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Dear Sirs

Discussion paper: Accounting for Business Combinations under Common Control ('BCUCC')

We appreciate the opportunity to comment on the European Financial Reporting Advisory Group's (EFRAG) Discussion Paper on Accounting for Business Combinations Under Common Control. The views expressed in this letter are those of KPMG Europe LLP, which comprises the KPMG member firms of Germany, the United Kingdom, Switzerland, Belgium (excluding the Belgian audit practice), Spain, the CIS, Turkey, the Netherlands, Luxembourg, Norway, Saudi Arabia, and Jordan..

We strongly support EFRAG's work to inform and stimulate international debate in this area. We believe that, in the IFRS environment as it has stood for some many years, such transactions occupy far too a significant an amount of professional debate and time. We therefore believe that the benefits of an IFRS on BCUCC would significantly outweigh the costs. We should welcome the IASB's undertaking a project on this subject and on the related matter of transactions involving newly incorporated companies (so called "newcos").

Whilst the EFRAG paper provides a detailed discussion of BCUCC and the divergent views that might exist in practice, there are a number of important issues that it does not consider. For example, it does not address the scope of BCUCC transactions; separate financial statements are scoped out; there is no discussion of newco formations (which do not involve businesses combinations but which involve similar problems to such transactions); there is no consideration of the entries that may arise in respect of the investment in the transferor on the occasion of a hive up; there is no consideration of legal mergers (and similar transactions) and whether that affects the considerations; the paper does not discuss demergers or the issues raised by IFRIC 17; or the accounting in the books of the transferor. In many respects these questions (particularly in respect of individual company financial statements) are the more difficult issues in the EU because it is relatively unusual for intermediate companies (being under common control) to prepare consolidated financial statements (because of exemptions from presenting

consolidated accounts if they are prepared by a higher parent). Instead those companies prepare only separate financial statements.

We believe that the IASB's starting point in considering this topic should be to identify the most significant issues caused by BCUCC/ newcos in practice in order to scope their project properly. We believe that the scope of the EFRAG paper should be expanded to articulate and analyse the full population of practical issues that arise commonly in practice. We do not agree with EFRAG's using IAS 8 as the basis for the paper. If the IASB were to take on a project to consider this topic, the point would be to start from a "clean sheet of paper" by considering what is the better answer. Similarly, we do not believe that all of the approaches documented in the EFRAG paper are appropriate interpretations of IAS 8 and the current standards.

We believe that a business combination under common control has two key features that makes applying IFRS 3 to its accounting difficult:

- IFRS 3's starting point in accounting for a business combination is determining the acquirer based on who obtains control. However, that is difficult if both entities are controlled by the same party before and after the combination.
- BCUCCs may not be (and, in some countries, very often are not) transacted at an arm's length fair value, in which case the pricing includes an element that is a non-reciprocal transfer of value to or from owners (or to or from the entity's own investees). This raises a question of whether bifurcation and grossing up of the transaction price should be permitted or required (and whether doing so is consistent with the accounting for other common control transactions).

IFRS 3 business combination accounting does not, therefore, always naturally "work" in a common control environment.

In addition to the features that make accounting for a BCUCC difficult, it could be argued that applying 'normal' business combination accounting might not be merited in case of a BCUCC. Although a BCUCC faces the same problem as a business combination (one aggregate price for a collection of assets and liabilities that are worth more than the sum of their parts), as discussed above, many BCUCC are not transacted at an arm's length fair value. Should one then make the acquiring company accountable for the fair values by imposing fair values in its financial statements? Moreover, one could question whether applying business combination accounting is merited in case of BCUCC, given that the ultimate control has not changed and given that it works a major discontinuity upon the numbers reported to the entity's shareholders.

The key question is whether the above features are sufficient to mean that the application of IFRS 3 is sometimes or always inappropriate or whether it should be mandated in some or all cases. We do not believe that it is appropriate or beneficial for the DP to conclude on that question. Instead, the EFRAG paper should inform the IASB of the issues in practice, serve as a call to the IASB to add the issue to its agenda, and set out a description of the possible routes that the IASB may pursue in attempting to develop a solution to that key question, so as to enable an IASB project to make quick progress.

We believe that, once they have added the issue to their agenda, the IASB should consider the nature of separate or consolidated financial statements for an entity within a group. Are these either:

- the accounts of a reporting entity in its own right; or
- a "home" for some assets, liabilities and activities of the larger group reporting entity?

The second would impose higher-group numbers in all BCUCC. The first still leaves matters open for further debate.

Having determined the nature of such financial statements, the IASB needs to establish clear positions on which method(s) are appropriate in different situations, with clear principles to distinguish between situations in which different approaches may or should be applied. In this respect, we do not believe that the EFRAG paper should conclude one way or another. However, we do not believe that the paper has explored the full range of ways forward. In our view, these are:

- apply IFRS 3 accounting (EFRAG's view 1);
- apply predecessor accounting (EFRAG's view 2);
- apply fresh start accounting (also EFRAG's view 2). We do not support this view;
- specify a dividing line, with IFRS 3 applied on one side and predecessor accounting applied on the other side;
- recognise that such a dividing line must exist, but do not specify where it lies, leaving it to companies to resolve individually (EFRAG's view 3). We do not support this view;
- allow a free choice, transaction by transaction, as between IFRS 3 and predecessor accounting.

Regarding EFRAG's view 3, we find it counter-intuitive that, if an accounting standard setter has been unable to resolve how to divide these transactions into two types for different treatment, instead companies should be required to attempt this apparently impossible feat. Accordingly we do not support view 3. Furthermore, it follows that if some dividing line is appropriate but one cannot identify what it is, then another alternative for consideration is to give companies a free choice.

Whilst the ideal way to approach this question would be for the IASB first to update the Framework to reflect the nature of separate financial statements, we do not believe that in the meantime no work at all should be done on BCUCC. Rather, we believe that the standards level work should progress in tandem and both should inform each other.

I trust that the above is clear but, should you have any queries, please do not hesitate to contact Mike Metcalf (on +44 (0) 207 694 8081).

Yours faithfully

KPMG LLP

KPMG LLP

Appendix: Response to questions raised in the EFRAG document

Question 1.1 – Concerns about BCUCC transactions

> Do you think that the concerns have been accurately described in relation to the issues arising from accounting for BCUCC transactions? If not, please could you suggest other significant concerns that have not been addressed?

We believe that the EFRAG paper provides a good summary of many of the issues surrounding BCUCC transactions. However, there are a number of common issues that the paper does not address. In the EU, relatively few entities that are under common control prepare consolidated accounts (because of the exemption from preparing them available to subsidiaries that are included in the accounts of a higher parent). We therefore believe that issues surrounding the accounting for BCUCC transactions in the EU often arise in the separate financial statements of the transferor or the transferee. The DP scopes out separate financial statements. As an example, in our experience, one of the most common BCUCC transactions which gives rise to difficulties in practice in both the transferor and transferee separate financial statements is the hive-up of a trade and assets from a subsidiary to a parent. The EFRAG paper does not consider the accounting in the transferor or transferee's financial statements.

Similarly, the paper does not discuss newco formations, which in our experience often give rise to similar questions and divergences of views, the treatment of any entries to equity that may arise on a BCUCC, or the scope of BCUCC (for example, can the exemption be applied to the transfer of an investment in a subsidiary in company-only accounts).

A number of practical issues also arise, for example whether and when it is appropriate to restate comparatives when applying the predecessor basis of accounting and which book values should be used if applying predecessor accounting.

We attach a compendium of different common control and newco transactions giving a more complete explanation of the issues that arise.

Question 1.2 – The approaches in practice

> In your experience, what approaches are typically applied by preparers in practice for BCUCC transactions and what justification is provided to support their application of these approaches?

We are aware of two main approaches that are typically applied in practice:

- The predecessor approach. This treatment is justified on the basis that there has been no change of ultimate control, rather like the old uniting-of-interests accounting. It is also sometimes suggested or queried whether another ground is that the entity in question is just a carve-out of a larger group.
- The acquisition method (applying IFRS 3 by analogy). This treatment is justified by seeing the reporting entity as the transferee and that since all other normal accounting rules apply in the accounts of this entity (eg, if a single asset – whether inventory, property or an

intangible, etc – is acquired under common control), it is difficult to see what objection could be made to the application of IFRS 3 too.

In our experience, fresh-start accounting is generally not used in practice and we do not believe that it can usually be justified under the current accounting standards. That this approach is not appropriate in practice is consistent with recent IFRIC reasons for rejection.

In relation to the transfer of a subsidiary in the separate financial statements, a third possibility also arises. The transferee could use the transferor's book value, the price paid (exchange amount) or the fair value of the investment. In the first and last cases there is also a distribution made/ received or a contribution made/ received booked in order to complete the entries. The corresponding models are seen in the transferor.

Question 2.1 – The scope of the project

Are there any issues not included in the scope of the DP that, in your view, need to be addressed in developing an approach to accounting for BCUCC in the consolidated financial statements of the transferee?

In considering the consolidated financial statements of the transferee, we believe that the DP should also consider the treatment of any differences between the amount paid and the amount at which the business acquired is initially recorded, ie whether and when entries should be recorded as a distribution made/ received or a contribution made/ received. It might also be helpful to consider the effect of the transaction on any NCI. We also believe that a project to consider BCUCC will necessarily have to re-consider many of the issues contemplated by IFRIC 17. As discussed above, we have attached a compendium illustrating the major issues that we believe that the DP should consider.

Question 2.2 – Separate and individual financial statements of the transferee

Do you believe that there are any specific issues to be addressed in the initial recognition and measurement of BCUCC in the separate and individual financial statements? If so, please explain what those issues are and how they should be addressed?

Yes. In our view, the accounting for BCUCC in separate financial statements presents particular difficulties which often arise in practice. These difficulties include the scope of the BCUCC exemption (ie does it apply to investments in subsidiaries, associates and JVs?) and the accounting for the acquisition or disposal of a trade and assets under common control. In respect of the latter, specific questions arise in respect of the accounting for distributions and capital contributions and the treatment of investments in subsidiaries that might otherwise become impaired after a BCUCC at an undervalue. For further details, please see the attachment to this letter.

Question 2.3 - Disclosures

> Are there any specific issues you think need to be addressed when considering what information about a BCUCC should be disclosed in the notes to the financial statements of the transferee?

No. In our view, the IASB should not be encouraged to develop a lengthy list of disclosure requirements for BCUCC. Instead, having concluded on the accounting for the BCUCC, the IASB should consider whether any of the information needs of users are not otherwise met through the financial statements. Only if there are specific gaps that are not covered by the general IAS 1 disclosure requirements should new disclosure requirements be created.

Question 3.1 – Addressing the information needs of primary users

> Do you agree that an important step is to understand the information needs of users in the financial reporting of a BCUCC transaction? If not, how else would you set out an approach that satisfies the objective of financial reporting?

We believe that the starting point in determining the appropriate accounting for BCUCC in separate financial statements (or the consolidated financial statements of a sub-group) should be to determine the nature of those financial statements. Such financial statements could be seen as being either:

- the accounts of a reporting entity in its own right (a set of standalone accounts); or
- a "home" for some assets, liabilities and activities of the larger group reporting entity (a carve-out from the group accounts).

The latter would impose higher-group numbers in all BCUCC. The former still leaves matters open to further debate. That debate is not is much about user's needs, but about whether the features of a BCUCC warrant something other than an IFRS 3 treatment: does the shareholder perspective (or call it the point of view of the principal user of the accounts, the controlling party) suggest that change-of-control accounting (IFRS 3) would force an unjustifiable effort and/or change in the accounts and what is reported to that shareholder?

Question 3.2 – The transferee is a reporting entity

> Do you agree that, to be consistent with existing IFRS, the entity perspective should be dominant when considering BCUCC? If not, why not?

We agree with the statement, in paragraph 8 of chapter 3 of the EFRAG document, that "the implications of applying the [entity and proprietary] perspectives are not well defined in the accounting literature; and the perspectives themselves appear to defy precise definition." Without fully understanding the perspectives or their implications, we are unable to conclude which should be dominant when considering BCUCC. As stated above, we believe that the

nature of the financial statements of an entity within a group is the first critical determining factor in deciding the most appropriate accounting.

Question 3.3 – Applying the logic of the IAS 8 hierarchy to help develop an approach on how to account for BCUCC

> Do you agree with applying the 'logic' of the IAS 8 hierarchy in developing an approach to accounting for BCUCC transactions? If not, what alternative would you propose and how would you reconcile that approach with existing IFRS?

We do not agree with applying the 'logic' of the IAS 8 hierarchy in developing an approach to accounting for BCUCC transactions. This is not the approach that the IASB would use to develop new guidance in this area and we do not believe that all of the approaches suggested in the EFRAG paper are appropriate interpretations of IAS 8 and the current accounting literature.

Instead, we believe that the IASB should develop guidance in this area by starting from first principles. As discussed above, we believe that the starting point for this analysis should be to understand the nature of financial statements of an entity within a group. The IASB should then seek to update the Framework to reflect the nature of those financial statements (including in particular separate financial statements) and (in parallel) develop a new standard that is consistent with the revised Framework.

Questions 3.4 and 3.5 – Initial recognition and measurement

> Do you agree that if and when an analogy to IFRS 3 is considered to apply, it is appropriate to assume that fair value at initial recognition provides information that is more decision-useful than values based on previously recognised amounts or any other measurement attribute? If not, please explain why?

If IFRS 3 is applied, then it follows, without further consideration, that fair values are employed. That is IFRS 3 accounting. The key question is whether it is appropriate in the first place. After all, it might often be said that fair values are more decision useful, but that does not justify every item in the financial statements being kept at fair value at all times. A fundamental question in BCUCC is whether some or all of such transactions justify fair values.

> Do you agree that if the analogy to IFRS 3 does not apply, defining an appropriate measurement attribute should be guided by an analysis of the information needs of users? If not, why not?

If IFRS 3 is not applied, then the question of alternative values is hardly a wide open field. Moreover, there ought to be a link between the logic for whether or not to apply IFRS 3 and, if not, the logic for the values applied instead. For example, if one were to conclude that IFRS 3 should not apply because the financial statements of an individual entity within a group are just a carve out of the higher group's consolidated financial statements, then this logic itself drives the values – those of the higher group. That is not to say that we express any opinion on that particular logic, or that there are not other logics that would also justify those values; but we

only illustrate that the rationale for the model should also be a significant driver of the details of the application of the model.

