

Flash Report

AUSTRALIA

08FR-003 Business Combinations – IFRS 3 revised

11 January 2008

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Key points

- The IASB has issued revisions to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*.
- The effective date of the revisions is 1 July 2009. Early adoption permitted for periods beginning on or after 30 June 2007, provided the two standards are adopted concurrently
- AASB expects to adopt the revised standards unamended, except for a question mark over application to not-for-profits
- Business combinations by contract alone and mutual entities included in the scope
- Expense acquisition related transaction costs as incurred
- Measure contingent consideration at acquisition date with subsequent changes to profit and loss
- Measure non-controlling interests at full fair value or the proportionate share of the fair value of the underlying net assets
- Step acquisition: calculate goodwill on the day control obtained, after fair valuing any prior investments
- Apply the changes on a prospective basis.

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Background

On 10 January 2008 the International Accounting Standards Board (IASB) issued IFRS 3 *Business Combinations* (2008), which supersedes IFRS 3 as issued in 2004, together with amendments to IAS 27 *Consolidated and Separate Financial Statements* (2008).

IFRS 3 (2008) is the outcome of the second phase of the IASB's and the U.S. Financial Accounting Standards Board's (FASB) joint business combinations project. The first phase led to the issue of IFRS 3 *Business Combinations* in 2004 and SFAS 141 *Business Combinations* in 2001. The second phase reconsidered the application of acquisition accounting for business combinations.

The amendments to IAS 27 (2008) reflect changes to the accounting for non-controlling (minority) interests.

In Australia, we expect the AASB will adopt these changes without amendment and with the same application date. However, the application to not-for-profit entities is uncertain at this stage. At its November 2007 meeting, the AASB decided to add a paragraph to the Preface of AASB 3 (2008) stating that it intends to consider the suitability of applying AASB 3 (2008) to combinations of not-for-profit entities before the effective date. As part of this process, the Board will consider:

- the criteria for judging when IFRSs should be modified for not-for-profit entities
- whether it should insert Aus paragraphs for restructures of local governments.

KPMG will be issuing *First Impressions IFRS 3 and FAS 141 R – Business Combinations* in the next few weeks. This publication summarises the main changes from the existing IFRS 3 and IAS 27 and the US GAAP standards, and highlights the remaining differences between IFRS and US GAAP in this area.

If you wish to receive a copy, please contact your KPMG contact partner.

Overview

Overviews of the major changes to both standards are set out in Tables 1 and 5. Many of the changes are simply a clarification and reordering of the existing standards. However, other changes may have a significant impact on reported profits in the year of an acquisition and in subsequent years. For example:

- immediate expensing of transaction costs
- day 1 measurement of contingent consideration with subsequent changes to income
- separate identification and expensing of payments that are settlements of existing relationships
- the useful life of reacquired rights cannot take into account renewal periods
- adoption of the full goodwill method to measure non-controlling interests could lead to more frequent goodwill impairments.

Table 1: IFRS 3 revised – main changes

<p>Definition</p> <ul style="list-style-type: none"> ● business: <ul style="list-style-type: none"> - could include start ups - need not include all business processes ● more emphasis on: <ul style="list-style-type: none"> - control - businesses rather than entities
<p>Terminology</p> <ul style="list-style-type: none"> ● acquisition method v purchase method ● non-controlling interests v minority interests
<p>Scope</p> <p>now includes:</p> <ul style="list-style-type: none"> ● mutuals, including credit unions ● combinations where there is no consideration (e.g. stapled securities, dual listed companies)
<p>Cost of acquisition</p> <ul style="list-style-type: none"> ● expense transaction costs ● contingent consideration <ul style="list-style-type: none"> - initial measurement at fair value – include in cost - subsequent movements – include in P&L ● transactions not part of the combination – separate accounting
<p>Combinations where no consideration</p> <ul style="list-style-type: none"> ● additional guidance on accounting treatment
<p>Assets / liabilities acquired</p> <ul style="list-style-type: none"> ● intangibles – assumption that any intangible asset that meets the tests for identifiability can be measured reliably replaces requirement for reliable measurement ● designation/classification at acquisition date except for operating leases and insurance contracts ● separate valuation allowances for assets with uncertain cash flows prohibited ● clarification: all assets to be measured at fair value even if acquirer does not intend to use them ● exceptions to recognition and measurement rules: <ul style="list-style-type: none"> - contingent liabilities - deferred taxes - indemnification assets - employee benefits - reacquired rights - share based payments ● calculation of goodwill/bargain purchase – goodwill will vary depending on an entity's election for measurement of non-controlling interests
<p>Subsequent measurement</p> <p>comply with relevant standards except for:</p> <ul style="list-style-type: none"> ● contingent liabilities ● indemnification assets ● reacquired rights ● contingent consideration
<p>Non-controlling interests</p> <ul style="list-style-type: none"> ● measure at fair value of proportion of net assets or full fair value, including goodwill
<p>Step acquisitions</p> <ul style="list-style-type: none"> ● fair value existing investments – movement to P&L ● calculate goodwill as difference between the fair value of the investment at the date of control and the fair value of the net assets acquired
<p>Disclosures</p> <ul style="list-style-type: none"> ● additional disclosures reflect change to acquisition method.

