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Re: Comments on Discussion Paper DP/2020/2 'Business Combinations under Common Control'

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to offer its views on your draft comment letter dated 9 February 2021 in response to the Discussion Paper DP/2020/2 'Business Combinations under Common Control' (DP).

The DASB welcomes the IASB's efforts to explore possible reporting requirements for a receiving company in a business combination under common control that would reduce diversity in practice and improve the transparency of reporting these combinations. We generally support the objective to develop reporting requirements that lead to reporting similar transactions in a similar way. However, at the same time, we note that business combinations under common control can occur in various forms and, as a result, might need to be treated differently in different situations. The DP proposes objective criteria to reduce diversity in practice. Given the variety of transactions, we are not convinced that reducing diversity in practice should be the main goal of this project. Besides that, we are concerned that the proposals in the DP are not suitable for all transactions in the scope of the project.

Overall, we believe that most of the proposals in the DP are suitable for business combinations under common control when an existing business is transferred to another existing business without substantial changes in the shareholders of the receiving entity. However, we have doubts whether the proposals in the DP are also appropriate for other transactions within the scope of the project, such as group restructurings involving the creation of a Newco, or situations when the business combination under common control is followed by a change of control. Because of the variety of those transactions, we believe that the measurement method should reflect the economic substance of the transaction. We have the impression that the proposals in the DP will in some situations lead to applying the acquisition method, while the economic substance does not change substantially. We are concerned that this could lead to recognising internally generated goodwill not reflecting the substance of the transaction and providing opportunities for structuring transactions. Also, the acquisition method could lead to higher costs and we are of the opinion that those costs do not justify the benefits in all circumstances. Therefore, we are in favour of providing more room to adapt the measurement method to a specific situation in order to reflect the economic substance of the transaction.

As a result we believe the following principles could be used as starting point:

- The acquisition method is not allowed, when this would not reflect the economic substance of the transaction (to prevent recognizing internally generated goodwill and fair value step ups through "structuring transactions"); and
- The acquisition method is not required, when the costs do not justify the benefits.

In summary, our main concerns to the proposals in the DP are as follows:
- The DP uses objective criteria to determine which measurement method should be used. We have doubts whether the use of these objective criteria leads to the most relevant information in all circumstances. We believe that the measurement method should reflect the economic substance of a transaction, taking into account the general prohibition to recognise internally generated goodwill.
- We are in favour of providing an option to apply a book value method if the costs of the acquisition method do not justify the benefits of applying this measurement method.
- If the receiving company does not have non-controlling shareholders, the acquisition method is not permitted at all. In our view, the interests of other users like lenders and other creditors (and possibly even future shareholders) should also be taken into account when determining the measurement method. We believe that the acquisition method could also provide relevant information for lenders and other creditors in case of material business combinations under common control, for example in situations where the receiving entity has stand-alone financing agreements with external parties.
- The DP requires or allows the acquisition method for almost all business combinations under common control if the receiving company has non-controlling shareholders (except when all non-controlling shareholders are related parties of the receiving company). We have doubts whether the presence of non-controlling shareholders is sufficient in all cases to justify the use of the acquisition method, especially when the receiving entity does not contain a business. We question whether the proposals in the DP will lead to the most relevant information about that type of transactions.
- The DP does not explicitly address whether and how the (accounting) acquirer should be identified, both when applying the acquisition method and when applying a book-value method prospectively. It is difficult to evaluate the usefulness of the decision tree as proposed by the IASB when it is not clear which party should be treated as the acquirer. The DASB is of the opinion that the guidance of IFRS 3 should always be applied, but also acknowledges that it can be challenging to determine the accounting acquirer in common control situations. When the IASB would mean that the receiving entity is by definition the accounting acquirer our concern in respect of the proposals would further increase.
- If a book-value method is applied, the DP only allows prospective application of the book-value method. We believe that, especially for business combinations under common control, retrospective application could lead to more relevant information (e.g. in situations where the receiving entity is not a business and the receiving entity is in substance only the continuation of the transferred business). Furthermore, comparative information is often required by regulators or other stakeholders (e.g. in case of IPOs or carve-out transactions).
- Given the variety of business combinations under common control, we are not convinced that for all transactions the transferred company's book values are the most appropriate values to use. We believe that in certain situations the controlling party's book values would provide more useful information to users, for example when those book values are impacted by a recent business combination. Therefore, we would support to allow book values which were identified in the common control environment, like an ultimate or intermediate parent as those are better understood within or outside the group's reporting and potentially less costly to achieve.

Our further feedback, including some additional comments raised in our comment letter to the IASB, is provided in the appendix.

Please feel free to contact us if you wish to discuss the contents of this letter.

