สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์
FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

August 25, 2021

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Discussion Paper DP/2020/2 - Business Combinations under Common Control

The Thailand Federation of Accounting Professions would like to show our appreciation on the opportunity to response on **IFRS Standards Discussion Paper DP/2020/2 - Business Combinations under Common Control.** Overall, we agree with the board's preliminary view on the scope, accounting treatments and disclosure requirements on the business combinations under common control project.

Please find our responses to the specific survey raised in **IFRS Standards Discussion Paper DP/2020/2 - Business Combinations under Common Control** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand

IFRS Standards Discussion Paper DP/2020/2 - Business Combinations under Common Control

Project Scope
Question 1
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?

TFAC:

Yes, we agree with the Board's preliminary view on the scope of the proposals laid out in paragraphs 1.10–1.23. This is because all business combinations under common control transactions are controlled by the ultimate control party.

In addition, we would like the board to consider the accounting treatment for the separate financial statement under the business combination under common control.

Selecting the measurement method
Question 2
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?

TFAC:

2(a) Yes, we agree that neither the acquisition method nor a book-value method should be applied to all business combinations under common control. Because, when the structure of shareholder is different, it may create a need for different information.

2(b) Yes, we agree in principle with paragraphs 2.35–2.47. The costs of preparations are quite high under the acquisition method so we should decide based on the needs of the user, NCI, which can't access the information by itself from another source except from the financial statement.

2(c) Yes, we agree that a book-value method should be applied to all other business combinations under common control, including all combinations between wholly owned companies.

Selecting the measurement method
Question 3
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?

TFAC:

3(a) Yes, we agree with the Board's preliminary view. The acquisition method should be required if the receiving company's shares are traded in a public market. This is because an investor can compare the financial statements with another company as they are measured on the same basis.

3(bi) Yes, we agree with the Board's preliminary view. If the receiving company's shares are privately held, the receiving company should be permitted to use a book-value method if it has informed all of its non-controlling shareholders. This is because NCI shareholders can't access the information from another source. So, if they have no objection the company doesn't need to pay for information which will be provided without use.

3(bii) Yes, we agree that 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). This is because they can access to the internal source of information.

Selecting the measurement method
Question 4
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?

TFAC:

4(a) Yes, we agree that the optional exemption from the acquisition method shouldn't be available for publicly traded receiving companies because an investor can compare the financial statements with other companies as they are measured on the same basis.

4(b) Yes, we agree that the related-party exception to the acquisition method shouldn't apply to publicly traded receiving companies. This is because an investor can compare the financial statements with other companies as they are measured on the same basis.

Applying the acquisition method
Question 5
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?

TFAC:

5(a) Yes, we agree with the Board's preliminary view. It shouldn't 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. This is because it's complicated and needs greater scrutiny to determine whether the company uses a different judgement. The answer may be different so we think it would be unhelpful.

5(b) Yes, we agree with the Board's preliminary view. It should develop a requirement for the receiving company to recognise any excess fair value. This is because the transaction is controlled by an ultimate control party so the presentation of gains from a bargain purchase may not be a fair representation.

5(c) No, we don't recommend that the Board develops any other special requirements for the receiving company on how to apply the acquisition method to business combinations under common control.

Applying a book-value method
Question 6
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?

TFAC:

Yes, we agree with 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. This is because the assets and liability of both the receiving company and transferred company will be treated on the same basis without considering the group structure.

Applying a book-value method
Question 7
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?

TFAC

7(a) Yes, we agree that the Board shouldn't 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. This is because the difference between the consideration paid and the book value of assets and liability will be shown in equity. There's no economic benefit in this case because both the consideration and the difference are shown in the same category, in equity.

7(b) Yes, we agree because both the consideration paid in assets and assets and liabilities acquired will be measured on the same basis.

Applying a book-value method
Question 8
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?

TFAC:

Yes, we agree with the Board's views in paragraphs 4.44–4.50. This is because the presentation for each component in equity may be limited by the laws and regulations of each country. It'll be more flexible if it's not prescribed that the receiving company should present that difference in which components within equity.

Applying a book-value method
Question 9
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?

TFAC:

Yes, we agree with the Board's preliminary view laid out in paragraphs 4.51–4.56.

Applying a book-value method
Question 10
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?

TFAC:

Yes, we agree with the Board's preliminary view laid out in paragraphs 4.57–4.65. This is because it will save time and costs.

Disclosure requirements
Question 11
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?

TFAC:

Yes, we agree with the Board's preliminary views laid out in paragraphs 5.5–5.12.

Disclosure requirements
Question 12
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?

TFAC:

Yes, we agree with the Board's preliminary views laid out in paragraphs 5.13–5.28.