Questions 4.1 and 4.2 – The unique features of a BCUCC transaction

Do you agree with the main features of a BCUCC identified above? If not, what other features would you highlight?

If one concludes that the financial statements of an entity within a group are those of a reporting entity in its own right, then it is necessary to identify the features of a BCUCC that make its accounting difficult in the financial statements of that reporting entity. Whilst we agree with many of the features of a BCUCC described in the DP, we believe that it is helpful to consider the features of a BCUCC from two angles:

- What are the key features that makes accounting for a business combination under common control difficult and why does business combination accounting not always naturally "work" in a common control environment?
- Might applying normal business combination accounting lack merit in the case of a BCUCC?

We believe that these features also make it a challenge to draw dividing lines. We explain this in our answer to Questions 5.6-5.8.

Why does business combination accounting not always naturally "work" in a common control environment?

There are three points here:

- IFRS 3's starting point in accounting for a business combination is determining the acquirer based on who obtains control. However, that is difficult if both entities are controlled by the same party before and after the combination. In a BCUCC, the fundamental point is that, from a shareholder perspective, control has not changed at all.
- In addition, the non-arms-length pricing of the transaction means that it includes an element that is a non-reciprocal transaction between an acquiring company and its owners, or between an acquiring company and other companies that it owns. Many intra-group transactions may have some element of this in them. However, the amount is perhaps larger in case of BCUCC. Moreover, the application of normal business combination accounting can sometimes force the amount into the accounts and treat it in an anomalous way. Eg, if the fair value of the identifiable net assets exceeds the consideration paid, then business combination accounting puts the credit in the income statement; if the vendor was the company's parent (or fellow subsidiary) then – unless the marriage value really is negative – that would represent a capital contribution received, made apparent by the fair value measurement but reported in the wrong place. This raises a question of whether bifurcation and grossing up of the transaction price should be permitted or required (and notes that this would require a valuation of the

business); if so, can this approach be logically confined to BCUCCs (rather than extended to all intra-group transactions)?

- Finally, in the case of newco transaction, there is no business combination. So when attempting to apply business combination accounting, one finds one's self estopped from doing so, or concluding that the pre-existing business(es) is (are) the acquirer and applying business combination mechanics to the shell newco acquiree, which is hardly an application of business combination accounting at all.

Does applying normal business combination accounting lack merit in the case of a BCUCC?

The normal rule for most initial recognition transactions is cost. Even under IAS 39 the practical effect is usually the same. For a business combination, no individual item has a cost as the items were not purchased individually and the total cost is (usually) more than the sum of the parts (goodwill, or marriage value). So business combination accounting puts everything in at fair value with goodwill as the residual. This was devised for third-party business combinations where control changes hands. It is difficult to object to applying fair value when control has been acquired and there is no figure for the acquirer's cost of each item. A BCUCC faces some of the same problems: one aggregate price for a collection of assets and liabilities that are, in reality, worth more than the sum of their parts. However, if, as is likely, the BCUCC is not transacted at an arm's length fair value, then the price paid may not reflect the fact that they are worth more than the sum of the parts. Indeed, it may not even reflect the sum of the parts. If the company has not paid fair value for the business, should one really make the company accountable for the fair value of the net assets by imposing fair values in its financial statements?

Moreover, one could question whether applying business combination accounting is merited in the case of BCUCC, given that the ultimate control has not changed and given that it works a major discontinuity upon the numbers reported to the entity's shareholders.

The fundamental question that a BCUCC gives rise to could therefore be stated: do the above factors imply that it is not worth imposing the cost of carrying out business combination accounting (implying a permitted-but-not-required approach) or may the discontinuity imply that applying IFRS 3 accounting is inappropriate altogether (a not-permitted approach)?

Do you agree that a BCUCC can be different to a business combination under IFRS 3? If so, describe examples you have encountered in practice that verifies this. If not, please explain why?

We describe the differences above. In addition, we have summarised some of the most common categories in the attachment to this letter, together with the individual questions to which they give rise and how those questions may be cast in different lights in different cases.

Question 4.3 – Understanding the information needs of users about BCUCC transactions

Do you agree with the analysis that has been performed in relation to the information needs of users? If not, why not?

In our view, BCUCC can be undertaken for a wide range of purposes and involve a wide range of entities. We therefore agree that it is not possible to consider BCUCC as one homogenous set of transactions. Instead, we would encourage EFRAG and the IASB to consider the key features that distinguish common BCUCC transactions and the nature of separate financial statements (or consolidated financial statements of an intermediate company) to determine which forms of accounting may be appropriate for different BCUCC.

Questions 4.4 and 4.5 – Identification of an acquirer

Do you think that with BCUCC it may be difficult in some circumstances to identify an acquirer (View A) or do you believe that an acquirer can always be identified (View B)?

As discussed above, we believe that identifying an acquirer is often one of the more difficult aspects of accounting for a BCUCC using IFRS 3. This is because IFRS 3 determines the acquirer based on the combining entity that obtains control (including by looking to the positions of the shareholders of the combining entities – eg, as is done to identify a reverse acquisition). However, in a BCUCC, all combining entities are ultimately under the control of the same party before, during, and after the transaction.

If you believe that an acquirer can always be identified in a BCUCC, do you think that an analogy to IFRS 3 is not valid because the ultimate parent entity can direct the identification of an acquirer so that the accounting outcome is not a faithful representation of the underlying BCUCC transaction?

We strongly disagree with the assertion, in paragraph 89 of chapter 4, that "in any business combination there is a possibility for the parties to select the accounting acquirer". IFRS 3 defines the acquirer as the party that obtains control. We do not agree with the suggestion that the acquirer could be influenced by, for example, altering the legal structure of the transaction.

Similarly, we do not believe that the ultimate parent entity can necessarily direct the identification of an acquirer. Since we disagree with the assertion in the DP, we do not, agree that analogy to IFRS 3 is invalid for this reason. Rather, the difficulty with applying IFRS 3 is that described in our previous answer. The point that the DP is trying to draw out here may, instead, be this: if there are difficulties in identifying the substance, then legal form might begin to play some part in making that difficult determination.

Question 4.6 – Obtaining control over one or more businesses

Do you agree with the analysis above that under IFRS 10 'control' should be assessed from the perspective of the reporting entity and not from that of the ultimate parent entity? If not, why not?

IFRS 3 itself does *not* confine itself to identifying control from the point of view the reporting entity. That is what IAS 27 does (now IFRS 10), rightly, because IAS 27 determines the scope of entities included within a consolidation. However, IFRS 3 addresses a quite different question: the manner in which those consolidated accounts are drawn up when there has been in a change in the population of entities within them. In our view IFRS 3 looks to the shareholder perspective to answer this question. Indeed, if it did not, then there would never be a reverse acquisition.

Accordingly, the normal application of IFRS 3 to a BCUCC would involve the shareholder perspective. As explained above, this is where one of the difficulties arises. One possibility for a new approach to BCUCC would be, say, to move to a purely IAS 27 ("who owns whom") approach to cut through some of these difficulties, albeit as a trade-off for introducing structure-based outcomes to some degree.

We just add this: that understanding the shareholder perspective is potentially (ie, if one views an individual entity in a group its own reporting entity rather than a group carve-out) a fundamental consideration about BCUCCs.

Question 4.7 – Acquisition of a business

Do you agree that the definition of a 'business' in IFRS 3 raises no particular issues for BCUCC? If not, why not?

We agree that the definition of a business in IFRS 3 raises no particular issues for BCUCC. We note, however, that the continuing difficulty with the definition of a business – eg, does it embrace a single property? – could affect the scope of BCUCCs.

Questions 4.8 and 4.9 – Applying the 'mechanics' of IFRS 3 – the recognition and measurement principle

Do you think the absence of a market-based transaction can have consequences when applying the recognition principle in IFRS 3 because of a lack of measurement reliability? If so, do you agree with the analysis? If not, why not?

The absence of a market-based transaction can indeed have consequences when applying IFRS 3 to BCUCC. However, this is not because of the lack of measurement reliability, because in any business combination one always has to compute fair values afresh and the price paid merely gives rise to the residual balance (goodwill / gain on bargain purchase).

Rather, the issue with valuation is that the price may mix a distribution/ contribution and the question is whether it should be separated out. Please see our earlier comments about treating any difference between that and the amount paid as a capital contribution / distribution.

In addition, the other issue with applying normal business combination accounting is that it might not be merited in case of a BCUCC. That is, the issue is not concerned with the challenge of valuation but with whether doing so is merited at all – given that the ultimate control has not changed and given that it works a major discontinuity upon the numbers reported to the entity's shareholders.

Do you think it is appropriate to apply the measurement principle in IFRS 3 to BCUCC when the analogy to IFRS 3 is valid? If not, why not?

Yes. We believe that, if an analogy to IFRS 3 is valid, then all of IFRS 3 should be applied. We note that this view is consistent with recent IFRIC reasons for rejection.

Questions 5.1, 5.2 and 5.3 – View one: IFRS 3 can always be applied by analogy

We do not believe that it is clear from the current standards that IFRS 3 can always be applied by analogy. Furthermore, whilst it is one approach, we do not believe that it is clear that mandating its application to all BCUCC is necessarily appropriate.

Do you believe that the transaction price should be referenced against the fair value of the business acquired and bifurcated (when the transaction price exceeds the fair value of the business acquired) if the transaction price does not reflect a proxy for fair value? This ensures the BCUCC transaction reflects two transactions: a) a contribution from (distribution to) the ultimate parent entity, and b) a business combination.

We believe that a BCUCC may comprise two elements; a distribution or capital contribution with the parent and the payment for a business combination. We agree that it may be appropriate to bifurcate the two. However, we do not believe that the measurement of this bifurcation at fair value can necessarily be mandated under the current standards.

If IFRS 3 is applied by analogy, we believe that it should be applied in its entirety by analogy. We therefore believe that the consideration transferred should also be measured at its fair value. Where the consideration transferred is not a market price, we believe that it could be appropriate to record a capital contribution / distribution for the difference if applying IFRS 3 to account for the BCUCC.

We note that, in some situations, a trade and assets may be hived up to a parent for nil consideration. If the parent records the trade and assets at fair value with the credit in equity, it will be presented as a capital contribution from its shareholders, yet the parent has not undertaken a transaction with its shareholders. In a sense, it's a revaluation that would bypass comprehensive income. We believe that this is one of the questions that should be considered by an IASB project to consider BCUCC.

Do you believe that goodwill and/or identifiable intangible assets should not be recognised in the balance sheet of the acquirer on the basis that they cannot be reliably measured?

IFRS 3 establishes a principle that identifiable intangible assets can be measured at fair value. If intangible asset recognition is possible for a normal business combination, there is no additional obstacle, in terms of practicality, for doing the same in a BCUCC. So far as goodwill is concerned this will drop out as a residual from the valuation of the identifiable net assets against either the actual price paid or, following the question above, the fair value of the business as substituted for the price paid. Either way the goodwill depends at least in part of the fair value of the business (as an upper limit so as not to overvalue it in the first case, and directly in the second). We believe that the fair value of a stake in a business can generally be measured reliably. We therefore believe that the goodwill that arises on a business combination (even under common control) can generally be measured reliably.

Do you believe that where the consideration transferred is lower than the fair value of the net assets acquired the difference should reflect a contribution from the ultimate parent entity or recognised as income?

Generally, we do not believe that it is appropriate to record as income gains or losses that arise as a result of the initial recognition of assets and liabilities at fair value when the consideration transferred is not at fair value because the transacting entities are under common control. Any debit or credit arises as a result of a non-reciprocal transfer of value to or from owners (or to or from the entity's own investees). However, as noted above, when there is a hive-up at below market value, there is not a transaction with the parent's shareholders and so it is not obvious that there is a capital contribution received or distribution made by the company.

Questions 5.4 and 5.5 – View two: It is not appropriate to apply IFRS 3 by analogy

Do you think that the BCUCC should be viewed as a 'transfer' of a business rather than an acquisition of a business when the analogy to IFRS 3 can never be applied?

We believe that one way of accounting for a BCUCC is to recognise that there is no change in the group or in control. There are, of course, two fundamentally different ways of getting to that conclusion, as noted earlier (the entity has no status except as part of the group reporting entity, or that it is a reporting entity in its own right but control, from a shareholder perspective has not changed).

Applying this approach, we believe that a predecessor basis of accounting could be applied. We do not believe that a fresh start basis of accounting is ever appropriate under the current standards and we are not convinced that mandating a fresh-start basis of accounting will meet users' needs for most types of BCUCC.

We do not believe that it is clear that prohibiting the use of IFRS 3 for all BCUCC is necessarily appropriate (for example, if there is a significant NCI involved and the transaction price is not fair value).

Do you believe that all the arguments and views presented are valid when it is not appropriate to apply an analogy to IFRS 3?

As discussed above, we do not believe that a fresh-start basis of accounting is appropriate for most types of BCUCC.

Questions 5.6, 5.7 and 5.8 – View three: The analogy to IFRS 3 may apply

Do you agree that the approaches outlined in Appendix 3 are unlikely to result in decision, useful information? If not, why not?

We agree with the statement that BCUCC represent a diverse group of transactions. In our view, the IASB should undertake a project to identify typical BCUCC transactions, understand the nature of financial statements of an entity within a group and conclude on which approach or approaches are most appropriate for each type of transaction.

We believe that, if the IASB concludes that more than one approach may be appropriate, it should clearly identify which factors need to be present in order for one approach to be used rather than another or to state clearly that there is a free choice. After all, if the standard-setter were unable to complete a one-off exercise to devise guiding principles, then every company should not be left to do this itself every time it undertakes a BCUCC.

The problem of drawing a line between different categories of BCUCC transactions can be illustrated by considering two transactions that are a little different and considering which accounting appears most comfortable in each. For example:

- An acquirer creates a newco in its group as a vehicle to acquire an entity from a vendor. It seems difficult to see why that newco should not employ business combination accounting (with itself as the acquirer, following its own shareholders' perspective). On the other hand, if the vendor group did a reorganisation to bring all of what it wanted to sell neatly under a newco, and then began looking for buyers – one of whom subsequently buys it – it seems difficult to object to predecessor-basis accounting in newco. Where is the dividing line?
- A group puts a newco on top of a subsidiary and demerges that newco to its shareholders. It is difficult to argue against that newco's using the old group's book values in respect of the subsidiary (even though the subsidiary might have different numbers, eg dating back to when it was acquired in the first place), as this is what will achieve continuity for the shareholders. On the other hand, suppose that the group just demerged the subsidiary without a newco; the subsidiary just keeps its own numbers (eg, in the way that acquired entities don't adopt push-down accounting) – and so a discontinuity is reported to shareholders. Where is the dividing line?

