

Straight away

IFRS bulletin from PwC

31 January 2014

First steps in Post-implementation Review of IFRS 3, 'Business combinations'

What is the issue?

The IASB has published a Request for Information ('RfI') on experience with, and the effect of, implementing IFRS 3 and the related consequential amendments. The RfI is the first step in the Post-implementation Review ('PiR') of IFRS 3.

Background

During a PiR, views are sought from preparers, investors, other users of financial statements, market regulators, the audit profession, accounting standard-setters, valuation specialists and academics.

The IASB aims to assess:

- whether the standard provides useful information;
- what areas represent implementation challenges; and
- whether unexpected costs have arisen.

What are the key questions?

The RfI sets out nine issues relating to business combinations, and the key areas are detailed below. The IASB is seeking feedback on the usefulness of the information provided by the standard, and on the main implementation, auditing or enforcement challenges. The key areas of focus in the RfI are as follows:

- *Definition of a business, and the differences between accounting for an asset acquisition and a business combination.*
- *How relevant is fair value information, and are fair value disclosures sufficient?*
- *Does the separate recognition of intangible assets and accounting for negative goodwill provide useful information?*
- *Is annual impairment testing of goodwill and specified intangible assets, rather than amortisation, a useful approach?*
- *What challenges arise in the accounting for non-controlling interests (NCI) at initial recognition and subsequent changes that do not result in a loss of control, and does the accounting produce relevant information?*
- *The consequences of requiring gain recognition on step acquisitions and loss of control.*
- *Whether the disclosure requirements are sufficient and useful.*

Am I affected?

Any changes arising from the PiR will affect all entities which enter into business combinations.

The IASB will undertake a range of outreach activities to assist with gathering feedback for the RfI.

Please consider responding to the RfI or contributing to the outreach activities.

Responses to the RfI are required by 30 May 2014.

What is next?

The IASB plans to consider responses received and feedback from outreach activities in a public meeting of the IASB in Q3 2014.