Revised IFRS 3

Terminology

Acquisition method

The revised standard adopts the “acquisition method” for accounting for business combinations (referred to previously as the “purchase method”). The acquisition method consists of:

- identifying the acquirer
- determining the acquisition date and consideration transferred (purchase price)
- recognising and measuring
 - the identifiable assets acquired, the liabilities assumed
 - any non-controlling interest in the acquiree
- recognising goodwill or, in the case of a bargain purchase, a gain.

Non-controlling interests

The Board considers that “non-controlling interest” is a more accurate description than “minority interest”, given that the owner of a minority interest in an entity may control that entity, and conversely, the owners of a majority interest may not control an entity.

Scope

The Board has extended the scope of IFRS 3 (2008) to cover business combinations involving mutual entities, and those in which separate entities or businesses are brought together to form a reporting entity by contract alone, such as stapling arrangements.

The definition of a mutual entity includes examples, such as mutual insurance companies, credit unions and cooperatives.

The Board did not address the other scope exclusions for common control transactions and the formation of joint ventures. As a result, the confusion and inconsistencies in the treatment of these types of transactions will continue. The Board added a project on common control transactions to its agenda in December 2007.

Definition of a business

The Board changed the definition of a business to widen its application and discourage restrictive interpretations of what constitutes a business.

Changes in the wording, eg, reference to a set of activities that “is capable” of being run as a business; making it clear that inputs and processes are essential, but outputs are not; mean that:

- at the date of acquisition, a business need not include all the inputs and processes that the seller used in operating the business if the acquirer is capable of continuing to produce the outputs by integrating the business with its own business
- an integrated set of activities at the development stage could be a business even if production has not commenced.

Cost of acquisition

Transaction costs

The change that will have an immediate impact is the requirement to expense transaction costs associated with a business combination, rather than capitalise them to the cost of acquisition. These costs could include legal and accounting fees for due diligence performed before the acquisition occurs.

AASB 132 *Financial Instruments: Presentation* will continue to apply to costs related to the issue of debt or equity securities.

The Board concluded that acquisition related costs are not part of the fair value exchange between the buyer and seller of a business. They are separate transactions in which the buyer pays for the fair value of the services received. The Board also observed that these costs generally do not represent assets of the acquirer at the acquisition date because the acquirer receives the benefits as the services are given.

The requirement to expense transaction costs differs from the treatment of similar costs when an entity acquires an individual asset. In the latter case, transaction costs are generally included in the cost of the asset. However, the Board concluded that the revised statement improves financial reporting by eliminating inconsistencies in accounting for business combinations.

Whilst the shock to the profit and loss statement could be significant in the year of an acquisition, in future years reported profits could be less volatile as the annual goodwill impairment test will be on a reduced initial balance, compared with the existing standard.

Contingent consideration

The change to the treatment of contingent consideration is likely to affect acquisitions involving “earn-outs” and other forms of consideration dependent on future events.

Under the revised standard, an acquirer must recognise contingent consideration at its acquisition date fair value, and then classify it as either a liability or equity based on the definitions in IAS 32 *Financial Instruments: Presentation*.