Yours sincerely,

Gerard van Santen
Chairman Dutch Accounting Standards Board

Appendix – Views on EFRAG Draft Comment Letter

DP Question 1 – Project Scope

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?

The DASB agrees with the proposal that all transfers of a business under common control are in scope of the project.

Furthermore, we agree with EFRAG's recommendation that other common control transactions (common control transactions that do not involve the transfer of a business) are important topics that also need to be discussed in a separate future project.

Additional comment DASB:
We doubt whether the transactions under (b) above meet the description of "combination of entities under common control" as included in paragraph B1 of IFRS 3. Our understanding of the DP is that those transactions do not occur until the point in time when there is a change of control (i.e. the controlling party or parties before and after the business combination are not the same). If our understanding is correct, we believe that the transaction is not a business combination under common control.

Question to Constituents

Some stakeholders have raised questions about the meaning of 'transitory control', for example, in submissions to the IFRS Interpretations Committee. The IASB avoids the discussion on transitory control by including in the scope all transfers of business under common control.

Do you consider that it is important to clarify the meaning of "transitory control" for BCUCC, even if in the DP, the IASB addresses the issue by including in the scope all transfers of business under common control?

We do not believe that it is necessary for this project to clarify the meaning of "transitory control".

Question to Constituents

Do you consider that the definition of BCUCC as described in the DP:

(a) results in transactions being included in the scope of the project that should not be within the scope; and

(b) are there transactions outside the scope of the project that should be within the scope?

We refer to our additional comment regarding question 1 of the DP.

DP Question 2 – Selecting the measurement method

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?

The DASB agrees with the view of the IASB that neither the acquisition method nor a book-value method should be applied to all business combinations under common control. As mentioned before, we believe that there are many different types of business combinations under common control and therefore we believe that it is not appropriate to require a single measurement method for all transactions in the scope of this project.

In general, we note that the DP does not explicitly address whether and how the (accounting) acquirer should be identified, both when applying the acquisition method and a book-value method prospectively. The DASB finds it difficult to evaluate the usefulness of the proposed decision tree when it is not clear which party should be treated as the acquirer.

Besides the question which party should be treated as the acquirer, we believe that business combinations under common control can be different in nature. For that reason, we believe that the measurement method should reflect the economic substance of a transaction, taking into account the general prohibition to recognise internally generated goodwill not reflecting

the substance of the transaction and providing opportunities for structuring transactions. As a result, we do not support the use of the proposed decision tree for all business combinations under comment control. Although we acknowledge that the decision tree could be useful for most business combinations under common control where an existing business is transferred to another existing business without substantial changes in the shareholders of the receiving entity, the DASB is in favour of providing more room to reflect the economic substance of a transaction. As an example, we are of the view that the economic substance should also be assessed in case of business combinations under common control between wholly-owned companies. The decision tree prohibits the use of the acquisition method for all such transactions, including when the receiving entity would be partly sold shortly thereafter (i.e. without the controlling party losing control). By contrast, if that external partial sale had taken place just before the business combination under common control, then the acquisition method would have to be applied according to the decision tree. It is unclear to us why such a difference should result in a different accounting treatment. In summary, the DASB has difficulty to understand why, in the absence of non-controlling shareholders, a book-value is always the most appropriate measurement method and simultaneously we are in favour of providing an option to apply a book value method if the costs of the acquisition method do not justify the benefits of applying this measurement method.

Additional comment DASB:
We suggest that the IASB provides guidance on how their proposals should be used in group structures with more than one receiving entity. For example, if the immediate receiving entity has non-controlling shareholders but another receiving entity at a higher level in the group does not have non-controlling shareholders, will that lead to a different accounting treatment by the different receiving entities? The DP does not provide any guidance on this topic. According to the DASB, it seems impracticable and/or burdensome to treat the same transaction differently at different levels within the same group, only because of the presence or absence of non-controlling shareholders at those respective levels.

Questions to Constituents

Do you agree that a single measurement approach is not appropriate for all BCUCC? Based on the pros and cons of applying the acquisition method (described in paragraph 37) and a book-value method (described in paragraph 38), do constituents support these two methods being applied to particular subset of BCUCC?

In your jurisdiction, are there any requirements on how to account for BCUCC?

(a) If so, describe the requirements;

(b) If not, what is the current practice in your jurisdiction?

(c) For (a) and (b) above, where is the difference between the consideration paid by the receiving company and the acquired net assets recognised when:

(i) the consideration paid is higher than the acquired net assets; and

(ii) the consideration paid is lower than the acquired net assets?

Although we support these two methods being applied to particular subsets of business combinations under common control, we are in favour of criteria which focus more on the economic substance of a transaction in order to determine which of the two methods is applied to a specific transaction.