Do you believe that the diversity in the information needs of users when compared to a business combination and the cost constraint in financial reporting provide justification to consider whether or not the recognition and measurement principle in IFRS 3 are appropriate when accounting for BCUCC?

As discussed in our answer to question 3.1, we believe that the IASB should consider the nature of separate and consolidated financial statements of entities within a group as the first stage of determining which methods of accounting are appropriate for BCUCC. If the IASB concludes that separate financial statements show the results as a reporting entity in its own right rather than a carve-out of a higher-group entity, then the key question that it will need to consider will be whether the cost of applying fair value accounting, and the discontinuity in the numbers presented to the shareholders that it will cause, can be justified. In doing so, we note that the discontinuity in numbers may not only affect the figures reported. In some cases (for example, hedge accounting) it may introduce a discontinuity in the manner of accounting for some assets, liabilities or contracts.

Do you believe that all the arguments presented in relation to view three are valid or are there others that you would consider?

Generally, we found the arguments presented for view 3 to be confusing and were not convinced how it was intended to be applied. Whilst we agree that it may be appropriate to conclude that IFRS 3 accounting is required in some scenarios, permitted in others and prohibited in others, the paper has not convinced us where those lines should be drawn.

In our view, the goal of the paper should be to encourage debate and to encourage the IASB to consider the various options that it might want to think about in undertaking its own project. We do not believe that it should attempt to reach a conclusion as to which approach the IASB should or should not adopt or where the above lines should be drawn.

KPMG

cutting through complexity™

Common control and similar transactions

Attachment to letter to EFRAG dated 22 May 2012

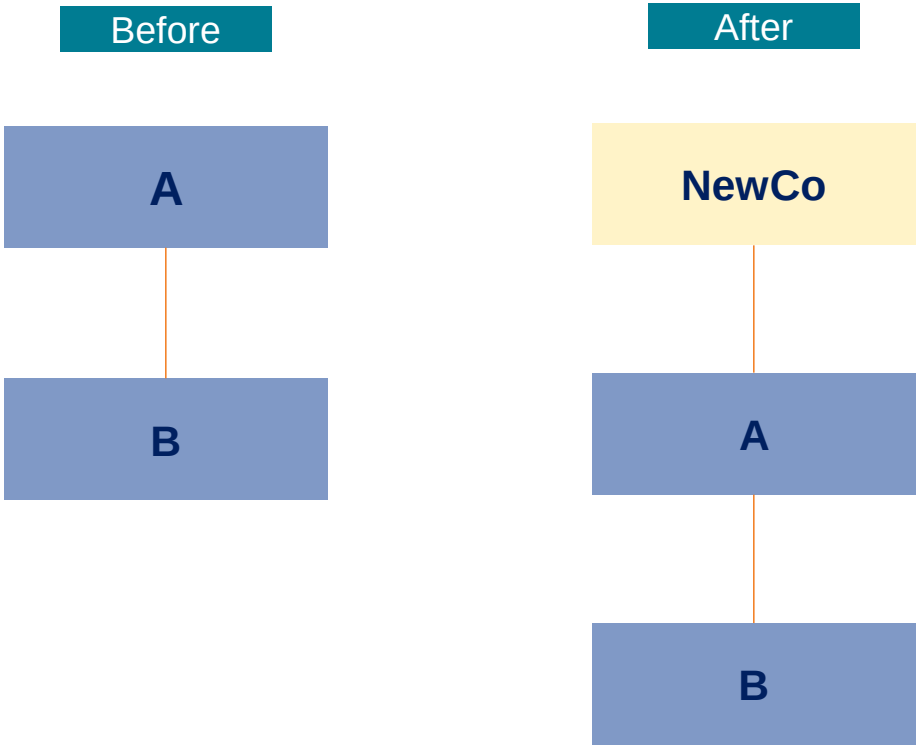
Common control and similar transactions

This attachment sets out a number of common scenarios and rehearses the issues that arise in respect of them. The object is merely to explore the different issues. This attachment is not intended to convey any views of KPMG LLP.

The issues that arise are numbered and are not repeated for each scenario unless they cast the matter in a different light.

At the end of the exploration of the individual scenarios is a table of all scenarios and issues. In that table a "√" indicates that an issue is applicable to the scenario in question. A "√+" indicates that the scenario may draw out a different aspect of the issue.

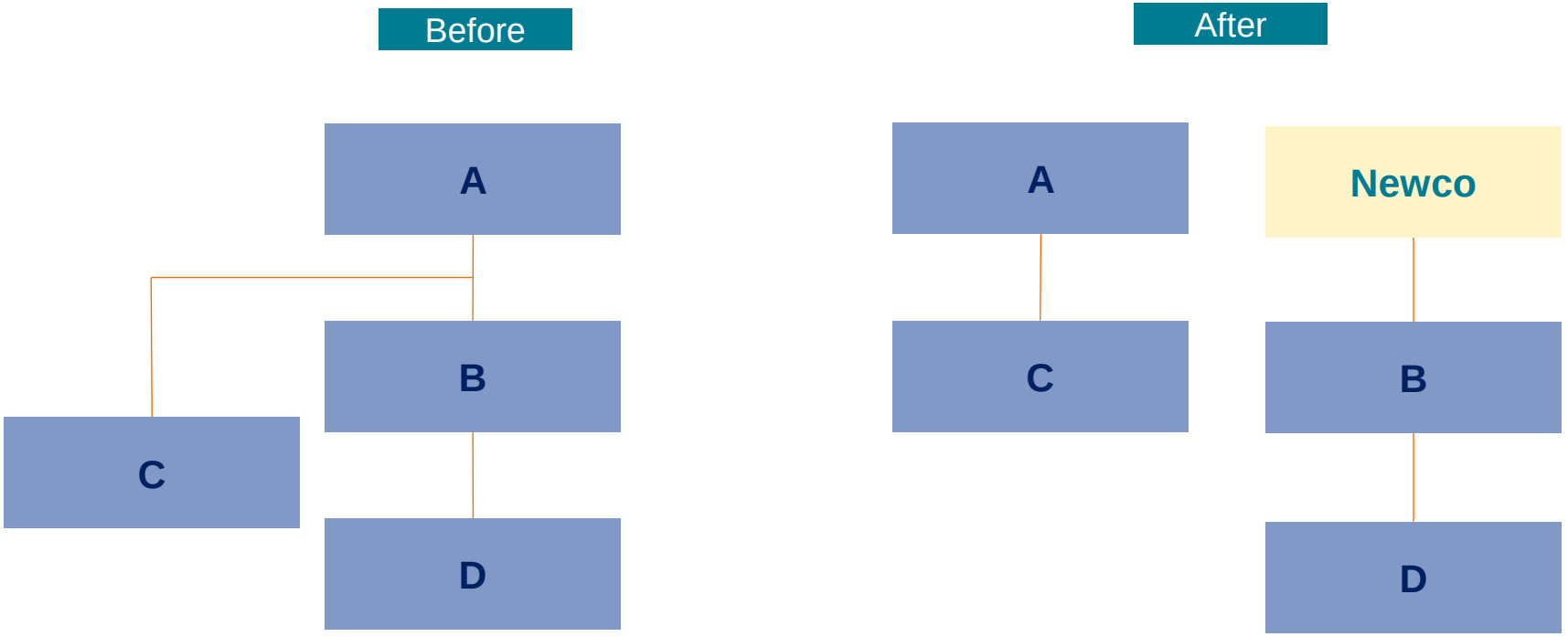
Case I – New parent added to existing group



Case I – New parent added to existing group

Description	• A NewCo is added to the top of an existing group on a share-for-share basis. Before and after, the existing and relative rights of all shareholders remain exactly the same. All that has occurred is that a new corporate shell has been added.
Issue 1	• (Consol) Is this transaction within IFRS 3 at all? It is not scoped out by the common control para since the company is not controlled pursuant to a contract (para B2). However, since NewCo does not have any business,it is arguably not a business combination and thus never within IFRS 3.
Issue 2	• (Consol) Should the accounting be fair value acquisition accounting or carried-over book value accounting? Arguably, this is a case where the discontinuity wrought by fair value accounting isn't justifiable and book values should be used. Would the answer be different if NewCo were inserted in anticipation of a listing or as part of a third-party takeover?
Issue 3	• (Consol) If the amount required to be recorded, as a matter of law, as capital as a result of this transaction were (or approached) the fair value of A, would that change the answer to issue 2, for example because it may be argued that NewCo paid fair value to obtain A? Or, are the concerns around the discontinuity so great that book values should still be used?
Issue 4	• (Consol) If book values are used, should the pre-transaction P&L history be reflected (ie, as if the transaction had always occurred)? This may be the case if it is concluded that the discontinuity wrought by the absence of a history isn't justifiable.
Issue 5	• (Consol) How is the book value/ history accounting characterised and its details determined? Eg, it cannot be called "uniting-of-interests accounting" (or pooling or merger), nor can those rules be looked to, as that has been written out of IFRS. One might view it as IFRS 3 reverse acquisition accounting by analogy (and typically it is called "carry over basis").
Issue 6	• (SFS) What is the cost of Newco's investment in A? This is the one case that is currently addressed by IAS 27.38B. However, a minor change in facts would take it out of the scope of that paragraph. Moreover, what is the logic for that treatment?

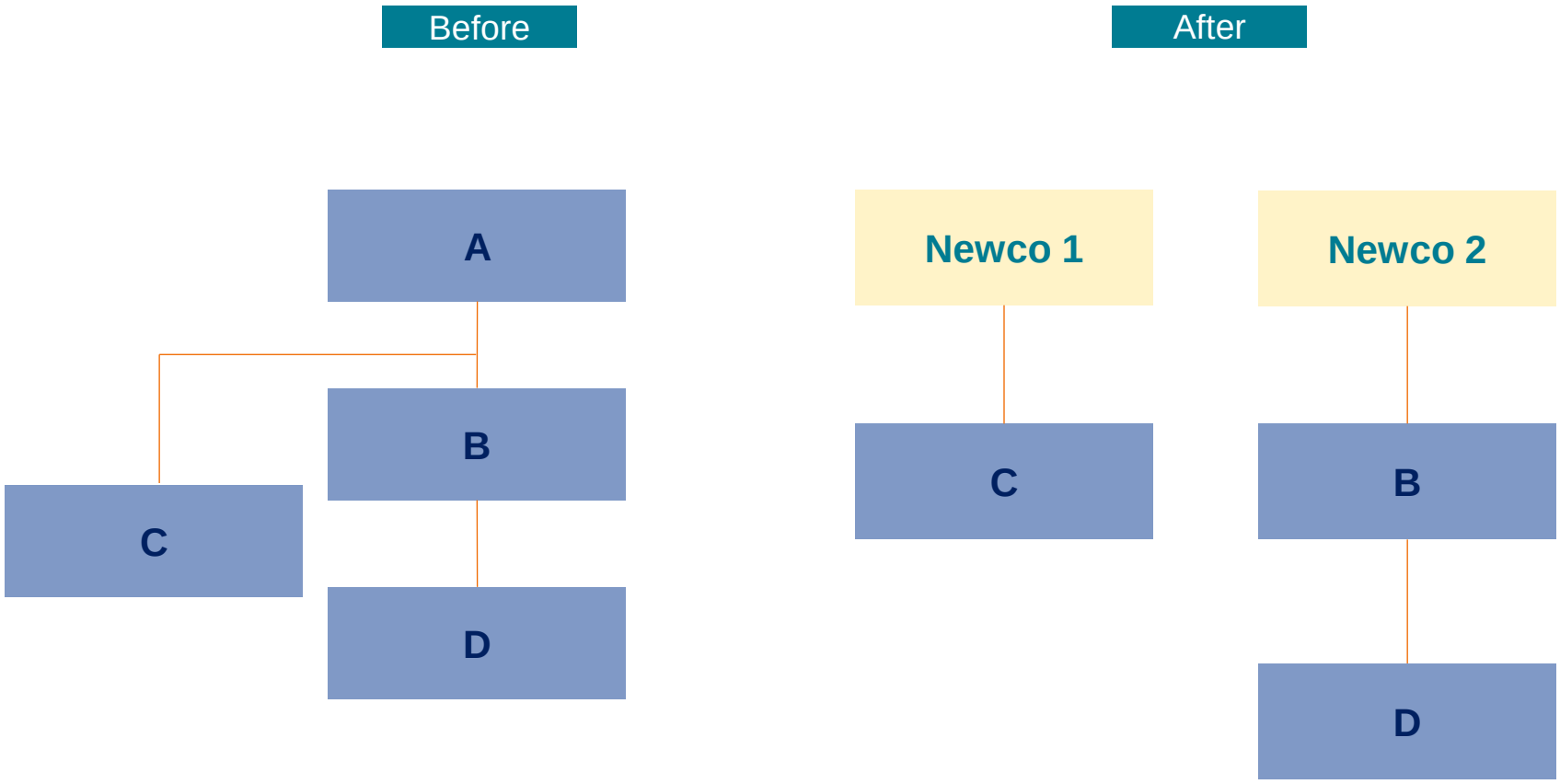
Case II – Demerger by dividend in specie



Case II – Demerger by dividend in specie

Description	• In this situation the B/C group is demerged by way of a dividend in specie to the shareholders of A. For ease a NewCo is added to the top of B/C group; this often happens to give a clean TopCo (ie no trade in it) rather than a trading company (B) at the top of the demerged group. Economically a demerger represents a division of the A Group into separate parts. The result of a demerger is that the same shareholders own the same group of businesses; the shareholders' structure and their ownership interests are identical both before and after the demerger.
Applicable issues	• Issues 1-6 apply to NewCo with the addition of the following:
Issue 7	• (Consol) If adopting carry-over basis accounting, whose book values and history are adopted: those in the books of B/D themselves, or those relating to B/D as included in A's group accounts? It might be argued that, from the point of view of the external shareholders, the discontinuity wrought by reporting figures inconsistent with those hitherto seen in the A group accounts, means that the figures relating to B/D as included in A's group accounts should be used. In effect, this is asking whether NewCo presents the results of B/D as they would be in B's consolidated accounts or as a carve-out of A's consolidated accounts. Mandatorily requiring the group's book values to be used would mean that B/D report different results depending on whether a newco is used.
Issue 8	• (Consol & SFS) How is the distribution in specie accounted for by A? If book values are acceptable in transferees, then why not in transferors? IFRIC 17 addresses the accounting for distributions of non-cash assets to owners and states that such distributions are stated at fair value (so long as they are within its scope). This case raises questions as to whether the treatment of IFRIC 17 distributions is consistent with the treatment of near-identical transactions that fall outside of its scope. For example, if A's controlling party were an individual or another holding company rather than a group of investors then the distribution in A's books could be measured differently because the transaction would be outside the scope of IFRIC 17. It might be difficult to consider BCUCC without re-visiting the conclusions reached in IFRIC 17.

