



Agenda decisions

Topic

IFRS 3R – Acquisition-related costs in a business combination

Introduction

1. In May 2008 the IFRIC published a tentative agenda decision not to add an item to its agenda to clarify the treatment of acquisition-related costs that the acquirer incurred before the application of IFRS 3 *Business Combinations* (as issued in 2008) that relate to a business combination that is accounted for according to the revised standard.
2. One comment letter was received supporting the tentative decision and its reasons. However, it made one editorial suggestion, which has been incorporated in to the proposed wording.

Recommendation and question for the IFRIC

The staff recommends that the IFRIC finalise the agenda decision as published. Wording is included in the Appendix.

Does the IFRIC agree?

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

Appendix A – proposed wording for agenda decision

- A1. The staff proposes the following wording as published in *IFRIC Update* for the final agenda decision:

The IFRIC has received requests to clarify the treatment of acquisition-related costs that the acquirer incurred before it applies IFRS 3 (as revised in 2008) that relate to a business combination that is accounted for according to the revised standard.

In accordance with the revised IFRS 3, because acquisition-related costs are not part of the exchange transaction between the acquirer and the acquiree (or its former owners), they are not considered part of the business combination. Therefore, except for costs to issue debt or equity securities that are recognised in accordance with IAS 32 and IAS 39, the revised IFRS 3 requires an entity to account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received. In contrast, IFRS 3 (as issued in 2004) required the acquisition-related costs to be included in the cost of a business combination.

The IFRIC noted that more than one interpretation of how the requirements of the two standards interact is possible. Accordingly, the IFRIC concluded that an entity should disclose its accounting policy for such costs and the amount recognised in the financial statements.

Because this is a transitional issue that will not arise for accounting periods beginning on after 1 July 2009, the IFRIC decided not to add the issue to its agenda.