be more reliably measurable than the acquirer. In such cases, the acquirer computes for goodwill using the fair market value of the acquiree's equity interest instead of its own.

Business Combination achieved in stages

A business combination achieved in stages when the acquirer obtains control pf an acquire in more than one transaction.

Also called as step acquisition

In an accounting achieved in stages, the acquirer:

1. Remeasure the previously held equity interest in the acquire at the acquisition date fair value

2. Recognizes the gain or loss on the measurement in

    a. Profit or loss – if the previously held equity interest was classified as FVPL, Investment in Associate, or Investment in joint venture

    b. Other comprehensive income – if the previously held equity interest was classified as FVOCI

Business combination without transfer of consideration

The acquisition cost also applies to business combinations in which the acquirer obtains control without transferring any consideration. The reason why the "purchase method" previously used for the business combinations has been replaced with the "acquisition method" is to emphasize that a business combination may occur even when a purchase transaction is not involved.

Examples:

a. The acquire repurchases a sufficient number of its own shares from the other investors so that the acquirer will be able to obtain control

b. Minority veto rights that previously kept the acquirer from controlling the acquire have lapsed

c. The acquirer and the acquire agree to combine their businesses by contract alone. The acquirer neither transfers consideration nor holds equity interests in the acquiree

- In a business combination achieved without transfer of consideration, the acquisition-date fair value of the acquirer's interest in the acquiree is substituted for the consideration transferred in computing the goodwill.

1. “Off market value”

- Used to determine settlement gain or loss from the acquirer’s perspective
- Excluded from the consideration transferred and treated as a separate transaction

2. “at market value”

- Recognized as intangible asset if it relates to re-acquired right

Subsequent measurement and accounting

Subsequent to the date of acquisition, the acquirer accounts for assets acquired, liabilities assumed and equity instruments issued in the business combination in accordance with any PFRS applicable for those item. However, the following are subsequently accounted under PFRS 3:

a. Re-acquired rights – recognized as intangible assets and amortized over the remaining term of the related contract

b. Indemnification assets – are measured at the same basis as the indemnified item, subject to assessments of the collectability for the indemnification assets measured at fair value

c. Contingent liabilities recognized as of the acquisition date – measured at the higher of:

   1. The amount that would be recognized by applying PAS 37

   2. The amount initially recognized less, if the appropriate, cumulative amount of income recognized in accordance with PFRS 15 Revenue from Contracts with Customer

d. Contingent consideration – additional consideration that the acquirer agrees to provide to the acquire upon the happening of a contingency

Contingency- an existing, unresolved condition that will be resolved by the occurrence or non-occurrence of a possible event

Initial recognition and measurement:

Contingent consideration – measured at acquisition date fair value and included in the consideration transferred. The obligation to pay the contingent consideration is classified as either liability or equity. A right to recover a previously transferred consideration if specified conditions are met is classified as an asset

Subsequent measurement