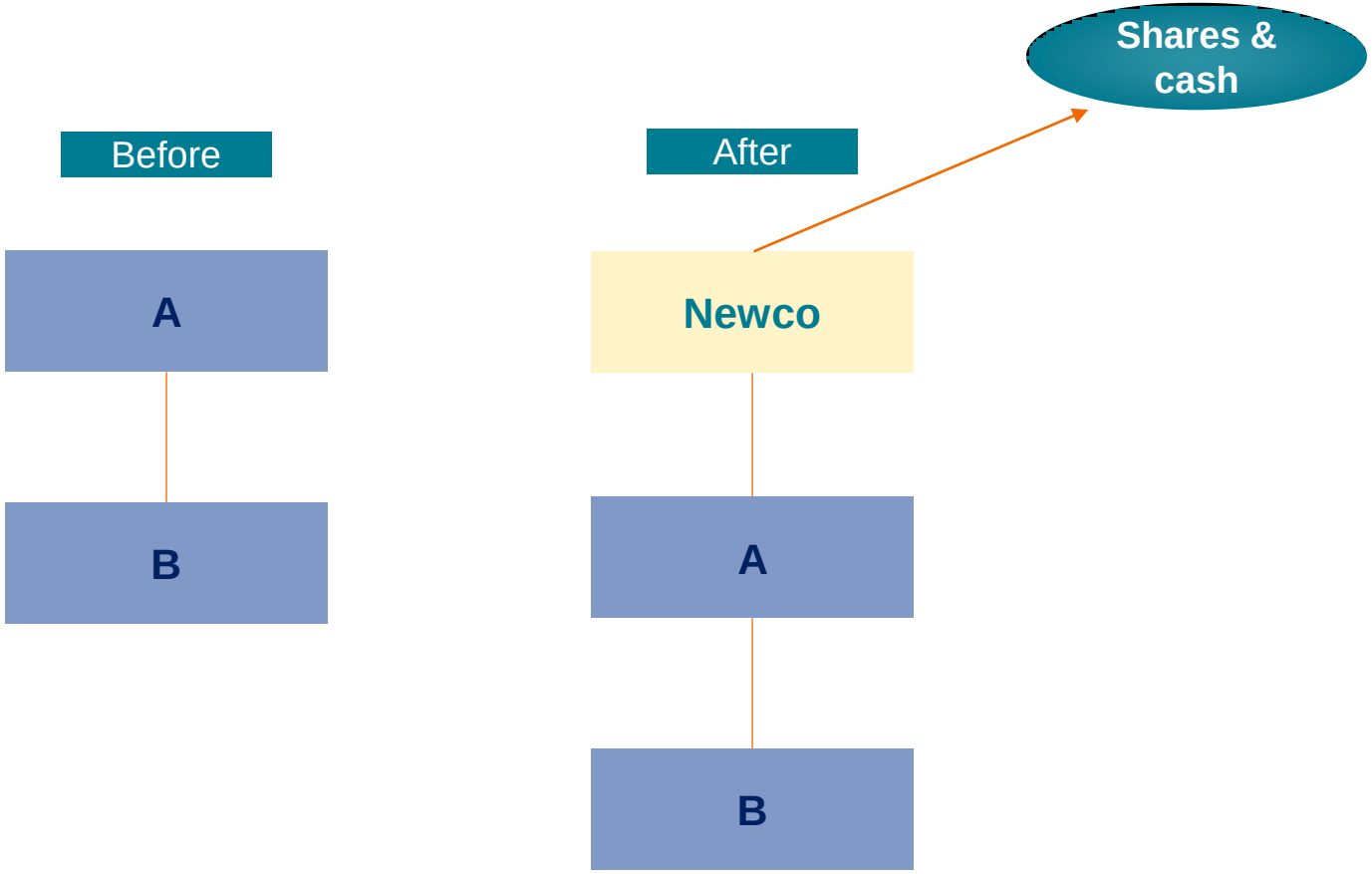
Case III – More complex demerger



Case III – More complex demerger

Description	• This is an example of a more complex version of a demerger. The starting point is as in Case II. Here two NewCo's are inserted within the A Group by share-for-share transfers. The demerger then occurs by A being put into liquidation and hence the NewCo's become directly owned by the shareholders.
Applicable issues	• Issues 1-8 apply, with the following additional considerations.
Issue 2	• (Consol) If fair value accounting is applied by the Newcos, the result for this case would be that even the ongoing part of the group (C) would suffer discontinuity by being remeasured to fair value.
Issue 7	• (Consol) if carry over basis applied, whose book values would Newco use? To use C's would mean that the ongoing part of the group suffers a discontinuity of change in book values (albeit not to fair value)

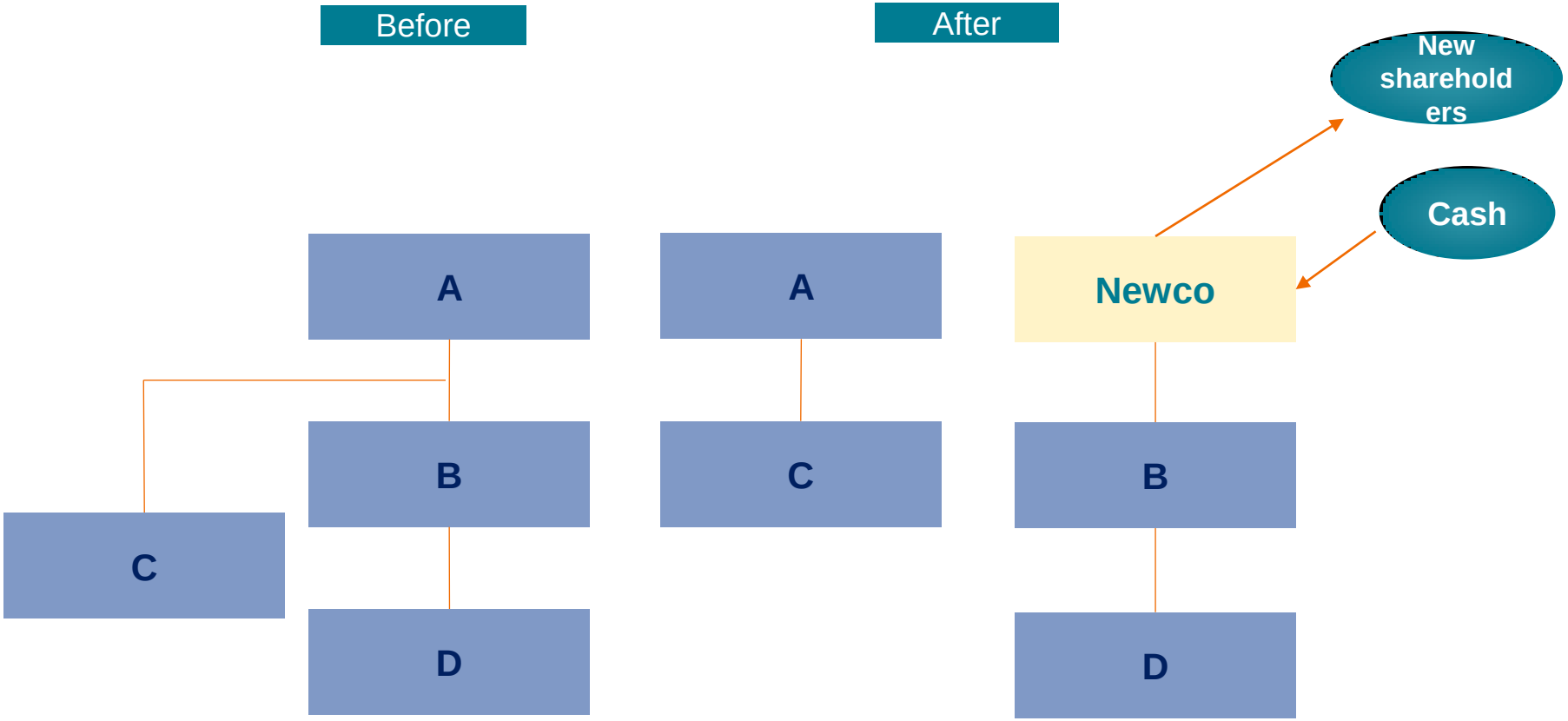
Case IV – New parent added to existing group, with cash



Case IV – New parent added to existing group, with cash

Description	• This is similar to Case I but instead of shares in NewCo, the shareholders receive a mixture of shares and cash. There could be two different scenarios: firstly, a fixed number of shares and cash for each share in A. This might be done because the group simply wants to return an unusual amount of cash to shareholders (compared with typical dividends) and effecting it via a NewCo may have advantages compared with simply paying a special dividend. • A variant would be where shareholders are allowed to elect to vary, within limits, the mix of cash and shares which they receive. The result is that shareholders do not necessarily receive the same amount of shares/cash for each share in company A. The existing and relative rights of all shareholders change somewhat. This might be done because different shareholders might want different mixes and this facility, rather than their privately effecting market transactions, is convenient / advantageous.
Applicable issues	• Issues 1-6 apply, with the following additional considerations.
Issue 2	• (Consol) In the fixed case, does the inclusion of cash change the accounting? On the one hand, it should not as the creation of NewCo is only a way of restructuring the capital but does not change the business – which is primarily what the accounts should reflect. On the other hand, does there come a point when the cash amount is so large as to make fair values acceptable or required? • (Consol) In the variable mix case, does the inclusion of variable cash change the accounting? The positions of the shareholders are changing with respect to each other, and that might suggest so. However, the changes may be small and overall not disrupt the larger picture of the company's ultimate ownership. Should small changes allow or force a major discontinuity in the accounting? However, does there come a point when the variability in the cash amount is so large as to make fair values acceptable or required?
Issue 6	• (SFS) What is the cost of NewCo's investment in A given that the insertion will not meet the conditions in IAS 27.38B and IAS 27 has no other definition of cost? There are at least 5 candidates: 1) the same method as in IAS 27.38B; 2) the cash plus the capital value of the shares issued by Newco as determined by company law; 3) the fair value of A; 4) the previous carrying value of A in its shareholders' books; or 5) the cash amount plus the fair value of shares issued.

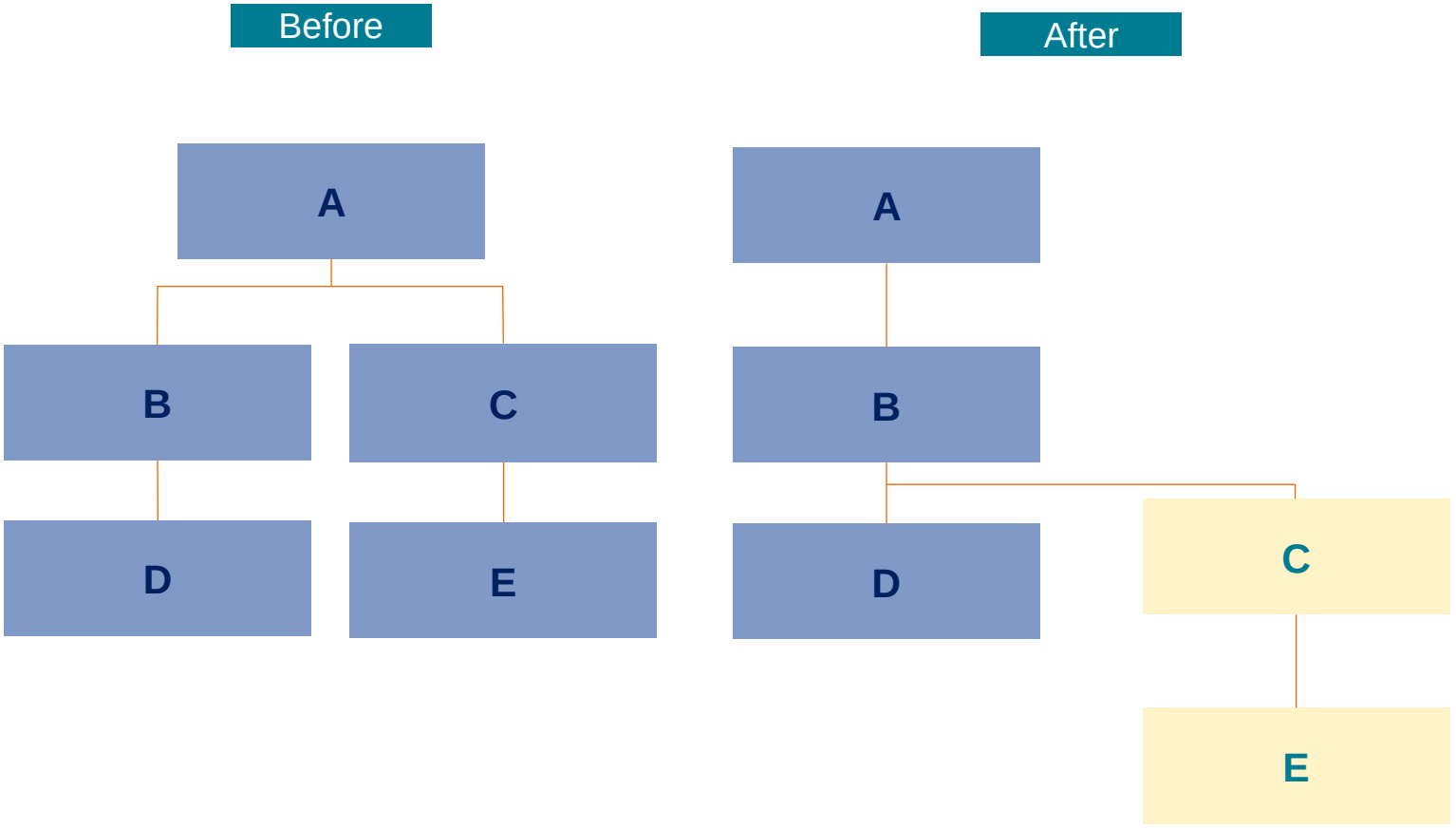
Case V – Demerger by dividend in specie, with new shareholders



Case V – Demerger by dividend in specie, with new shareholders

Description	• This is a variant of Case II whereby on demerger the spun-off group also raises new money, say by a placing. The rights of original shareholders, *relative to each other*, remain unchanged but overall are diluted by the new shareholders who contributed cash.
Applicable issues	• Issues 1-6 apply, with the following additional consideration.
Issue 2	• (Consol) Now that cash and new shareholders are involved, does that change the accounting? Whilst that might at first seem likely, on the other hand if the B/D group had been spun-off without NewCo, there would have been no fair values imposed and the new money would simply have been reflected as a capital-raising exercise. That being so, should carry-over basis remain (at least) acceptable? If so, at what level of new cash/ ownership does the case change?

