IAS 27 ***Consolidated and Separate Financial Statements*** (January 2013)

Non-cash acquisition of a non-controlling interest by a controlling shareholder in the consolidated financial statements

The Interpretations Committee received a request for guidance on the accounting for the purchase of a non-controlling interest (NCI) by the controlling shareholder when the consideration includes non-cash items. More specifically, the submitter asked the Interpretations Committee to clarify whether the difference between the fair value of the consideration given and the carrying amount of such consideration should be recognised in equity or in profit or loss. The submitter asserted that, according to paragraph 31 of IAS 27, the difference described should be recognised in equity, whereas applying IFRIC 17 *Distributions of Non-cash Assets to Owners* by analogy the difference should be recognised in profit or loss. The submitter asked the Interpretations Committee to resolve this apparent conflict between IAS 27 and IFRIC 17.

The Interpretations Committee noted that paragraph 31 of IAS 27 deals solely with the difference between the carrying amount of NCI and the fair value of the consideration given; this difference is required to be recognised in equity. This paragraph does not deal with the difference between the fair value of the consideration given and the carrying amount of such consideration. The difference between the fair value of the assets transferred and their carrying amount arises from the derecognition of those assets. IFRSs generally require an entity to recognise, in profit or loss, any gain or loss arising from the derecognition of an asset.

Consequently, the Interpretations Committee concluded that in the light of the existing IFRS requirements, an interpretation or an amendment to Standards was not necessary and consequently decided not to add this issue to its agenda.