

IFRS 3 *Business Combinations* (March 2006)

Whether a New Entity that pays Cash can be identified as the Acquirer

The IFRIC considered an issue regarding whether a new entity formed to effect a business combination in which it pays cash as consideration for the business acquired could be identified as the acquirer.

IFRS 3.22 states that when a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination shall be identified as the acquirer on the basis of the evidence available. The IFRIC decided that, as it is clear that IFRS 3.22 does not prohibit a newly formed entity that pays cash to effect a business combination from being identified as the acquirer, it would not expect diversity in practice and would not take this item onto its agenda.