

Dear All,

The KASB(Korea Accounting Standards Board) is undertaking a project on transactions under common controls for non-public companies. IFRS 3(R) ruled out combinations under common control. As part of the work, we are researching various academic and practical resources as well as the current domestic and international practices. We are currently considering a couple of accounting methods for common control transactions.

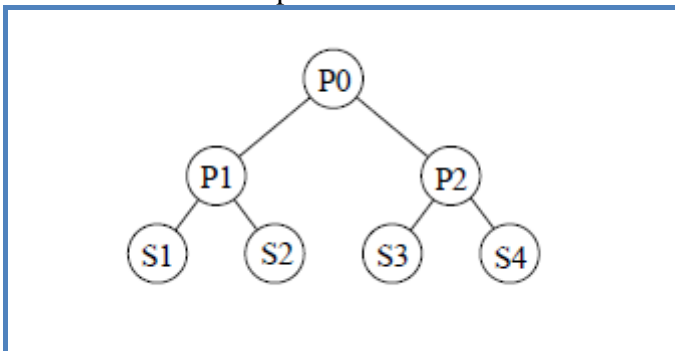
Request

Please provide your opinions on the question below.

This example illustrates one of common control transactions, a transfer of the ownership a parent has in a subsidiary to another subsidiary.

P0, P1 and P2 are all publicly traded entities. P0 has a 51% ownership in P1 and P2 respectively. S1 and S2 are the wholly owned subsidiary by P1, and S3 and S4 are by P2. P0 is required to prepare consolidated financial statements for the entire group, and P1 and P2 is presumed to prepare consolidated financial statements for each subgroup.

<Example>



Question

P1 purchases the 100% ownership of S3 from P2. If book value is to be used, which book value should be used?

- P0's consolidated F/S
- P2's consolidated F/S
- S3's individual F/S

Once again, we appreciate your valuable time and attention to this matter in your busy schedule.

Your help would make a great contribution to us and any comments on the topic would be appreciated.

If you have any questions, please contact me (dhkim@kasb.or.kr) or Won-jung Kim (kwj@kasb.or.kr), senior researcher of KASB.

Best regards,

Daehyun Kim
Senior Researcher, Korea Accounting Standards Board