ▶ The IASB has issued a project summary about BCUCC that marks the end of the project
- ▶ No new reporting requirements will be issued for BCUCC transactions

Highlights

On 17 April 2024, the International Accounting Standards Board (the IASB or Board) published a project summary for its project on Business Combinations under Common Control (BCUCC).

The project summary explains the research findings and the reasons behind the IASB's decision not to develop reporting requirements for BCUCCs.

Background

A BCUCC is a type of business combination that involves the combining of entities or businesses that are ultimately controlled by the same party before and after the combination. IFRS 3 *Business Combinations* excludes BCUCCs from its scope and other IFRS Accounting Standards do not address how a receiving entity, i.e., the entity to which control of a business is transferred in a BCUCC, accounts for a BCUCC.

The IASB undertook a research project to consider whether to develop reporting requirements for a receiving entity reporting a BCUCC and published a [Discussion Paper](#) (DP) in 2020. The DP summarised the IASB's preliminary views on how a receiving entity should report a BCUCC and explored which measurement method to apply, how the acquisition method and a book-value method should apply and disclosure requirements.

In 2022 the IASB began analysing feedback on the DP. The IASB confirmed through the feedback that there is diversity in how receiving entities report BCUCCs and this would persist unless reporting requirements were developed. However, feedback on the DP suggested that:

- ▶ Users of financial statements are not significantly affected by diversity in how receiving entities report BCUCCs;
- ▶ Users' information needs vary among jurisdictions, making it difficult to develop reporting requirements that would meet the information needs of users globally; and
- ▶ Stakeholders' views were split about whether the IASB should develop reporting requirements for BCUCCs and, if so, what those requirements should be.

Overall, the IASB's research findings suggested that any improvements to financial reporting that might result from developing reporting requirements for BCUCCs are likely to be outweighed by the costs of developing and implementing such changes.

In November 2023, the IASB considered the project's direction and decided not to continue to explore developing recognition and measurement requirements for BCUCCs. The IASB also decided not to explore developing disclosure-only requirements and, consequently, to discontinue the project.

How we see it

At the DP stage of the project, we supported the Board's efforts to develop guidance on how to account for BCUCCs, given the long-standing diversity in practice in this area. However, given the challenges identified, we also support the Board's decision to discontinue the project, as the information needed by investors varies among jurisdictions, making it difficult to develop requirements that would meet the information needs of users globally.

To ensure users of financial statements understand the impact of a BCUCC, we encourage entities to consider the reporting requirements in IFRS Accounting Standards to ensure the faithful representation of the effects of a BCUCC, including clear disclosure of material accounting policies.

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