If the acquirer classifies it as a liability, the impact of any subsequent change to the measurement will generally be taken to the income statement. If classified as equity, it will not be remeasured in subsequent periods.

This is a change from the current requirements that require the acquirer to recognise the liability at acquisition, if a payment is probable and reliably measurable, and permit the acquirer to adjust subsequent changes in estimates against the purchase consideration.

It is often difficult to determine whether contingent payments to employees should be included in contingent consideration or treated as payments for services. The Application Guidance to the revised IFRS 3 includes a list of indicators to consider in making this decision.

Is the transaction part of the business combination?

The revised standard clarifies that an acquirer must assess whether any portion of the consideration transferred, or any assets acquired or liabilities assumed, are separate transactions that should be accounted for separately from the business combination.

Examples of transactions that are not part of the business combination include payments that:

- effectively settle pre-existing relationships between the acquirer and acquiree, such as a law suit between the two entities, or a supply contract that is unfavourable to the acquirer
- compensate employees or former owners for future services
- reimburse transaction costs incurred by the acquiree on behalf of the acquirer.

Appendix B to the Standard *Application Guidance* and the separate IFRS 3 *Illustrative Examples* give more guidance on these types of transactions.

Recognising and measuring the identifiable net assets acquired

The revised standard sets out the basic rules for acquisition date recognition, classification and designation, and measurement. It then sets out exceptions to these rules.

Recognition

The acquirer must recognise the assets acquired, liabilities assumed and any non-controlling interest in the acquiree as at the acquisition date. To qualify for recognition, the assets and liabilities must meet the definitions set out in the Framework.

Table 2 is a summary of the additional recognition guidance for operating leases and reacquired rights.

The requirement to recognise an intangible asset for the off market terms of a lease is not new. However, the revised standard now includes an explicit requirement to recognise a separate intangible asset for a lease that is at market but has a value for which market participants would be willing to pay. For example, consider two take away food shops in the same street. Shop 1 is one year through a five year lease. The lease on the Shop 2 is also for five years however, there is only 6 months to run and there are no renewal options. Assuming the two businesses are identical for the purposes of the example, one would expect the value of Shop 1 to be higher than that of shop 2. Under the revised standard, the acquirer must recognise this differential as a separately identifiable intangible.

Table 2: Additional recognition guidance

Topic	Guidance
Operating leases - lessee	<p>Not at market:</p> <ul style="list-style-type: none"> • intangible asset if terms are favourable • liability if terms are unfavourable <p>At market:</p> <ul style="list-style-type: none"> • recognise any value attributable to the lease contract as a separate intangible
Reacquired rights	<p>Not at market:</p> <ul style="list-style-type: none"> • settlement gain or loss <p>At market:</p> <ul style="list-style-type: none"> • recognise as a separate intangible

An acquirer may reacquire a right that it had previously granted to an acquiree. For example the right to sell the acquirer's products in certain territories. The revised standard views this reacquired right as a separately identifiable intangible.

If the terms of original contract that granted the right to the acquiree are not at market when compared to current terms and conditions of similar contracts, the acquirer will need to recognise:

- the fair value of the reacquired right as an intangible
- the off market portion as a settlement gain or loss.

Classifying and designating assets acquired and liabilities assumed

The acquirer must classify and designate the assets acquired and liabilities assumed on the date of acquisition in accordance with the contractual terms, economic conditions, the acquirer's operating or accounting policies and other pertinent factors. For example, the designation of a derivative as a hedge will depend on the conditions existing at acquisition date, not on the conditions when the acquiree purchased the derivative.

There are two exceptions to this rule:

- classification of leases as operating or finance
- classification of a contract as an insurance contract.

The acquirer must classify these contracts based on the contractual terms at inception of the contract, or at the date of the latest modification of the contract, not at the date of acquisition.

Measurement

An acquirer must measure the assets acquired and liabilities assumed at acquisition date fair values. IFRS 3 (2008) includes additional measurement guidance that is summarised in Table 3.