In the Netherlands, the following requirements apply to business combinations under common control:

DAS 216.503
A merger or acquisition of an enterprise in which the acquirer is under common control is recognised by the acquirer using one of the following methods in its consolidated financial statements:
- the purchase method as described in part 2 of this Standard. This method may only be applied if it reflects the substance of the transaction;
- the pooling of interests method, as described in part 3 of this Standard; or
- the 'carryover accounting' method. If the carryover accounting method is used, the carrying amounts of the assets and liabilities are combined on the acquisition date. The comparative figures are not restated.

The purchase method is comparable with the acquisition method under IFRS 3. The DASB added a condition that this method may only be applied for business combinations under common control if it reflects the (economic) substance of a transaction. This is a result of the general prohibition to recognise internally generated goodwill. The pooling of interests method and the 'carryover accounting method' are both book-value methods, with the main difference being that the pooling of interests method applies retrospectively and the 'carryover accounting method' prospectively.

When there is a difference between the consideration paid by the receiving company and the acquired net assets recognised, the difference is treated:
- as positive or negative goodwill under the purchase method; and
- as contribution to or distribution from equity under both book-value methods (in distributable reserves, e.g. share premium or retained earnings).

DP Question 3 – Selecting the measurement method

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?

Shares traded in a public market

On the one hand, we have doubts whether the receiving company being listed is sufficient in all cases to justify the use of the acquisition method, especially in situations where the receiving company is a listed Newco (with non-controlling shareholders) and acquires a single business. On the other hand, the acquisition method may be relevant for business combinations under common control when the receiving entity, part of a larger group, prepares for an IPO. Based on the DP, this would no longer be possible in the absence of existing non-controlling shareholders, even though, arguably, the acquisition method could sometimes provide the most useful information to potential shareholders.

In addition, we believe that the interests of other stakeholders, like lenders and other creditors, should also be taken into account when determining the measurement method. The information needs of lenders and other creditors could be the same as the information needs of shareholders of a listed entity.

Optional exemption from the acquisition method

We understand the reasoning behind this exemption, but we have some doubts whether the optional exemption is practicable when each non-controlling shareholder could force the entity to use the acquisition method.

Related-party exception

In paragraph 2.45 of the DP, the IASB states that related parties might not need to rely on the receiving entity's general purpose financial statements to meet their information needs. The IASB states that the benefits of applying the acquisition method in those cases might not justify the costs. In addition, the IASB states that in those cases, requiring a book-value method would prevent opportunities to structure a combination by issuing shares to related parties for the sole purpose of qualifying for the acquisition method.

The DASB is not convinced that the information needs of all types of related parties (as defined in IAS 24.9) are equal and has therefore doubts whether the related-party exception is the best way to achieve the goal of the IASB (avoiding structuring of transactions). We

believe that the information needs of different related parties can be different given the broad composition of the group of related parties that are defined in IAS 24.9.

In general, we are of the opinion that if the related-party exemption is only introduced to avoid structuring of transactions, the IASB should consider other options to achieve this goal.

Questions to Constituents

Do you agree with EFRAG's suggestion in paragraph 62 to reverse the order of Step 1 and Step 2 of the decision tree when selecting the measurement method for BCUCC?

Considering the options provided in paragraph 64 on how to modify the scope of the IASB's decision tree for selecting the measurement method for BCUCC, which option do you prefer? Please explain what your main considerations are for selecting that particular option.

We do not understand why EFRAG makes a distinction between publicly traded debt and other debt, because in our view the information needs of lenders do not differ only because debt is publicly traded or not. We are also not convinced that the IASB should make a distinction for companies with public accountability.

Question to Constituents

Considering the proposed options to modify the IASB's decision tree as explained in paragraphs 62 and 64, do you consider that applying the optional exemption from the acquisition method, in particular, requesting approval from non-controlling shareholders would raise any concerns?

We refer to our answer to question 3 of the DP.

Question to Constituents

Considering the arguments in paragraph 71, do you agree that the related-party exception provided by the IASB should be rather 'permitted' under the proposals and not 'required'? If you disagree, please explain.

We refer to our answer to question 3 of the DP.

DP Question 4 – Selecting the measurement method

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?

We refer to our earlier comment that– in general – we have doubts whether the receiving company being listed is sufficient in all cases to justify the use of the acquisition method. However, if the IASB proceeds with the decision tree in its current form we agree with the proposal of the IASB that the optional exemption from and the related-party exception to the acquisition method should not apply to publicly traded companies.

DP Question 5 - Applying the acquisition method

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?

We agree with the IASB that over- or underpayments are unlikely to occur for transactions for which the DP prescribes the acquisition method. However, in practice, it is not impossible that an over- or underpayment will occur, even when non-controlling shareholders are involved. In those situations, we are of the opinion that the guidance of IFRS 3 should be applied consistently (e.g. IFRS 3.34-36 regarding bargain purchases and IFRS 3.51-52 regarding consideration transferred which is separate from the business combination).

