

Project	<b>New items for consideration</b>
Topic	<b>IFRS 3 <i>Business combinations</i>—cover note</b>

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## Introduction

1. At the July 2011 meeting, the Interpretations Committee (the Committee) will discuss two submissions requesting clarification of the accounting treatment for two fact patterns that involve the formation of a new entity (referred to as ‘Newco’) to facilitate the spinning-off of a business within a group.

## Structure of agenda papers

2. For ease of analysis we have split the analysis of the two submissions as follows:
  - (a) **Agenda paper 6A** analyses whether, in the identification of the acquirer in a business combination under IFRS 3 *Business Combinations*, the following factors are relevant in this identification:
    - (i) the existence of a condition imposed to effect the acquisition (ie an initial public offering); and
    - (ii) the identity of the party that formed the Newco to effect a business combination.
  - (b) **Agenda paper 6B** analyses the following issues:
    - (i) whether IFRS 3 can be applied to account for the transfer of a business to a Newco;

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This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee.

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 IFRS Interpretations Committee 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 IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*.

Interpretations are published only after the IFRS Interpretations Committee 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**

- (ii) whether an imminent initial public offering that might occur after the formation of Newco is considered relevant in identifying the acquirer under IFRS 3; and
- (iii) whether a business that is not a legal entity can be considered the acquirer in a reverse acquisition under IFRS 3.