



Project	Agenda Decisions
Topic	IFRS 3 <i>Business Combinations</i> - Unreplaced and voluntarily replaced share-based payment awards

Background

1. In July 2009 the IFRIC published a tentative agenda decision not to add an item to its agenda to clarify the measurement of unreplaced and voluntarily replaced share-based payment awards of an acquiree in a business combination.
2. We have received a comment letter from Deloitte Touche Tohmatsu supporting the tentative decision and its reasons.

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 as published in *IFRIC Update* for the final agenda decision:

The IFRIC received requests to clarify the measurement of unreplaced and voluntarily replaced share-based payment awards of an acquiree in a business combination. IFRS 3 (as revised in 2008) contains requirements for outstanding acquiree share-based payment awards that the acquirer is obliged to replace or that expire as a consequence of the business combination. However, IFRSs do not provide requirements for other acquiree share-based payment awards. As a consequence, divergent interpretations have developed in practice of how those awards should be accounted for.

The IFRIC concluded that when an acquirer does not replace unexpired share-based payment awards of the acquiree or voluntarily issues share-based payment awards to replace such awards, at least some portion of the amount recognised for those awards should be regarded as part of the consideration transferred in the business combination. However, because IFRSs do not provide sufficient guidance to resolve this issue an amendment to IFRS 3 (as revised in 2008) is required. Therefore, the IFRIC decided not to add the issue to its agenda. However, the IFRIC recommended that the Board amend revised IFRS 3 to address the issues identified as a part of the annual improvements project.