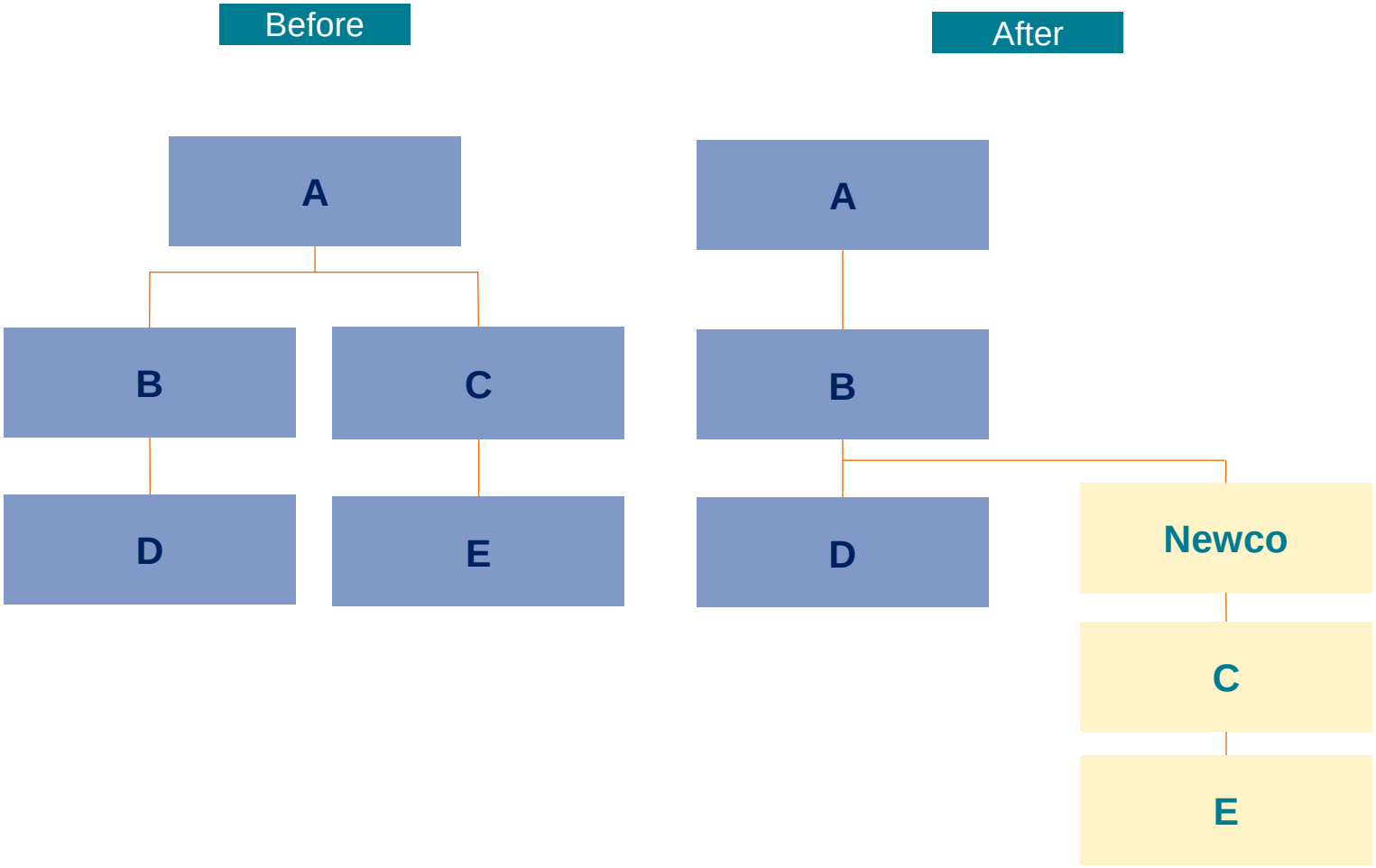
Case VI – Internal reorganisation



Case VI – Internal reorganisation

Description	• A group transfers subsidiaries from one intermediate parent to another. Consideration may or may not be at or near fair value. In some cases, it may be nil.
Applicable issues	• Issues 2-7 apply, with the following additional considerations.
Issue 9	• (Consol) If fair value accounting were thought appropriate because of the magnitude of the price paid (say), one of B, C, D or E (or a combination thereof) would have to be the acquirer. How would one determine which one, other than arbitrarily? Is this persuasive of the need to adopt a carry-over basis? Alternatively, could a legalistic view as to how to determine the acquirer in a BCUCC be developed?
Issue 10	• (A's SFS) A has legally given up its shareholding in C. On the face of it, what it owns before and after the transaction is the same and so one could argue that there is no profit and loss effect. Alternatively, could A record a profit or loss on the disposal of C? Does the level of consideration that changes hands influence which is the appropriate outcome? Should any "gain" or "loss" be treated as a capital contribution to / distribution from B?

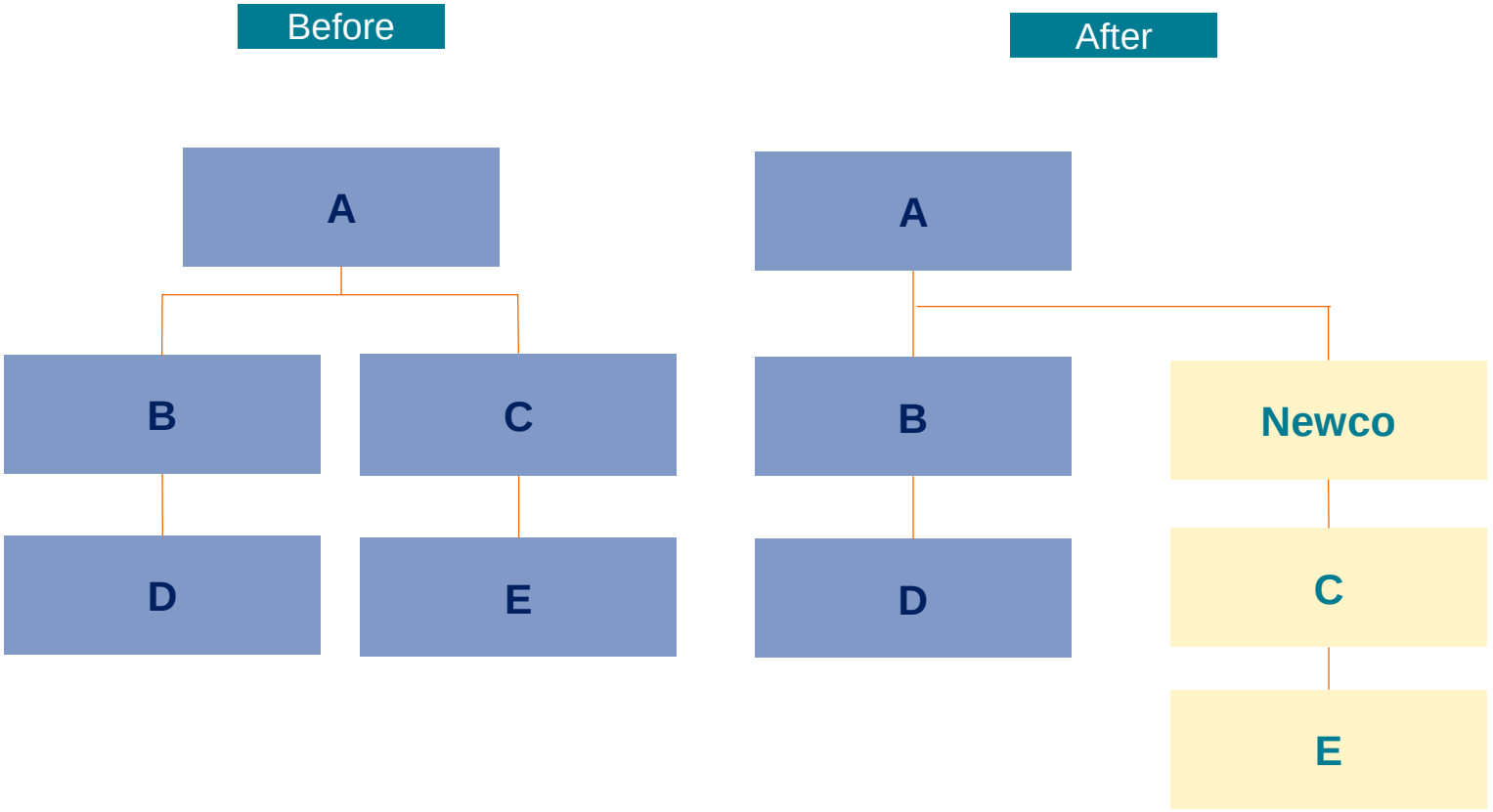
Case VII – Another internal reorganisation



Case VII – Another internal reorganisation

Description	• This is Case VI but with a NewCo used.
Applicable issues	• Issues 1 – 7 and 9 apply, with the following additional considerations.
Issue 9	• (Consol) This case raises a number of questions surrounding "who is the acquirer" in both B 'sand Newco's financial statements. Applying IFRS 3, it is not clear that B will be the acquirer in its consolidated financial statements (it could be B, C, E, or the combined C &E). At the same time, it is not clear who is the acquirer in Newco's consolidated financial statements (Newco, or C&E) or whether there has been a business combination in those financial statements at all.

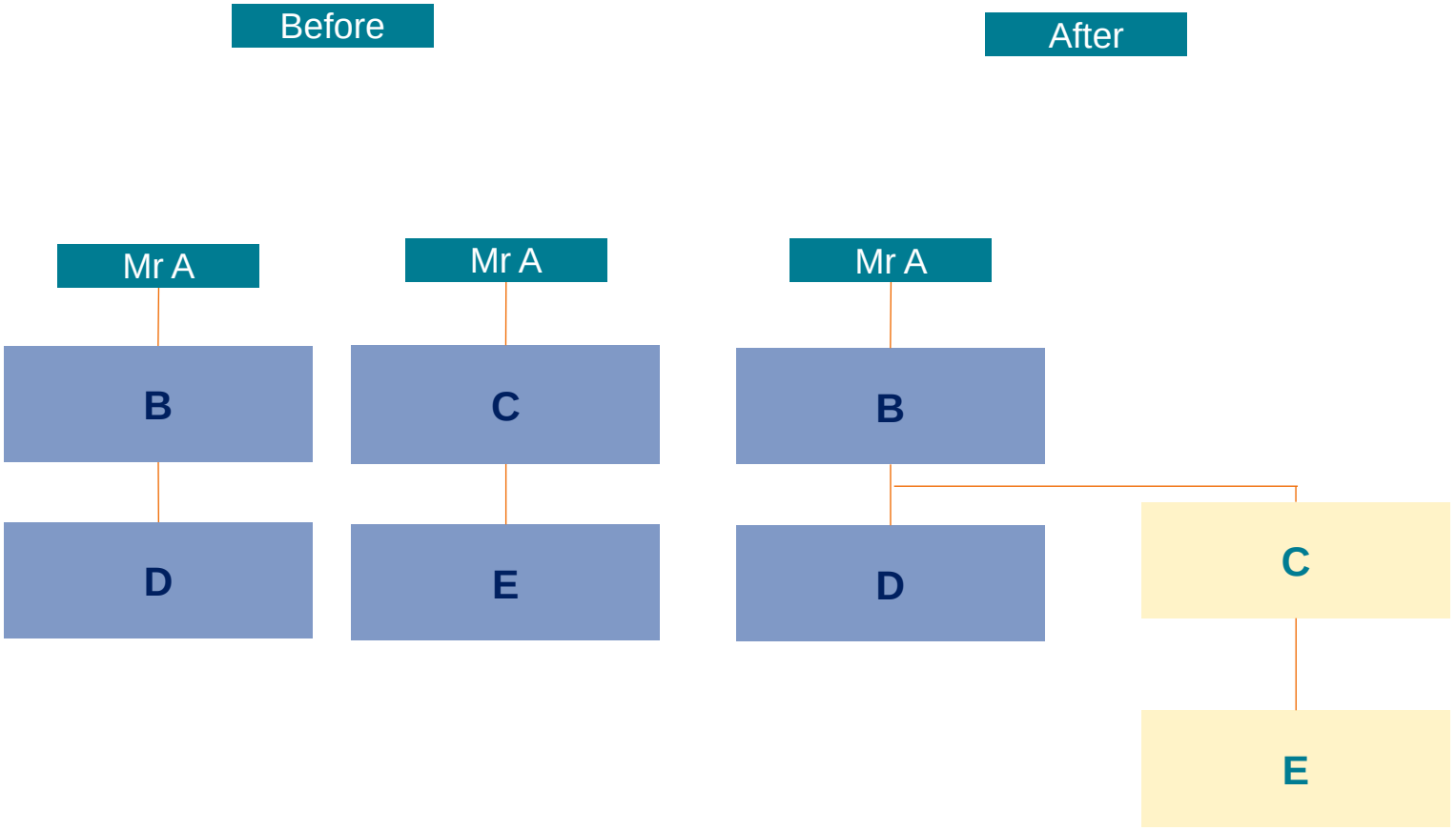
Case VIII – Variant on case VII



Case VIII – Variant on VII

Description	• This is Case VI but with a NewCo used.
Applicable issues	• Issues 1 - 7, 9 and10 apply, with the following additional consideration.
Issue 10	• (A's SFS) Does the fact of A's legally giving up holdings of both C and E, and getting an entirely new investment, NewCo, change the accounting? That would seem to be a very legalistic/ financial instruments point of view.

