

IFRS 3 *Business Combinations* (September 2011)

Acquirer in a reverse acquisition

The Interpretations Committee received a request for guidance asking whether a business that is not a legal entity could be considered to be the acquirer in a reverse acquisition under IFRS 3. The Committee noted that in accordance with paragraph 7 of IFRS 3, the acquirer is ‘the entity that obtains control of the acquiree’ and, in accordance with Appendix A of IFRS 3, the acquiree is ‘the business or businesses that the acquirer obtains control of in a business combination’. Paragraph B19 in IFRS 3 states that ‘...The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.’

The Committee observed that IFRSs and the current Conceptual Framework do not require a ‘reporting entity’ to be a legal entity. Consequently, the Committee noted that an acquirer that is a reporting entity, but not a legal entity, can be considered to be the acquirer in a reverse acquisition. The Committee noted that this issue is not widespread. Consequently, the Committee decided not to add this issue to its agenda.