

STAFF PAPER

IFRS Interpretations Committee
Meeting

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Project IFRS 3 *Business Combinations*—Continuing employmentCONTACT(S) Leonardo Piombino lpiombino@ifrs.org +44 (0)20 7246 0571

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Revised proposed wording for tentative agenda decision

- A1 The revised proposed wording for the tentative agenda decision for discussion by the Committee is presented below.

IFRS 3 *Business Combinations*—Continuing employment

The IFRS Interpretations Committee received a request for guidance on the accounting in accordance with IFRS 3 *Business Combinations* for contingent payments to selling shareholders in circumstances in which those selling shareholders become or continue as employees. The submitter asked the Interpretations Committee to clarify whether paragraph B55(a) of IFRS 3 is conclusive, or indicative, in determining that an arrangement in which payments to an employee that are forfeited upon termination of employment is remuneration for post-combination services and not part of the consideration for an acquisition.

While appreciating the reason for the request for guidance, the Interpretations Committee observed that an arrangement in which contingent payments are automatically forfeited if employment terminates almost always indicates that the arrangement is, in substance, compensation for post-combination services rather than additional consideration for an acquisition.

The Committee also noted that IFRS 3 is part of the joint effort by the Board and the US-based Financial Accounting Standards Board (FASB) to promote the convergence of accounting standards. The Committee was advised that the Post-Implementation Review of FASB Statement No. 141R *Business Combinations* is in progress, and that the opportunity to coordinate any work on this issue with FASB would arise after the conclusion of the Post-Implementation Review of FASB Statement No. 141R.

After evaluating the potential effects of this issue, the Interpretations Committee [decided] not to add this issue to its agenda at this time to avoid creating divergence with the wording of US GAAP on a Standard that had previously achieved convergence.