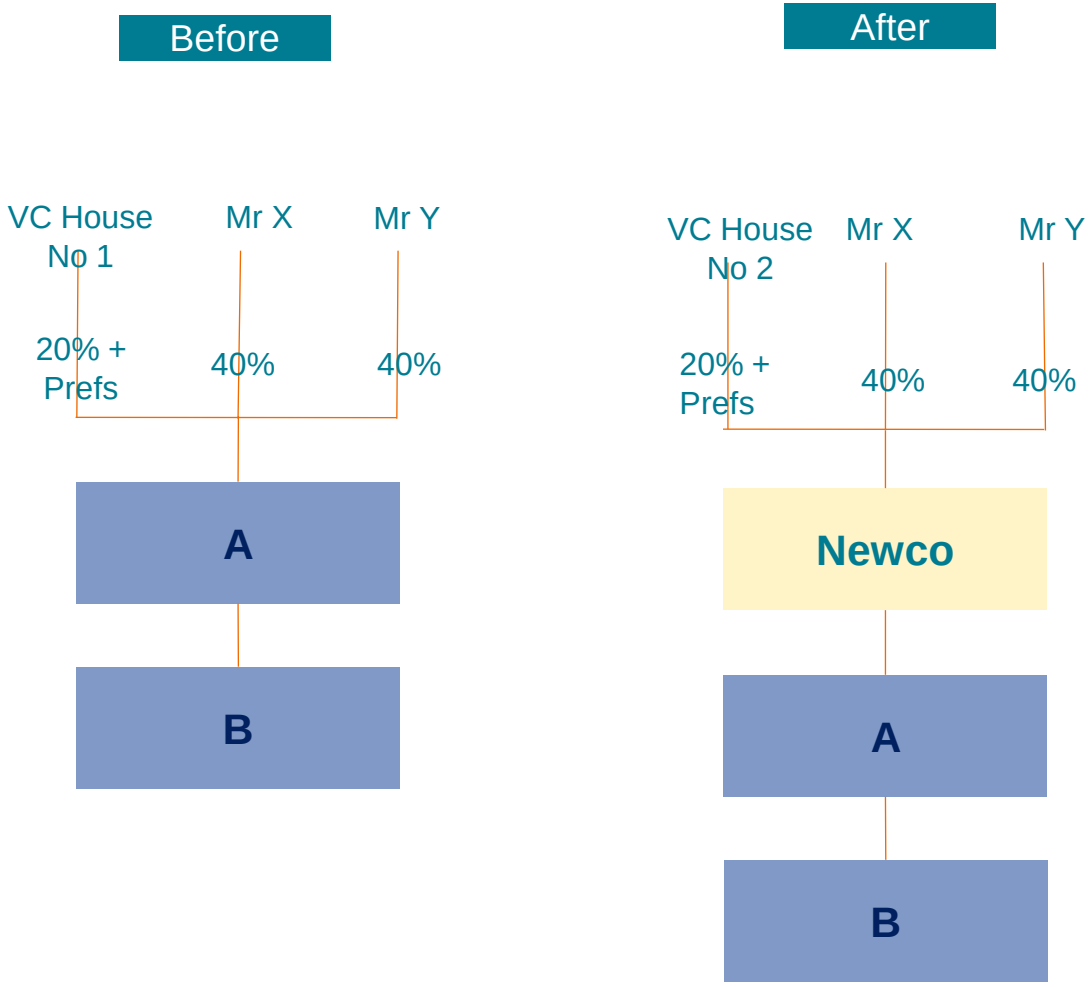
Case IX - Reorganisation of entities owned by common non-corporate controller



Case IX - Reorganisation of entities owned by common non-corporate controller

Description	• This is the same as Case VI save that the common controller is not a body corporate that prepares accounts, but an individual. Alternative cases would include, for example, entities that are Government-owned.
Applicable issues	• Issues 2-7, 9 and 10 apply, with the following additional consideration.
Issue 7	• (Consol) As Mr A never previously prepared consolidated accounts for himself, there are no group accounts that one might refer to when identifying book values and history. Does this suggest that in such a case the C/E sub-group's own book values and history should be used?

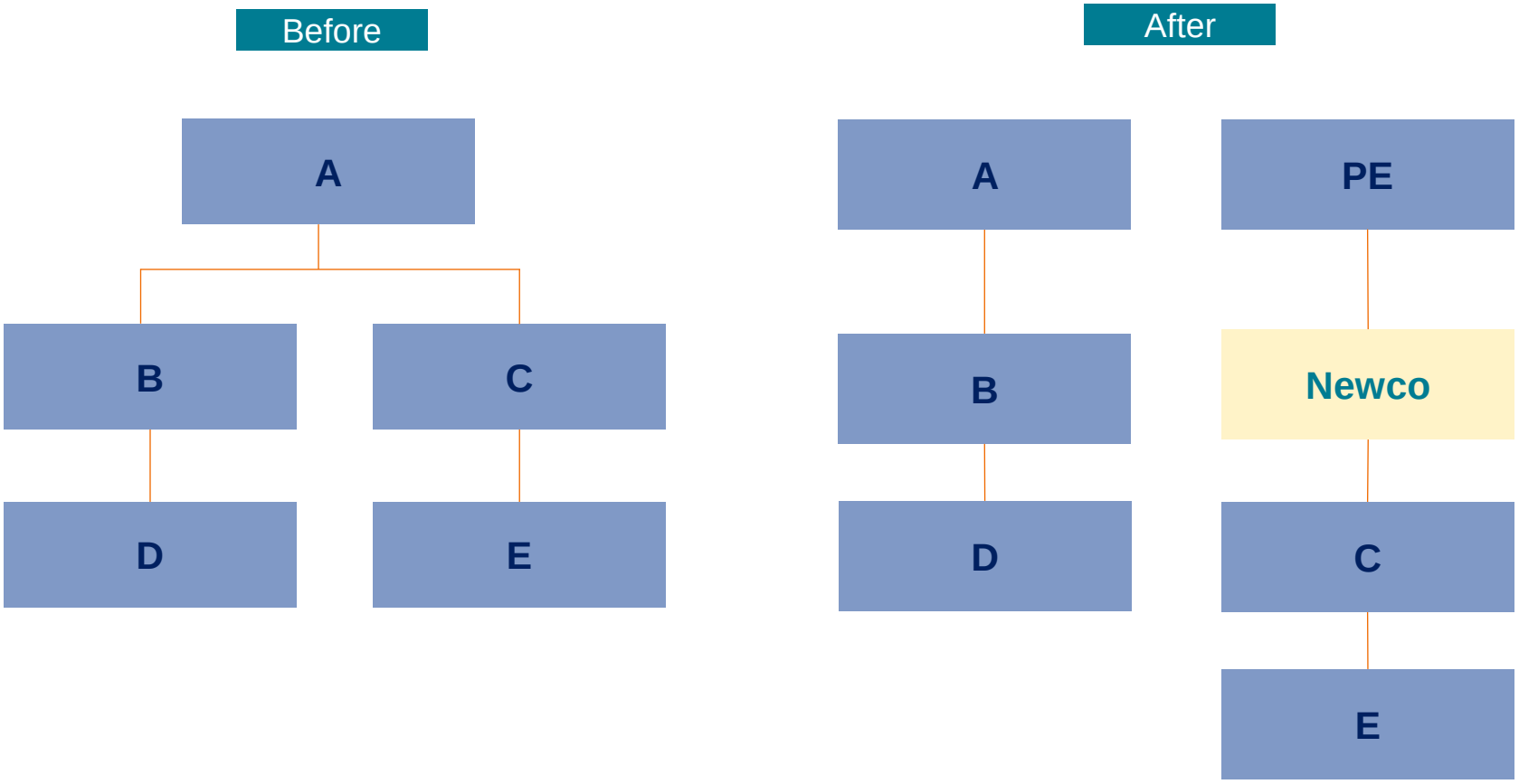
Case X – Reorganisation of entities owned by common non-corporate shareholders, with change in shareholder



Case X – Reorganisation of entities owned by common non-corporate shareholders, with change in shareholder

Description	• In this case there are two common shareholders of A and NewCo. However the other shareholder has changed with a different VC House now owning 20%. If all that had happened was that VC House No 1 sold its shares (at fair value) to VC House No 2 there would be no transaction involving the companies. However instead of a simple sale being effected, a NewCo comes into existence. Despite the fact that the same two shareholders own 80% neither of them have control (nor do they have a contract to share control). In addition, it is the case that the existing and relative rights of all shareholders do not remain exactly the same.
Applicable issues	• Issues 1-6 apply, with the following additional consideration.
Issue 2	• (Consol) Does the existence of a new shareholder change the accounting? On the one hand, all that has happened is that A/B's business has continued but NewCo was a device to effect a sale of a shareholding by a shareholder. However, might one characterise NewCo as VC House No 2's acquisition vehicle? Like Case V, is there a limit to how sizeable the change of shareholder may be before fair values become applicable?

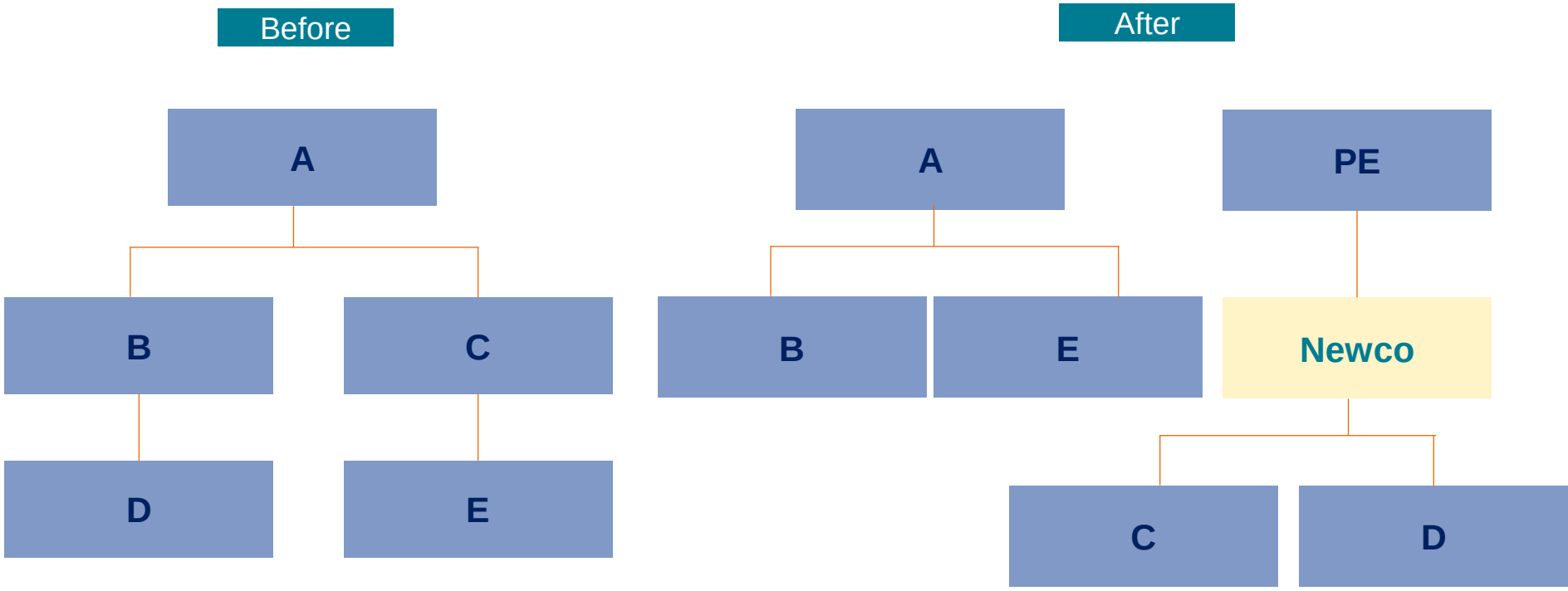
Case XI – Sale effected by a Newco



Case XI – Sale effected by a Newco

Description	• PE acquires a sub-group from an existing group. As part of the acquisition, a Newco is inserted above the acquired group.
Applicable issues	• Issues 1-7, 9 apply, with the addition of the following.
Issue 11	• It is unclear whether the insertion of Newco is subject to common control or not. If C&E were reorganised under Newco within the A group it would be common control. If PE set up Newco then it appears not to be common control, in which case fair value accounting would be applied to the acquisition of C&E (ie, newco is PE's vehicle and so should apply PE's perspective – acquisition accounting) with C&E as the acquiree). However, is the substance the same regardless of which entity created Newco.

