1. This example illustrates the following items in slide 12:

- Item 0—Primary reasons for the acquisitions, main expected outcomes.
- Item 1—What is the total price paid? How was it financed? What is the acquiree's EV? What are the debts acquired, pension liabilities assumed..?
- Item 2—Is there deferred or contingent consideration?
- Item 8—Tax effects of the acquisition

Illustrating the consequences of applying the disclosure requirements in paragraphs 59–63 and B64–B67 of IFRS 3.

IE72 The following example illustrates some of the disclosure requirements of IFRS 3; it is not based on an actual transaction. The example assumes that AC is a listed entity and that TC is an unlisted entity. The illustration presents the disclosures in a tabular format that refers to the specific disclosure requirements illustrated. An actual footnote might present many of the disclosures illustrated in a simple narrative format.

Footnote X: Acquisitions

Paragraph reference		
B64(a–d) 0	On 30 June 20X0 AC acquired 15 per cent of the outstanding ordinary shares of TC. On 30 June 20X2 AC acquired 60 per cent of the outstanding ordinary shares of TC and obtained control of TC. TC is a provider of data networking products and services in Canada and Mexico. As a result of the acquisition, AC is expected to be the leading provider of data networking products and services in those markets. It also expects to reduce costs through economies of scale.	
B64(e)	The goodwill of CU2,500 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of AC and TC.	
B64(k) 1	None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for TC and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in TC.	8

At 30 June 20X2

	Consideration	**CU**	
B64(f)(i)	Cash	5,000	
B64(f)(iv)	Equity instruments (100,000 ordinary shares of AC)	4,000	
B64(f)(iii); B64(g)(i)	Contingent consideration arrangement	1,000	
B64(f)	**Total consideration transferred**	10,000	1
B64(p)(i)	**Fair value of AC's equity interest in TC held before the business combination**	2,000	
		12,000	
B64(m)	**Acquisition-related costs** (included in selling, general and administrative expenses in AC's statement of comprehensive income for the year ended 31 December 20X2)	1,250	
B64(i)	**Recognised amounts of identifiable assets acquired and liabilities assumed**		
	Financial assets	3,500	
	Inventory	1,000	
	Property, plant and equipment	10,000	
	Identifiable intangible assets	3,300	
1	Financial liabilities	(4,000)	
	Contingent liability	(1,000)	
	Total identifiable net assets	12,800	
B64(o)(i)	**Non-controlling interest in TC**	(3,300)	
	Goodwill	2,500	
		12,000	

B64(f)(iv)	The fair value of the 100,000 ordinary shares issued as part of the consideration paid for TC (CU4,000) was measured using the closing market price of AC's ordinary shares on the acquisition date.	1
B64(f)(iii)	The contingent consideration arrangement requires AC to pay the former owners of TC 5 per cent of the revenues of XC, an unconsolidated equity investment owned by TC, in excess of CU7,500 for 20X3, up to a maximum amount of CU2,500 (undiscounted).	2
B64(g)	The potential undiscounted amount of all future payments that AC could be required to make under the contingent consideration arrangement is between CU0 and CU2,500.	2
B67(b)	The fair value of the contingent consideration arrangement of CU1,000 was estimated by applying the income approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 *Fair Value Measurement* refers to as Level 3 inputs. Key assumptions	2

include a discount rate range of 20–25 per cent and assumed probability-adjusted revenues in XC of CU10,000–20,000.

2

As of 31 December 20X2, neither the amount recognised for the contingent consideration arrangement, nor the range of outcomes or the assumptions used to develop the estimates had changed.

B64(h) The fair value of the financial assets acquired includes receivables under finance leases of data networking equipment with a fair value of CU2,375. The gross amount due under the contracts is CU3,100, of which CU450 is expected to be uncollectible.

B67(a) The fair value of the acquired identifiable intangible assets of CU3,300 is provisional pending receipt of the final valuations for those assets.

B64(j) A contingent liability of CU1,000 has been recognised for expected warranty claims on products sold by TC during the last three years. We expect that the
B67(c) majority of this expenditure will be incurred in 20X3 and that all will be incurred by the end of 20X4. The potential undiscounted amount of all future
IAS 37.84, 85 payments that AC could be required to make under the warranty arrangements is estimated to be between CU500 and CU1,500. As of 31 December 20X2, there has been no change since 30 June 20X2 in the amount recognised for the liability or any change in the range of outcomes or assumptions used to develop the estimates.

B64(o) The fair value of the non-controlling interest in TC, an unlisted company, was estimated by applying a market approach and an income approach. The fair value measurements are based on significant inputs that are not observable in the market and thus represent a fair value measurement categorised within Level 3 of the fair value hierarchy as described in IFRS 13. Key assumptions include the following:

(a) a discount rate range of 20–25 per cent;
(b) a terminal value based on a range of terminal EBITDA multiples between 3 and 5 times (or, if appropriate, based on long-term sustainable growth rates ranging from 3 to 6 per cent);
(c) financial multiples of companies deemed to be similar to TC; and
(d) adjustments because of the lack of control or lack of marketability that market participants would consider when measuring the fair value of the non-controlling interest in TC.

B64(p)(ii) AC recognised a gain of CU500 as a result of measuring at fair value its 15 per cent equity interest in TC held before the business combination. The gain is included in other income in AC's statement of comprehensive income for the year ending 31 December 20X2.

B64(q)(i) The revenue included in the consolidated statement of comprehensive income since 30 June 20X2 contributed by TC was CU4,090. TC also contributed profit of CU1,710 over the same period.

B64(q)(ii) Had TC been consolidated from 1 January 20X2 the consolidated statement of comprehensive income would have included revenue of CU27,670 and profit of CU12,870.