

Meeting: IPSASB Consultative Advisory Group
Meeting Location: Stellenbosch, South Africa
Meeting Date: December 6–9, 2016
From: Paul Mason

Agenda Item 4

For:
☐ Approval
☒ Discussion
☒ Information

PUBLIC SECTOR COMBINATIONS

Introduction

1. In the absence of an International Public Sector Accounting Standard (IPSAS) dealing with a particular topic, public sector entities are likely to refer to the equivalent International Financial Reporting Standard (IFRS) in determining an accounting policy. For public sector combinations, this would be IFRS 3, *Business Combinations*.
2. IFRS 3 requires all business combinations to be accounted for using acquisition accounting. Many consider that in the public sector, acquisition accounting does not provide relevant and faithfully representative information for many public sector combinations, which have the characteristics of mergers or amalgamations. The IPSASB believes an IPSAS on public sector combinations will promote consistency and comparability in accounting for public sector combinations.

History

3. The IPSASB initially considered developing two standards on public sector combinations, covering:
 - (a) Entity combinations arising from exchange transactions—a limited convergence project with IFRS 3; and
 - (b) Entity combinations arising from non-exchange transactions—a public sector-specific project.
4. In May 2009, the IPSASB issued [Exposure Draft \(ED\) 41, *Entity Combinations from Exchange Transactions*](#), which was the limited convergence project with IFRS 3. Following the responses to ED 41, and the difficulties identified, the IPSASB decided not to proceed with an IPSAS on this basis.
5. Subsequently, the IPSASB decided to develop a single standard dealing with all public sector combinations. The [Consultation Paper \(CP\), *Public Sector Combinations*](#), issued in June 2012, proposed this wider scope. Respondents to the CP were supportive of the proposals.
6. In January 2016, the IPSASB issued [ED 60, *Public Sector Combinations*](#). Key features of the ED were:
 - (a) The scope included all public sector combinations.
 - (b) The ED included both amalgamations and acquisitions.
 - (c) Public sector combinations were classified as follows:
 - (i) As an amalgamation, where no party to the combination gains control of operations;

- (ii) Where one party to the combination gains control of operations, there was a rebuttable presumption that the combination was an acquisition; however, this was expected to be rebutted in most cases, based on two criteria – consideration¹ and decision making².
- (d) The accounting treatments proposed were as follows:
 - (i) Amalgamations—modified pooling of interests method (which did not include comparative information); and
 - (ii) Acquisitions—acquisition method.
- (e) Under an amalgamation, all components of net assets/equity would be recognized in the “residual amount”.

Current stage of the project

7. Respondents generally supported ED 60, although they raised concerns with some issues. At its September 2016 meeting (see [Appendix B](#) for the draft minutes), the IPSASB agreed to make the following changes to address respondents’ concerns:
 - (a) Respondents were concerned that the use of a rebuttable presumption suggested a higher bar for classifying a combination as an amalgamation than the IPSASB intended. The IPSASB agreed to reword the classification approach to remove the reference to a rebuttable presumption, without changing the substance of the approach.
 - (b) The IPSASB agreed to amend the modified pooling of interests method to allow preparers to present comparative information where they considered this would be helpful to users. This information is not to be restated.
 - (c) Respondents identified difficulties with reporting a single residual amount. The IPSASB agreed not to specify which components of net assets/equity should be reported, but to allow preparers to best reflect the circumstances of the amalgamation.
8. Given the general support for the approach in ED 60, and the relatively minor changes that are required to address respondents’ concerns, the IPSASB intends to approve an IPSAS on public sector combinations (IPSAS 40) at its December 2016 meeting.

Issue 1: Do the accounting approaches provide information that meets users’ needs?

9. The modified pooling of interests method of accounting and the acquisition method of accounting provide different information about a public sector combination.
10. The modified pooling of interests method views the combination from the perspective of each of the combining entities and their owners or constituents who are uniting their interests in the resulting

¹ Consideration included the following three indicators - consideration is paid for reasons other than to compensate those with an entitlement to the net assets of a transferred operation for giving up that entitlement; consideration is not paid to those with an entitlement to the net assets of a transferred operation; and consideration is not paid because there is no-one (whether an individual or an entity) with an entitlement to the net assets of a transferred entity.