Questions to Constituents

Which of the two alternatives do you consider will provide the most useful information? Please explain.

If neither, which other approach do you recommend and why?

We refer to our answer to question 5 of the DP.

DP Question 6 - Applying a book-value method

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?

Given the variety of business combinations under common control, we are not convinced that for all transactions the transferred company's book values are the most appropriate values to use. We believe that in certain situations the controlling party's book values would provide more useful information to users, for example when those book values are impacted by a recent business combination. Therefore, we would support to allow book values which were identified in the common control environment, like an ultimate or intermediate parent as those are better understood within or outside the group's reporting and potentially less costly to achieve. Besides that, a strict prohibition to use the controlling party's book values could in our opinion lead to structuring of transactions. As a result, we are in favour of providing an option to adapt the measurement method to the specific facts and circumstances of a transaction.

<u>Additional comment DASB:</u>
We suggest that the IASB develops guidance for situations where the transferred company previously did not apply IFRS. It is unclear to us whether IFRS 1 is applicable in such a situation.

Questions to Constituents

EFRAG acknowledges that in some jurisdictions, the local regulator may dictate that a particular method be used. What approach is currently being applied in the financial statements in your jurisdiction? Please provide a description of this approach.

Do you agree with using the transferred entity's book values or with using the controlling party's book values? Please explain your reasons why.

If you do not agree with either approach, what approach do you suggest and why?

Under the Dutch Accounting Standards, there are no specific requirements on which book values should be used. As a result, both methods are applied in practice.

DP Question 7 - Applying a book-value method

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?

The DASB does not agree with the prohibition to measure a consideration paid in assets at fair value. We are in favour of providing an option to measure a consideration paid in assets either at fair value or at book value, equal to EFRAG's suggestion. We are of the opinion that the form of the payment (in cash or in assets) should not be leading for the measurement method.

With respect to a consideration paid in own shares or by incurring or assuming liabilities the DASB agrees with the views of the IASB and EFRAG.

Question to Constituents

Are there other forms of consideration paid apart from those identified in the DP, e.g., consideration paid in the form of a transfer of an unincorporated business, and how common are these forms of payment?

We are not aware of any other forms of consideration paid apart from those identified in the DP.

DP Question 8 - Applying a book-value method

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?

The DASB agrees with the views of the IASB and EFRAG.

DP Question 9 - Applying a book-value method

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?

The DASB agrees with the view of the IASB and EFRAG.

DP Question 10 - Applying a book-value method

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?

We are in favour of providing an option to allow either prospective or retrospective application of a book-value method, because we see no reason to prohibit retrospective application. In some situations, we are of the opinion that retrospective application even results in more relevant information to users of the financial statements. In case of an IPO, for example, it is often required to provide retrospective information. If the IASB would limit or prohibit the retrospective approach, required IPO financial information would not be able to comply with IFRS. Additionally, retrospective application could be more practical and less costly than prospective application, because for business combinations under common control it can be challenging to determine the acquisition date and the accounting acquirer (if applicable when applying a book-value method). Besides that, prospective application would lead to an additional closing moment including additional audit procedures.

<u>Additional comment DASB:</u>
The DASB would welcome guidance on how to deal with the history of assets and equity reserves of the transferred company (e.g. impairments, reserves which are to be recycled, etc.). For example, it is unclear to us whether pre-combination impairments of the transferred company can be reversed post-combination in the financial statements of the receiving entity.

Questions to Constituents

EFRAG notes that the IASB proposal that the receiving entity 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 might create tension with current reporting requirements in some jurisdictions and be costly and difficult to apply in practice.

In your jurisdiction, do you currently provide pre-combination information about the transferred company prospectively as from combination date or retrospectively by restating comparatives? Please explain.

If you provide information retrospectively with pre-combination information restated, is it retrospective as from the beginning of the reporting period or as if the combining companies have always been combined?

Do you consider that providing pre-combination information about the transferred entity prospectively might be costlier than restating this information?

Under the Dutch Accounting Standards, it depends on which book-value method is applied whether pre-combination information is provided. The pooling of interests method should be applied retrospectively and the 'carryover accounting method' prospectively from combination date. If the pooling of interests method is applied, it is retrospective as if the combining companies have always been combined.

As explained above, we expect that providing pre-combination information about the transferred entity prospectively might in some situations be costlier than restating this information.

DP Question 11 - Disclosure requirements

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?

The DASB agrees with the view of the IASB and EFRAG.

DP Question 12 - Disclosure requirements

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?

The DASB agrees with the views of the IASB and EFRAG.