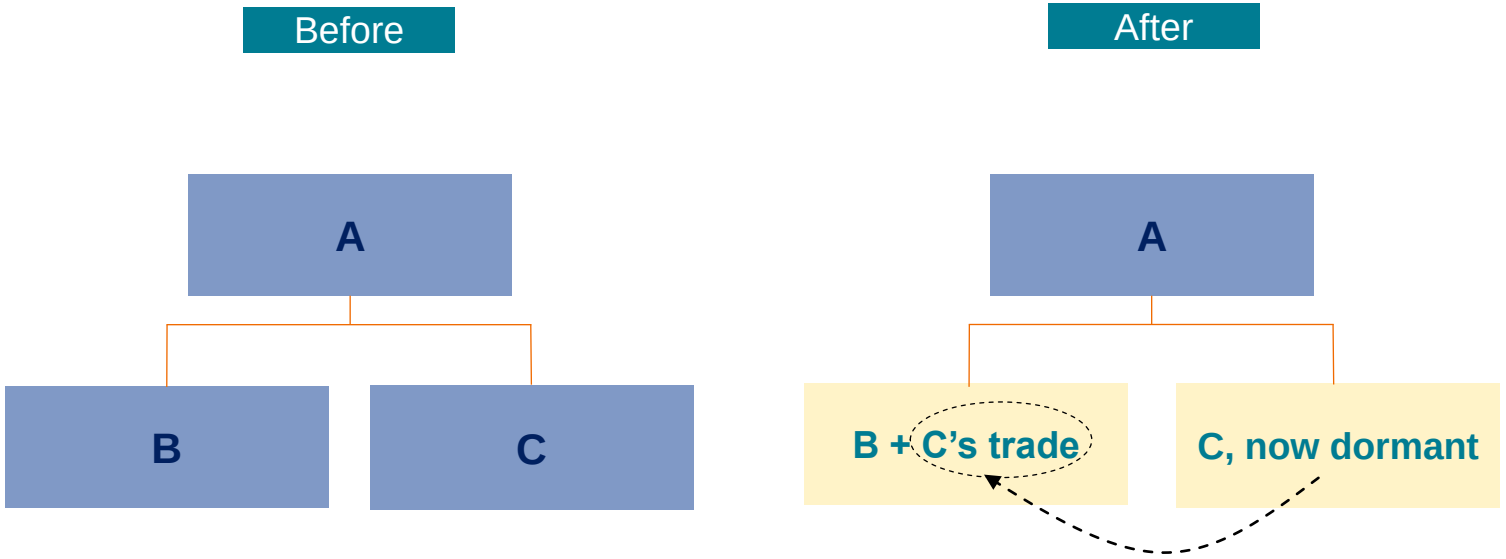
Case XII – Another sale effected by a Newco



Case XII – Another sale effected by a Newco

Description	• This is the same as Case XI except that PE acquires a number of entities that didn't previously form a sub-group of A. As part of the acquisition, a newco is inserted above the acquired "group".
Applicable issues	• Issues 1-7,9,11 apply, with the following additional consideration.
Issue 7	• Because C & D did not previously form a sub-group, the sub-group does not have its own book values. If carry-over accounting is appropriate in Newco, it is not clear whose book values should be used or how they should be obtained. Does the fact that no previous sub-group existed imply that the only available choice is the values included in A's consolidated financial statements. If so, would that lead to a difference between the values in C & D's own books and those in Newco's and in PE's? Would that answer be consistent with the answer that would be obtained if A reorganised its group before the sale?
Issue 11	• Does the fact that C & D did not previously form a sub-group alter the conclusion about whether the transaction is within common control, ie as an independent pre-sale reorganisation.? After all, C & D cannot easily be sold from a starting point of the original A group structure. Even to begin to seek buyers, A needs first to bring C & D together.

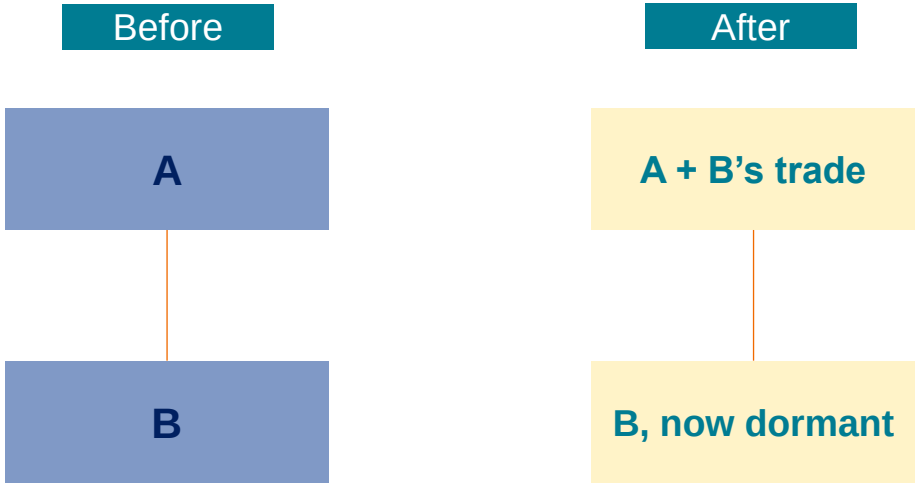
Case XIII – Hive across



Case XIII – Hive across

Description	• In this case the business combination does not involve transfers of legal entities – it is Case VI with unincorporated business transfers. C transfers the entire undertaking of its trade and net assets to B. B pays either in cash or shares. The cash payment might be fair value or (typically) the carrying value of C's net assets. C becomes a dormant company and if the consideration is not fair value, then C may no longer be worth its former carrying amount in A's separate financial statements.
Applicable issues	• Issues 2-5, 7-9 apply, with the following additional issue and consideration.
Issue 4	• (SFS) In separate financial statements on the carry-over basis, should the history of C's business be brought in? This would involve, eg, restating comparatives for transactions that, as a matter of fact, B was not a party to. This is different from the consolidated accounts case; consolidated accounts are, in a sense, a fiction – a representation of what the company's results would have been if it and all its subsidiaries were single legal entity. Separate financial statements, however, show what are the actual results of a specific entity.
Issue 12	• (A's SFS) If A's investment in C is no longer supported, what happens to the excess amount? It seems wrong to make an impairment charge here. The company has not in fact sustained a loss as a result of the hive-across. It could be argued that the excess should, at the time of hive up, be transferred over to become part of the cost of investment in B. Standards accommodate this: IAS 36 para 75 requires the book value of a CGU to be determined on a consistent basis with the way the recoverable amount is determined: thus if the business that generates C's cash flows available for dividend has moved across to B, the recoverable amount of B will now be determined by those cash flows and accordingly it would be within standards to determine the carrying amount of the B CGU by a transfer of some of the former carrying value of the C CGU.

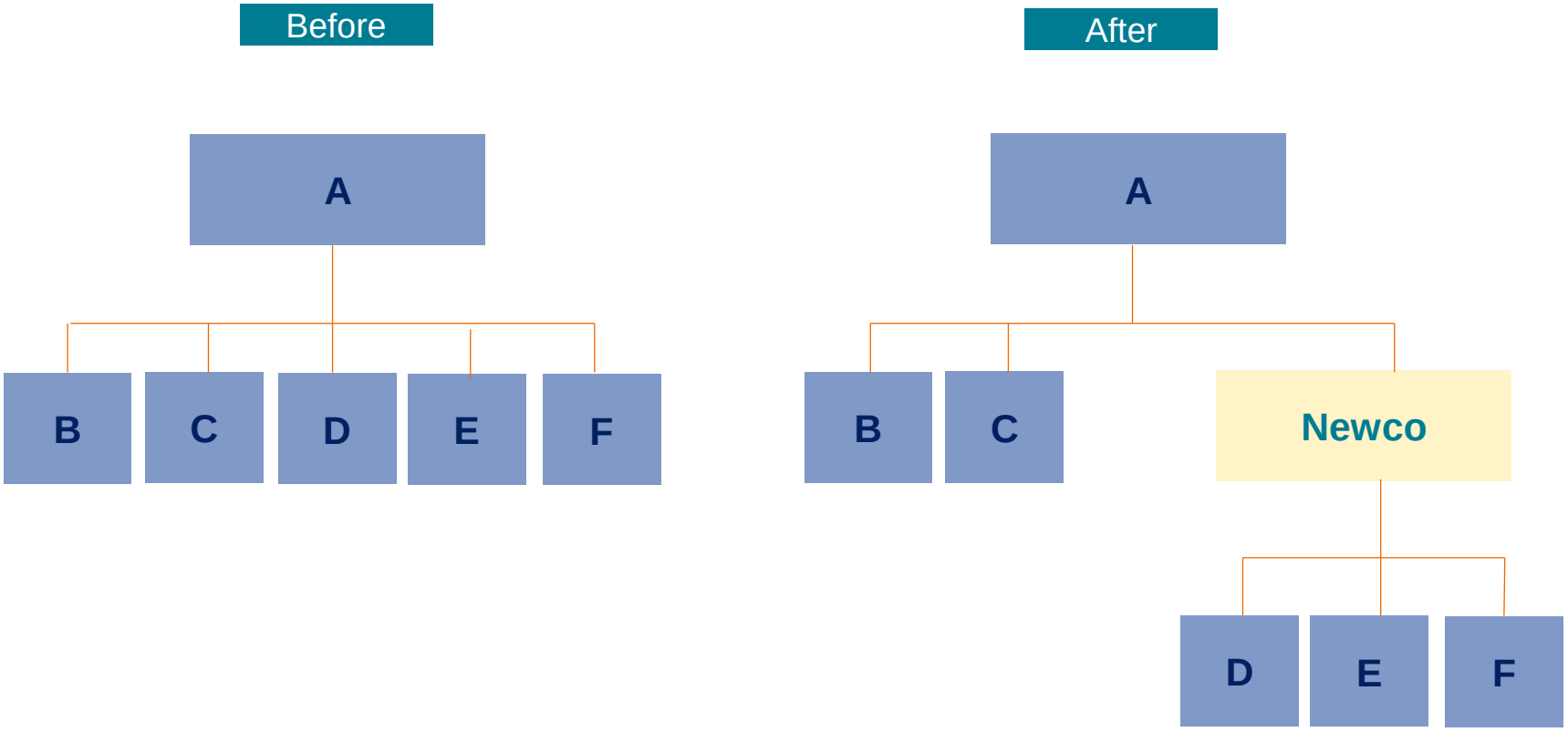
Case XIV – Hive up



Case XIV – Hive up

Description	• This is the same sort of situation as Case XIII, save that the business is transferred upwards rather than sideways.
Applicable issues	• Issues 1-5, 7-9, 12 apply, with the following additional considerations.
Issue 1	• (A's SFS) It might be argued that no business combination has occurred at all here. A already had control of B and hence of B's business. A has, on that view, not acquired control as a result of this transaction. On the other hand, from the perspective of A's SFS, those accounts are now required to accounts for the first time for control of a business (rather than an investment); why should that not, at A's SFS level, be within the scope of a standard dealing with business combinations under common control?
Issue 2	• (A's SFS) If the addition of the excess to the consideration raises the amount towards fair value, does this change the accounting away from the carry-over basis? Ie should IFRS 3 accounting be mandated? In addition, does the problem examined below also suggest that IFRS 3 accounting is preferable or necessary? On the other hand, that is a significant change wrought on the accounts, simply because of such concerns.
Issue 12	• (A's SFS) When applying the carry-over basis (say to use B's figures), the excess carrying value cannot be added to any cost-of-investment, and, as before, the recording of a loss seems inappropriate. However, it is hard to see what should be done with the excess. Recording the debit in equity seems inappropriate since A has not had any transaction with its shareholders. It is not consideration transferred at fair value and so it is hard to see how it can be described as "goodwill" without applying all of IFRS 3. It is also hard to find a justification (or basis) for apportioning across the book values of the assets and liabilities recorded (and, even if it were, they would no longer be at book value).

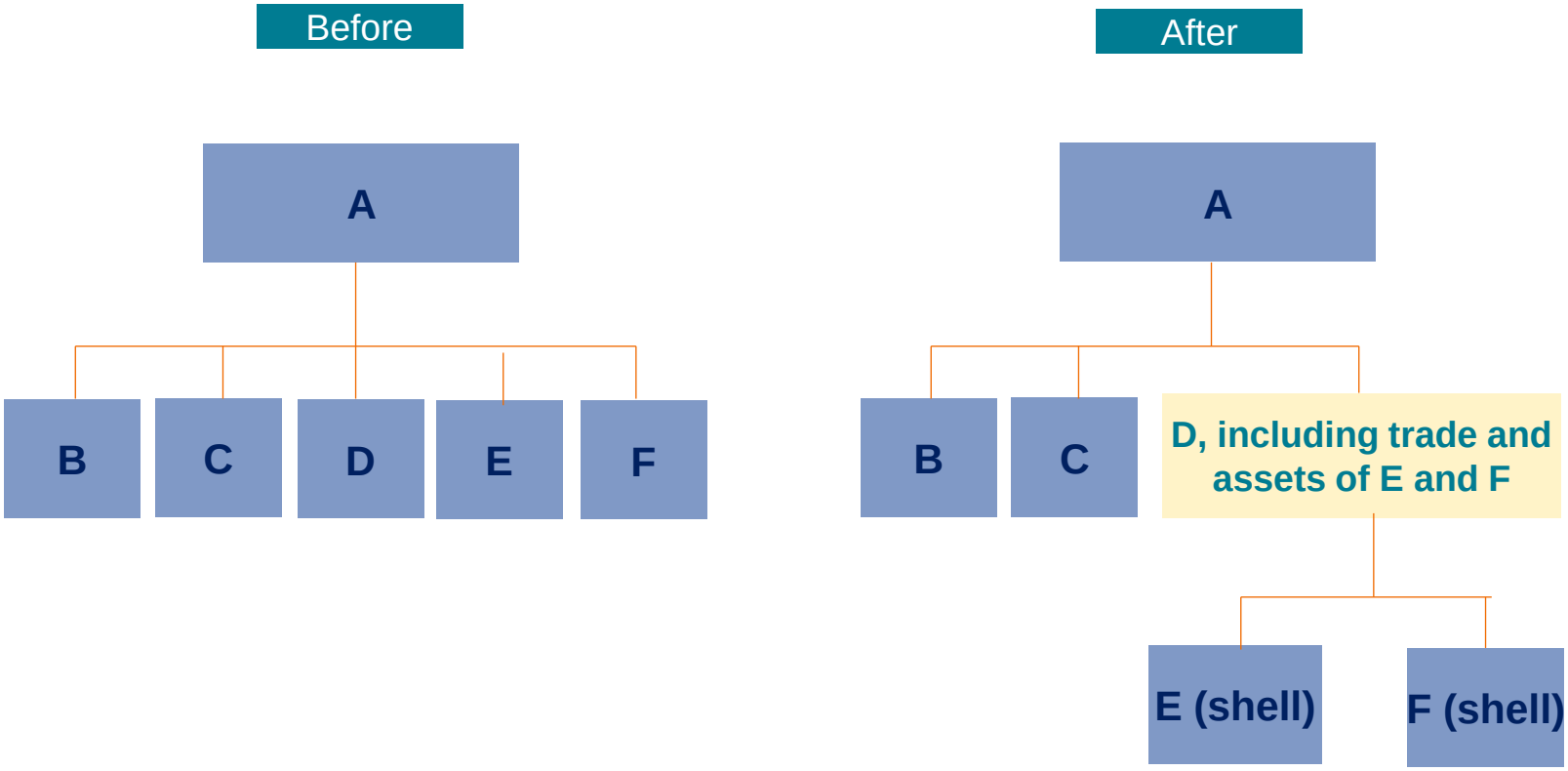
Case XV – Many to one combination



Case XV – Many to one combination

Description	• In this case, a number of entities that exist within a group are combined under one new parent.
Applicable issues	• Issues 1-7, 9 and10 apply, with the following additional considerations.
Issue 9	• (Consol) If we accept that business combination accounting occurs in Newco, a question arises as to who is the acquirer. Is it one of D-F (in which case the other two would be stepped up to fair value with the acquirer applying carry-over accounting); is it Newco, in which case all three would be stepped up to fair value; or is it the combined D-F in which case all three would be subject to carry-over accounting?