² Decision-making included the following three indicators - a public sector combination is imposed by a third party without any party to the combination being involved in the decision-making process; a public sector combination is subject to approval by each party’s citizens through referenda; and a public sector combination under common control occurs.

entity. Using the modified pooling of interests method of accounting, the combining operations measure the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date. Such information may assist users in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods. However, this comparability may be reduced where adjustments to achieve consistent accounting policies are required. It does not include information about the market's expectation of the value of the future cash flows associated with assets and liabilities, other than assets and liabilities recorded at fair value prior to the date of the amalgamation.

11. The acquisition method views a combination from the perspective of the acquirer - the entity that obtains control of the other operations. The acquirer purchases or otherwise obtains control over net assets and recognizes in its financial statements the assets acquired and liabilities assumed, including those not previously recognized by the acquired operation. Such information assists users of the financial statements in assessing the initial investments made by the acquirer and the subsequent performance of those investments. It also includes information about the market's expectation of the value of the future cash flows associated with those assets and liabilities. While it revalues the assets and liabilities of the acquired operation, it does not affect the valuation of assets and liabilities held by the acquirer prior to the acquisition. An acquisition may result in the recognition of goodwill, or an immediate gain or loss through surplus or deficit.
12. The information provided by each approach is summarized in the following table.

	Amalgamation	Acquisition
Perspective	Perspective of each of the combining operations and their owners or constituents.	Perspective of the acquirer.
User information	Assists users of the financial statements in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods.	Assists users of the financial statements in assessing the initial investments made and the subsequent performance of those investments.
Basis of reported values	Measures the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date.	Revalues the identifiable assets and liabilities of the acquired operation but does not affect the valuation of assets and liabilities held by the acquirer. Includes information about the market's expectation of the value of the future cash flows associated with those assets and liabilities.

	Amalgamation	Acquisition
Ability to compare with operating results of prior periods	May facilitate the comparison of operating results with prior periods. Comparability may be reduced where adjustments to achieve consistent accounting policies are required.	Difficult to compare operating results with prior periods.

13. The IPSASB's intention in including these two approaches in IPSAS 40 is that they, along with the related disclosures (included in [Appendix C](#) to this paper) will satisfy the public interest by providing users of the financial statements with the information they need to assess public sector combinations from accountability and decision-making perspectives.
14. The **CAG's views are sought** as to whether the IPSASB has achieved this aim, or whether the public interest requires additional disclosures to be included in IPSAS 40.

Issue 2: Will preparers be able to implement the standard by the effective date?

15. When approving IPSASs, the IPSASB's usual practice is to set an effective date that commences:
 - (a) A minimum of 18 months after the publication of a standard; and
 - (b) On January 1.
16. IPSAS 40 is expected to be published in January 2017. If the IPSASB were to follow its usual practice, this would result in an effective date of January 1, 2019. Staff considers this effective date is appropriate, and is recommending that the IPSASB adopt this effective date for the following reasons:
 - (a) IPSAS 40 will be applied prospectively;
 - (b) Additional time to collect the data required to implement the standard will therefore not be required; and
 - (c) IPSAS 40 includes measurement periods (see [Issue 3](#) below) for both amalgamations and acquisitions that allow entities additional time after a combination to finalize the accounting.
17. IPSAS 40 will also require a consequential amendment to IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*. IPSAS 33 allows a three year transitional relief period during which a first-time adopter need not recognize and/or measure assets and/or liabilities. If the first-time adopter is a party to a public sector combination during that three year transitional relief period, the first-time adopter is not required to recognize and/or measure the assets and/or liabilities associated with the public sector combination until it recognizes and measures its other assets and liabilities.
18. The **CAG's views are sought** on whether:
 - (a) An effective date of January 1, 2019 will provide sufficient time for preparers to implement the standard;
 - (b) Whether any further transitional provisions are required.