Table 3: Measurement guidance

Topic	Guidance
Uncertain cash flows	Separate valuation allowances prohibited
Operating leases – acquiree is the lessor	Include the impact of any above or below market lease terms in the measurement of the underlying asset (eg investment property)
Assets that will not be not used or used differently	Measure at fair value regardless of intended use

The current IFRS 3 permits measurement of receivables measured at present values less allowances for uncollectibility and collection costs. For IFRS 3 (2008), the Board concluded that uncertainties about collections and future cash flows should be included in the estimate of fair value and therefore separate valuation allowances are not necessary.

Where the acquiree is a lessor in an operating lease, the acquirer does not recognise any above or below market terms as a separate asset or liability. The acquirer takes the lease terms into account in measuring the underlying asset.

IFRS 3 (2008) clarifies that an acquirer must measure assets acquired in a business combination at fair value based on their highest and best use regardless of their intended use. For example, Company A acquires a factory as part of a business combination. Company A intends to shut down the factory. If there are other market participants who would be willing to purchase the factory then Company A must have regard to the value they would be willing to pay.

Exceptions to the recognition and / or measurement principles

Exceptions from or modifications to the recognition and measurement principles for the assets and liabilities are set out in Table 4 and discussed in more detail below.

Contingent liabilities

The definition of a contingent liability in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* includes:

- possible obligations
- present obligations for which either it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

The IASB decided that in a business combination, acquirers should only recognise a contingent liability if it is a present obligation. That is, unlike the existing standard, IFRS 3 (2008) does not permit the recognition of “possible obligations”.

Where a contingent liability is a present obligation, the acquirer must recognise it at fair value, if it is capable of reliable measurement. For example, at the acquisition date an acquirer will recognise a lawsuit involving an acquiree at fair value regardless of whether it is probable that the acquiree would have to settle the lawsuit.

Table 4: Exceptions to recognition and measurement principles

Exception to the recognition principle	Exceptions to both the recognition and measurement principles	Exceptions to the measurement principle
Contingent liabilities	Deferred tax assets and liabilities	Reacquired rights
	Indemnification assets	Share-based payment awards
	Employee benefits ¹	Assets held for sale ²

1. Recognised and measured in accordance with IAS 19 *Employee Benefits*.

2. Measured at fair value less costs to sell in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*. Any tax-deductible goodwill in excess of goodwill for financial reporting purposes that meets the definition of a temporary difference is recognised.

The Board moved the requirement to apply IAS 12 to deferred tax assets and liabilities at acquisition date from Appendix B *Application Supplement* to the body of the standard.

Indemnification assets

Business combinations agreements often include clauses whereby the seller is obliged to indemnify a particular liability. For example, an uncertainty regarding a prior year's tax position. The Board acknowledged recognition of an indemnification asset could lead to "mismatches" if the corresponding liability was either not recognised at acquisition or recognised on a basis other than fair value. For example, a tax liability measured in accordance with IAS 12 rather than fair value. As a result, IFRS 3 (2008):

- only requires recognition of the indemnification asset if the corresponding liability is also recognised
- requires measurement of the asset on the same basis as the liability, subject to management's assessment of collectibility of the asset.

Subsequently, the acquirer should remeasure any recognised indemnification asset at each reporting date using assumptions consistent with those used to measure the indemnified liability, subject to considerations of collectibility. The asset should be derecognised when the entity collects it, sells it or otherwise loses the right to it.

Reacquired rights

The acquisition of a right that the acquirer previously granted to the acquiree represents an intangible asset. When measuring this right, the acquirer takes into account the remaining contractual terms of the related contract. The Boards concluded that a reacquired right has a definite life. The Board noted that some preparers have been assuming indefinite renewals of the reacquired rights and giving them an indefinite life.

Any favourable or unfavourable aspect of the reacquired right relative to market terms or prices is recognised by the acquirer as a settlement gain or loss in profit or loss outside of the business combination transaction (see above).

In subsequent periods, the reacquired rights will be amortised over the remaining period of the contract. If the acquirer reissues (sells) the right, the unamortised balance should be included in the calculation of any gain or loss.

Share-based payment awards

Share-based payment awards (replacement awards) exchanged for awards held by the acquiree's employees (acquiree's awards) are measured in accordance with IFRS 2 *Share-based Payment*.

