



**Private & Confidential**

EFRAG  
35 Square de Meeus  
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1 May 2012

Dear Sirs

**Discussion Paper - Accounting for Business Combinations under Common Control**

We appreciate the opportunity to comment on the Discussion Paper on Accounting for Business Combinations under Common Control (the Discussion Paper) from the European Financial Advisory Group (EFRAG) and the Organismo Italiano di Contabilita (OIC) as supported by a number of European standard setters.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on this Exposure Draft. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We note that the Discussion Paper represents a substantial body of work and a detailed analysis of a challenging topic where there may be diversity in practice. The Discussion Paper might be a useful foundation for any project that the IASB may take on as result of the current agenda consultation process. We look forward with interest to further developments on this topic.

However, we believe that the scope of the Discussion Paper may not allow for full consideration of business combinations under common control. There are several areas where we believe further exploration of the issues is necessary. Thus, we have not answered the detailed questions but offer some observations on those significant issues relevant to the Discussion Paper. These are discussed in the following paragraphs.

The term 'business combination under common control' is commonly used but may not be specific enough to describe a single set of transactions that all users would agree upon. The definition in IFRS 3 is intended to be exclusionary; that is it eliminates transactions from the scope of the business combinations standard but it does not establish a clear enough scope to be the basis for further work. Thus, we believe that further discussions on the topic would benefit from an explicit definition and scope to create a shared understanding of the scope of transactions that are under consideration. For example, many would expect a project to include consideration of common control that is established through state ownership.

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The Discussion Paper describes diversity in practice and has an implicit conclusion that the diversity is harmful to users. We don't disagree that diversity exists. Further analysis of the evidence of diversity, the sources of diversity and the adverse consequences of diverse treatment that does occur would be important to provide the foundation for further discussion. It would also serve to demonstrate the significance of the issue and perhaps indicate potential solutions.

It is also important to establish conceptually why there should be specific accounting for business combinations under common control from other transactions that occur between entities under common control such as the sale of inventory, fixed assets and provision of management services.

The accounting treatment for business combinations under common control is closely linked to certain other issues and cannot be considered in isolation. Those issues might include separate financial statements, push down accounting and combined financial statements. We believe that further consideration of those issues should be part of the next steps in consideration of business combinations under common control.

Many national regulators and taxation authorities may have specific perspectives on the appropriate accounting for business combinations under common control. This may be one of the sources of diversity in accounting treatment. We believe that further discussions on this issue should include appropriate input from national regulators, standard setters and give consideration to perspectives of company law and taxation to ensure that an IFRS solution reflects the perspectives of this wider group of users and interested parties.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact John Hitchins (+44 207 804 2497) or Mary Dolson (+44 20 7804 2930).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', with a large, stylized flourish at the end.

**PricewaterhouseCoopers LLP**