Issue 3: Are the measurement periods proposed in the draft standard appropriate?

19. IPSAS 40 will include measurement periods for both amalgamations and acquisitions. The measurement period is the period after the date of a combination during which an entity may adjust the provisional amounts recognized in the combination. The measurement period is intended to provide the entity with a reasonable time to obtain the information necessary to identify and measure the items included in the combination.
20. In ED 60, the measurement period proposed for both amalgamations and acquisitions was one year. Following the responses to ED 60, the maximum measurement period for acquisitions (which requires fair value accounting) has been increased from one year to two years. The IPSASB accepted the case put forward by some respondents that, in some jurisdictions, the nature of the assets involved (for example, infrastructure assets) combined with the fact that some elected bodies met relatively infrequently justified a longer maximum period in the public sector.
21. The **CAG is asked for its views** on whether a one year measurement period for amalgamations and a two year measurement period for acquisitions provides the appropriate period for preparers to make adjustments to the provisional amounts.

Further information

22. [Appendix A](#) to this paper includes extracts from the IPSASB due process checklist and links to additional information (including, in [Appendix B](#), an extract from the draft minutes of the September 2016 IPSASB meeting).

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Appendix A

IPSASB Due Process Checklist

Project: Public Sector Combinations

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the project brief at its November 2010 meeting (see Agenda Item 10).
A2.	The IPSASB has approved the project in a public meeting.	Yes	See section 10 (page 35) of the minutes of the November 2010 IPSASB meeting and the revised project brief .
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	This step is not in effect for this project.
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper, or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB issued the Consultation Paper, Public Sector Combinations , in June 2012. The consultation paper solicited views on options for accounting for public sector combinations. Section 2 (page 4) of the minutes of the June 2012 IPSASB meeting documents the IPSASB review and approval of the Consultation Paper issued.
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	Yes	At its March 2013 meeting, the IPSASB discussed the responses to the consultation paper covering the scope of the project, and the classification of public sector combinations (see Agenda Item 8 and section 8 (page 25) of the minutes of the March 2013 IPSASB meeting). At its June 2014 meeting, the IPSASB discussed the responses to the consultation paper, covering all the issues raised (see Agenda Item 8 and section 8 (page 25) of the minutes of the June 2014 IPSASB meeting). The IPSASB continued to refer to respondents' views in its deliberations on accounting for public sector combinations.

#	Due Process Requirement	Yes/No	Comments
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	N/A	This step is not in effect for this project.
B4.	The IPSASB has approved the issue of the exposure draft.	Yes	The IPSASB approved the issue of Exposure Draft 60, Public Sector Combinations , at its December 2015 meeting. See section 2 (page 3) of the minutes of the December 2015 IPSASB meeting .
D. Consideration of Respondents' Comments on an Exposure Draft			
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	No	The IPSASB considered the significant issues raised by respondents at its September 2016 meeting. Significant decisions are reflected in the minutes of that meeting (see extract from the draft minutes at Appendix B). The IPSASB CAG is being consulted on significant issues at this meeting.
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB CAG the results of the IPSASB's deliberations on those comments received from the CAG.	No	The IPSASB CAG chair will provide feedback on the CAG's at the IPSASB's December 2016 meeting.

Useful links:

[Exposure Draft 41, Entity Combinations from Exchange Transactions](#)

[Consultation Paper, Public Sector Combinations](#)

[Exposure Draft 60, Public Sector Combinations](#)

[At a Glance, Exposure Draft \(ED\) 60 Summary—Public Sector Combinations](#)

[Webinar, Public Sector Combinations: An Introduction to Exposure Draft 60](#)

[Comment letters to ED 60](#)

IPSASB December 2016 meeting, [Agenda Item 4, Public Sector Combinations](#) (including draft Standard)

IPSASB Public Sector Combinations [project page](#)

Extract from draft minutes of the September 2016 IPSASB meeting

9. Public Sector Combinations (Agenda Item 9)

Staff presented a review of responses to Exposure Draft 60, *Public Sector Combinations*.