If the acquirer is obliged to replace the awards, some or all of the fair value of the replacement awards must be included in the consideration. The amount not included in the consideration will be recognised as compensation expense.

If the acquirer is not obliged to exchange the acquiree's awards, the acquirer does not adjust the consideration even if the acquirer does replace the awards.

The *Application Guidance* provides more guidance on determining the amounts attributable to the consideration and the amounts attributable to post combination service.

Non-controlling interest

The acquirer can elect to measure any non-controlling interest at fair value at the date of acquisition (“full” goodwill method); or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree.

The acquirer may make this election on a transaction-by-transaction basis.

This election is the most significant change from the Exposure Draft, published on 30 June 2005. The Exposure Draft proposed measuring non-controlling interests at fair value.

An example of the impact of the election on the calculation of goodwill is set out below.

Goodwill

Goodwill is measured as the difference between:

- the sum of:
 - the fair value of the consideration transferred
 - the recognised amount of any non-controlling interest in the acquiree
 - for a business combination achieved in stages, the fair value of any previously held equity interest in the acquiree; and
- the recognised amount of the identifiable assets acquired and liabilities assumed.

For partly owned subsidiaries, the amount of goodwill will depend on whether the acquirer decides to measure the non-controlling interest at fair value or at the proportionate interest in the identifiable assets and liabilities. If the non-controlling interest is measured on the proportionate interest basis, then the goodwill should be the same as that calculated under the existing standard.

Example: Goodwill calculation

Facts		
A acquires 60 % of B for \$1000		
Fair value of B’s identifiable assets \$1500		
Carrying amount of B’s net assets \$1200		
Fair value of non-controlling interest (NCI) 650		
	NCI	Goodwill
IFRS 3 (2008) options		
NCI at fair value	650	150 ¹
NCI at proportionate interest in fair value of identifiable assets and liabilities	600 ²	100 ³
Current IFRS 3	600 ²	100 ⁴

1. Consideration paid plus full fair value of NCI less fair value of identifiable net assets: $\$1000 + \$650 - \$1500 = \150 .

2. $\$1500 * 40\% = \600

3. Consideration paid plus fair value of proportion of identifiable net assets attributable to NCI less fair value of identifiable net assets: $\$1000 + \$600 - \$1500 = \100 .

4. Consideration paid less fair value of proportion of identifiable net assets acquired: $\$1000 - (\$1,500 * 60\%) = \$100$.

Step acquisitions

The acquirer remeasures its previously acquired non-controlling equity investment in the acquiree at fair value at the acquisition date and recognises any gain or loss on remeasurement in profit or loss. If, before the business combination, the acquirer recognised changes in the value of its non-controlling equity investment directly in equity (e.g., the investment was classified as available-for-sale), then the amount recognised directly in equity is reclassified and included in the calculation of the gain or loss recognised in profit or loss.

Goodwill is measured at the date the acquirer obtains control. This is a change from the existing method where the acquirer measures goodwill separately for each acquisition, by comparing the cost with the share of the fair value of the identifiable net assets at the time of each acquisition.

No consideration

IFRS 3 (2008) includes separate guidance on business combinations where there is no consideration.

For business combinations achieved by contract alone, such as stapling arrangements, this guidance envisages that the acquirer would attribute the net assets recognised to non-controlling interests.

We are still considering whether these entities can use the election to measure non-controlling interests at the fair value of the net assets acquired or whether they will have to recognise goodwill.

It is likely that the AASB will withdraw Interpretation 1002 *Post-date-of transition Stapling Arrangements*.

The revised standard applies to business combinations achieved by the acquiree buying back sufficient shares for an existing investor to obtain control.

Measurement period

The Boards retained the 12-month time limit for recognising adjustments to the acquisition accounting; however, they removed the exceptions for adjustments to contingent consideration and deferred taxes.

IFRS 3 (2008) clarifies that an acquirer can only make adjustments to the provisional accounting when it obtains new information about facts and circumstances that existed at acquisition date. The measurement period ends as soon as the acquirer receives the information it was seeking or learns that the information cannot be obtained. The measurement period is limited to a maximum of one year from the acquisition date.

