



Project	Agenda Decisions
Topic	IFRS 3 <i>Business Combinations</i>- Measurement of NCI

Background

1. In July 2009 the IFRIC published a tentative agenda decision not to add an item to its agenda to clarify whether an entity should apply the measurement choice in paragraph 19 of IFRS 3 *Business Combinations* (as revised in 2008) to all components of non-controlling interest (NCI).
2. We have received a comment letter from Deloitte Touche Tohmatsu supporting the tentative decision and its reasons. However, it made one editorial suggestion, which has been incorporated into 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?

Appendix A – proposed wording for agenda decision

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*.

IASB Staff paper

- A1. The staff proposes the following wording for the final agenda decision (*new text is underlined and deleted text is struck through*):

The IFRIC received requests to clarify whether an entity should apply the measurement choice in paragraph 19 of IFRS 3 (as revised in 2008) to all components of non-controlling interest (NCI). Paragraph 19 states that, for each business combination, the acquirer shall measure any NCI in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In addition to minority interests as defined in IFRS 3 (issued in 2004), the definition of NCI includes, for example, options or warrants over an entity's own shares that are classified as equity and the equity component of a convertible instrument. Some believe that if an entity chooses to measure NCI as a proportionate share of the acquiree's identifiable net assets, it should apply this measurement to all components of the acquiree's equity. The consequence would be that instruments other than those equivalent to minority interest would be measured at nil on acquisition.

The IFRIC concluded that it would be appropriate that the measurement choice ~~should~~ apply only to instruments currently entitled to a proportionate share of the acquiree's net assets. However, because IFRSs do not provide sufficient guidance to resolve this issue an amendment to revised IFRS 3 is required. Therefore, the IFRIC decided not to add the issue to its agenda but to recommend that the Board amend IFRS 3 to address the issues identified as a part of the annual improvements project.