Scope

Staff reported that there was substantial support for the scope of the public sector combinations project, with few changes proposed by respondents. The IPSASB discussed the proposals and **decided** that no changes to the scope are required.

The IASB's recent amendments to IFRS covering the acquisition of joint arrangements were discussed. The IPSASB noted that these were included in ED 60 as consequential amendments to other IPSASs; however, the IASB has now deferred the implementation of these amendments and the IPSASB **instructed** staff to reflect this in the version to be considered at the next meeting.

The IPSASB discussed areas where respondents had suggested that additional clarification may be helpful. The IPSASB **decided** to include a paragraph in the Basis for Conclusions (BC) explaining that this standard will apply to combinations undertaken on a temporary basis. This clarification was considered helpful as IPSAS 6 did not require consolidation of entities held on a temporary basis, but this exemption has been removed in IPSASs 34–38.

Classification

The IPSASB discussed respondents' comments on the rebuttable presumption in the ED. The IPSASB noted that this approach had majority support, although some respondents considered that it favored control even when control was the least likely outcome.

The IPSASB **decided** not to amend the substance of the approach, but agreed that the concept needed to be communicated more clearly. The IPSASB **instructed** staff to work with a small group of members to improve the drafting in the authoritative text and the BC.

The IPSASB discussed respondents' comments on common control and control. The IPSASB noted that, in many jurisdictions, common control will be as important as control, although in some jurisdictions, common control is a difficult issue. The IPSASB agreed that control is the entry point to the discussion, and **instructed** staff to review the drafting to make this clearer.

The IPSASB agreed with the staff analysis of the alternative classification approaches suggested by respondents, and **decided** that none of these should be progressed.

Accounting for amalgamations

The IPSASB discussed respondents' comments on accounting for amalgamations, including the proposals by a number of respondents that comparative information should be permitted. The IPSASB **decided** to permit, but not require, the presentation of comparative information. Such information should not be restated, and the reporting entity should include a disclosure setting out the basis of the comparative information.

The IPSASB **decided** that the exemption to the recognition and measurement principles should reflect the fact that tax forgiveness could occur as part of a combination, or subsequent to a combination. The IPSASB

also **decided** that no further changes to the exemptions to the recognition and measurement principles were required.

Following consideration of the suggestions made by respondents, the IPSASB **decided** not to delete paragraph 30 of the ED, and not to change the term “modified pooling of interests”. The IPSASB also **decided** that no additional guidance was required.

Residual amount in an amalgamation

Staff introduced the responses to the proposal in the ED that all amounts of net assets/equity be recognized in the residual amount. Based on the responses, staff proposed that the ED should not specify which components of net assets/equity should be used, but should allow preparers to decide.

The IPSASB agreed that in some cases it would be appropriate to carry forward the balances on specific reserves. The IPSASB **decided** that the ED should not specify which components of net assets/equity should be used, and that the reasons for this decision should be explained in the BC. The IPSASB also **decided** that no examples were required; the BC should be sufficiently clear on the Board’s thinking.

Accounting for acquisitions

Staff presented the responses to the proposals for accounting for acquisitions. Staff proposed:

- (a) The acquisition method of accounting will be appropriate for those combinations classified as acquisitions;
- (b) Paragraph 85 of the ED should be deleted, but no further changes to the treatment of goodwill are required;
- (c) The headings above paragraphs 100 and 101 of the ED should clarify the circumstances in which these paragraphs apply;
- (d) A disclosure of the loss on acquisition recognized in surplus or deficit should be added to paragraph 118 of the ED;
- (e) The ED should include provision to measure all assets for which the fair value cannot be reliably measured at carrying value / deemed cost under the acquisition method; and
- (f) The requirements in respect of tax forgiveness should be consistent with the treatment under the modified pooling of interests method.

The IPSASB supported the proposals and **decided** these should be reflected in the standard. The IPSASB also **decided** that the measurement period should be extended to two years; the reasons for this should be explained in the BC.