Revisions to IAS 12 *Income Taxes* will cover subsequent recognition of acquired deferred tax benefits. Under these amendments:

- acquired deferred tax benefits recognised in the measurement period as a result of new information about facts and circumstances that existed at acquisition date shall be recognised and goodwill reduced. If the carrying amount of goodwill is zero, any remaining deferred tax benefits shall be recognised in profit and loss
- all other deferred tax benefits will be recognised in profit and loss. Unlike the existing standard, goodwill will not be written off at the same time.

Disclosures

New disclosure requirements include:

- the acquisition-date fair value of the total consideration transferred by major class
- the fair value and contractual gross amount of receivables acquired by major class
- best estimates at the acquisition date of contractual cash flows that the acquirer does not expect to collect.

Revised IAS 27

Table 5 provides an overview of the main changes to IAS 27. These are discussed in more detail below.

Table 5: IAS 27 revised – main changes

Terminology <ul style="list-style-type: none">• controlling interests• non-controlling interests (NCI)
Attribution of losses <ul style="list-style-type: none">• to NCI even if NCI goes negative
Changes in ownership interest <ul style="list-style-type: none">• without loss of control – equity transaction• loss of control of subsidiary - remeasure any retained interest at FV

Transactions with non-controlling interest

Control retained

Changes in the parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control are accounted for as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to equity holders of the parent.

This change narrows the options available to account for changes in non-controlling interests. The current IFRS 3 is silent on this issue and there are several methods of accounting for decreases in minority interests. Of the five methods set out in KPMG's *Insights into IFRS*, method 3 is the equivalent to the new requirements (*Insights* 4th ed 2007/8, pages 81-84).

Loss of control

IFRS 3 (2008) includes detailed guidance on accounting for loss of control of a subsidiary. The existing standard includes very little guidance.

When the consolidated entity loses control of a subsidiary, it recognises any resulting gain or loss in profit or loss. The gain or loss includes any gain or loss on remeasurement of the retained non-controlling equity investment to fair value at the date control is lost.

The entity accounts for the remaining investment under IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*, as appropriate.

Guidance on “linkage”

Because different accounting treatments apply depending on whether or not control is lost the revised standard includes guidance on determining when two or more transactions or arrangements that result in the loss of control of a subsidiary should be treated as a single transaction.

The following are indicators that multiple arrangements should be accounted for as a single transaction:

- they are entered into at the same time or in contemplation of each other
- they form a single transaction designed to achieve an overall commercial effect
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement
- one arrangement considered separately is not economically justified, but is economically justified when considered together with other arrangements.

Attribution of losses

The consolidated entity must allocate losses applicable to the non-controlling interest, including negative “other comprehensive income”, even if doing so causes the non-controlling interest to be in a deficit position. The amounts allocated are in proportion to ownership interests, unless there is a contractual arrangement that specifies otherwise.

This is a change from the existing standard, which requires the consolidated entity to attribute losses that exceed the non-controlling interest to the parent, unless the non-controlling interest has a binding obligation to fund the losses.

Disclosures

New disclosure requirements include:

- any gain or loss arising on the loss of control of a subsidiary
- movements between controlling and non-controlling interest.

Effective date and transition

IFRS 3

IFRS 3 (2008) is effective for business combinations occurring in annual periods beginning on or after 1 July 2009.

The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of IFRS 3 (2008) will not be adjusted.

The standard permits early adoption for periods beginning on or after 30 June 2007. If an entity early adopts the standard, then it also must apply IAS 27 (2008) and disclose that fact.

Special transitional arrangements apply for business combinations involving only mutual entities or by contract alone that occurred before the application of IFRS 3 (2008).

IAS 27

The amendments in IAS 27 (2008) are effective for annual periods beginning on or after 1 July 2009. If an entity early adopts the amendments, then it also must apply IFRS 3 (2008) and disclose that fact.

The following amendments apply prospectively:

- the requirement to attribute total comprehensive income between controlling and non-controlling interests, even if this results in a negative balance for the non-controlling interests
- accounting for changes in ownership interests after control is obtained
- remeasuring to fair value any retained non-controlling equity investment upon a loss of control.

All other amendments such as the change in terminology to non-controlling interests and the commentary on loss of control and linked transactions apply retrospectively.