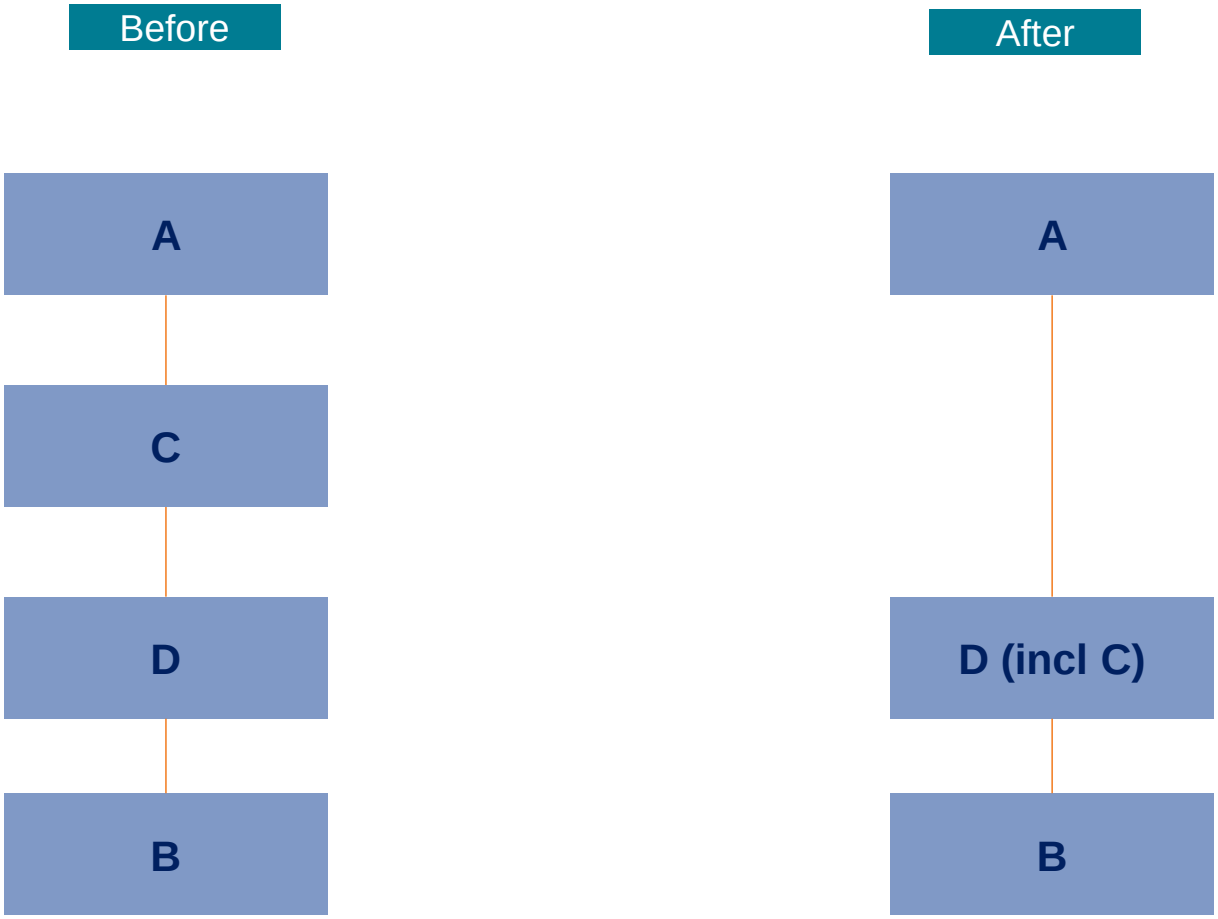
Case XVI – Many to one combination (variation)



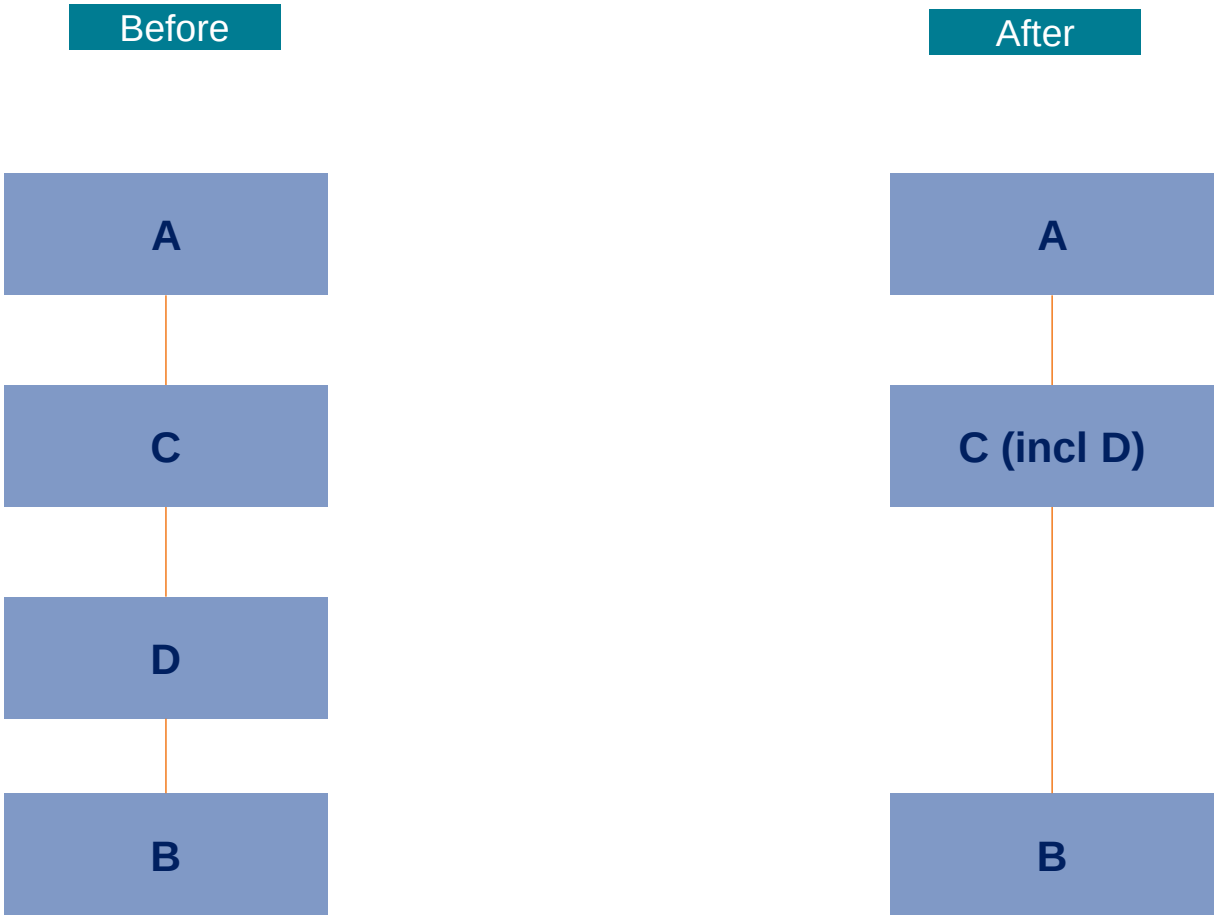
Case XVI – Many to one combination (variation)

Description	• In this case, a number of trades that exist within a group are combined into one of the pre-existiing entities. On the one hand, this could be seen as being little different to Case XV. On the other, it could be seen as being little different to a hive-across.
Applicable issues	• Issues 2-7, 9 and10 apply, with the following additional considerations.
Issue 9	• (Consol and SfS) Does the fact that the trade and assets remain within one of the existing entities alter the conclusion as to which entity is the acquirer? Following the legal form, it might be argued that entity D should be the acquirer but that would appear to allow a choice of acquirer in Case XV.

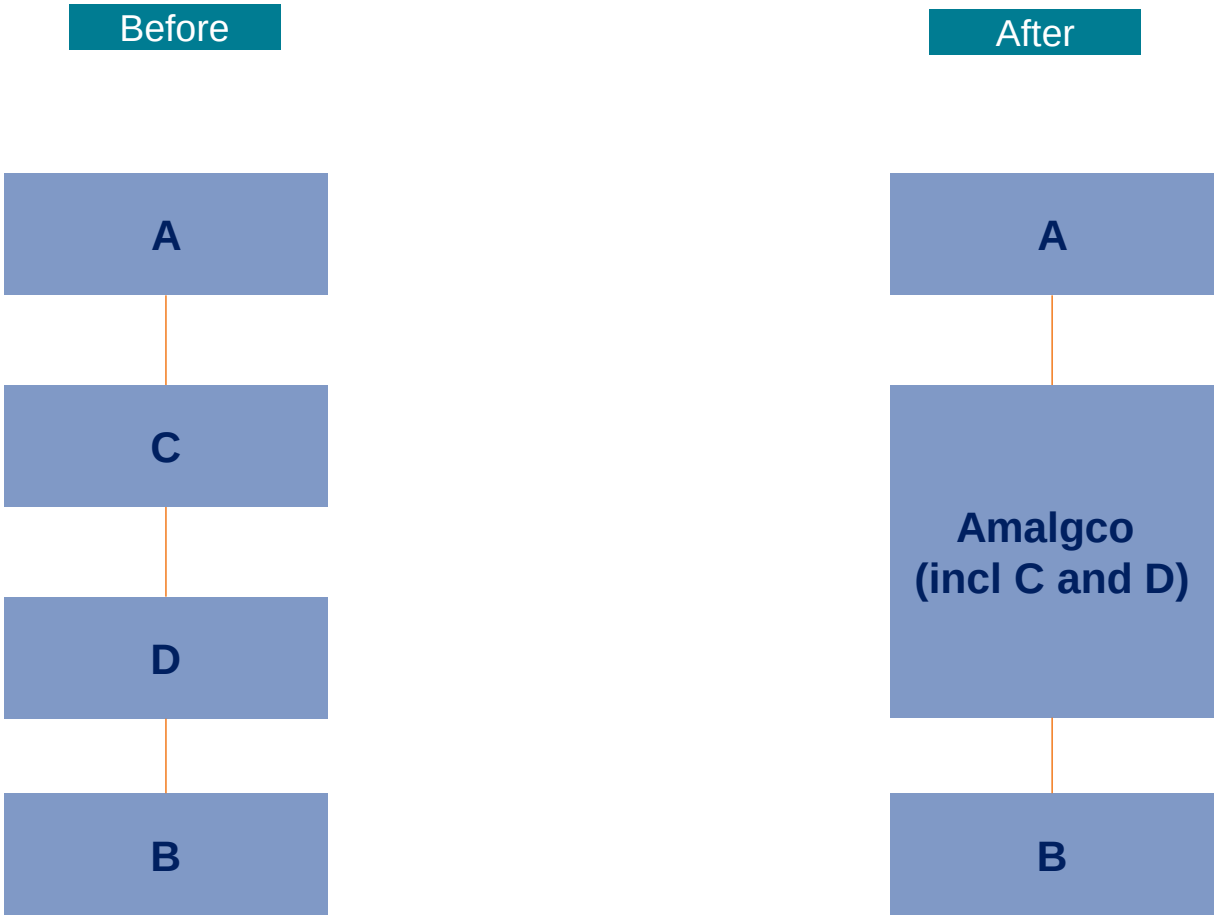
Case XVII – Legal merger (downstream)



Case XVII – Legal merger (upstream)



Case XVII – Legal merger (Amalgamation)



Case XVII – Legal Merger

Description	• This case could be seen as a variation of either case XIV or case XIII but, rather than taking the form of a hive up or hive down, a legal merger mechanism is utilised. Depending on the jurisdiction, the legal merger may result in a new entity being formed which survives in place of the existing entities after the merger (sometimes this is known as an amalgamation). In other cases, one of the entities merges into the other: downstream, D survives; upstream, C survives. • A legal merger is a process of law whereby one of the companies ceases to exist as a separate legal entity and as a matter of law the survivor is the successor to all of the asset, liabilities and activities of the other company. An amalgamation is when both companies cease to exist and a new company is successor to both. One might query whether the identification of the survivor has substance or is just the legal form as to whose company registration is carried forward and whose is deleted.
Applicable issues	• Issues 1-10 and 12 apply, with the following additional consideration.
Issue 9	• Does the legal form of the merger alter the conclusion as to who is the acquirer? In particular, if the nature of separate financial statements is seen as being to present the results of a legal entity, does the decision as to whether the transaction is seen as a hive-up or hive-down depend on the legal form of the surviving entity? If the legal form affects the accounting, what would be the answer where an amalgamation results in a new entity surviving?

Summary of cases and issues arising

		Scope of IFRS 3 BC	FV or carry over	Cost of Shares	Restate history	Carryover = what?	New investment carrying value	Whose BV?	Transferor's accounting / IFRIC 17	Who is acquirer	Transfer downwards	Scope of the CC transaction	Investment in the transferor
		1	2	3	4	5	6	7	8	9	10	11	12
I	Newco on top	√	√	√	√	√	√						
II	Demerger by divi in specie	√	√	√	√	√	√	√	√				
III	More complex demerger	√	√+	√	√	√	√	√+	√				
IV	Newco & cash	√	√+	√	√	√	√+						
V	Demerger &new shareholder	√	√+	√	√	√	√						
VI	Internal reorganisation		√	√	√	√	√	√		√	√		
VII	Another reorganisation	√	√	√	√	√	√	√		√+	√		
VIII	Variant on VII	√	√	√	√	√	√	√		√	√+		
IX	Re-org'n non-corp controller		√	√	√	√	√	√+		√			
X	Change in one shareholder	√	√+	√	√	√	√						
XI	Sale via newco	√	√	√	√	√	√	√		√		√+	
XII	Another sale via newco	√	√	√	√	√	√	√+		√		√+	
XIII	Hive across		√	√	√+	√		√	√	√			√
XIV	Hive up	√+	√+	√	√	√		√	√	√	√		√+
XV	Many-to-one	√	√	√	√	√	√	√		√+	√		
XVI	Many-to-one (variation)		√	√	√	√	√	√		√+	√		
XVII	Legal merger	√	√	√	√	√	√	√	√	√+	√		√