Other issues raised by respondents

The IPSASB discussed the proposal by a respondent to include additional disclosures that inform users of the financial statements of the intended public sector combination, prior to the combination being effected. The IPSASB **instructed** staff to review RPG 2, *Financial Statement Discussion and Analysis*, and consider whether any amendments are required.

The IPSASB **decided** not to include additional disclosures covering the financial effect and implications of the combination on the entity that has transferred the operations. However, the IPSASB noted that such information would be useful to users of the financial statements and **decided** to include a project on discontinued operations in its next Work Plan consultation.

The IPSASB **decided** to include a sentence in the disclosure examples referring preparers to the discussion of materiality in IPSAS 1.

The IPSASB **decided** to retain the original wording of the definition of “amalgamation date.”

The IPSASB **decided** to include the consequential amendment to IPSAS 17, which arises from a consequential amendment made by IFRS 3, *Business Combinations*.

The IPSASB **decided** to include additional wording in paragraph AG4 to clarify that the definitions of inputs and outputs are specific to this standard.

Disclosure requirements in draft IPSAS 40, *Public Sector Combinations***Amalgamations****Disclosures**

52. **The resulting entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an amalgamation.**
53. To meet the objective in paragraph 52, the resulting entity shall disclose the following information for each amalgamation that occurs during the reporting period:
- (a) The name and a description of each combining operation.
 - (b) The amalgamation date.
 - (c) The primary reasons for the amalgamation.
 - (d) The amounts recognized as of the amalgamation date for each major class of assets and liabilities transferred.
 - (e) The adjustments made to the carrying amounts of assets and liabilities recorded by each combining operation as of the amalgamation date:
 - (i) To eliminate the effect of transactions between combining operations in accordance with paragraph 22; and
 - (ii) To conform to the resulting entity's accounting policies in accordance with paragraph 27.
 - (f) An analysis of net assets/equity, including any components that are presented separately, and any significant adjustments such as revaluation surpluses or deficits, recognized in accordance with paragraphs 37–38.
 - (g) If a resulting entity elects to present financial statements for periods prior to the amalgamation date, the resulting entity shall disclose the following information for each combining operation:
 - (i) A statement of financial position as at the end of the prior period(s);
 - (ii) A statement of financial performance for the prior period(s);
 - (iii) A statement of change in net assets/equity for the prior period(s);
 - (iv) A cash flow statement for the prior periods;
 - (v) If a combining operation made publicly available its approved budget, a comparison of budget and actual amounts for the prior period(s), either as a separate additional financial statement or as a budget column in the financial statements; and
 - (vi) Notes, comprising a summary of significant accounting policies and other explanatory notes.

The resulting entity shall not restate this information, but shall disclose the information on the same basis as used in the combining operations' financial statements. The resulting entity shall disclose the basis on which this information is presented.

- (h) If, at the time the financial statements of the resulting entity are authorized for issue, the last reporting date of any of the combining operations does not immediately precede the amalgamation date, the resulting entity shall disclose the following information:
 - (i) The amounts of revenue and expense, and the surplus or deficit of each combining operation from the last reporting date of the combining operations until the amalgamation date. The amounts of revenue shall be analyzed in a manner appropriate to the entity's operations, in accordance with paragraph 108 of IPSAS 1, *Presentation of Financial Statements*. The amounts of expense shall be analyzed using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant, in accordance with paragraph 109 of IPSAS 1.
 - (ii) The amounts reported by each combining operation immediately prior to the amalgamation date for each major class of assets and liabilities.
 - (iii) The amounts reported by each combining operation immediately prior to the amalgamation date in net assets/equity.

The resulting entity is not required to disclose this information where it has elected to present financial statements for periods prior to the amalgamation date as specified in paragraph (g) above.

- 54. **The resulting entity shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to amalgamations that occurred in the period or previous reporting periods.**
- 55. To meet the objective in paragraph 54, the resulting entity shall disclose the following information:
 - (a) If the initial accounting for an amalgamation is incomplete (see paragraph 40) for particular assets or liabilities, and the amounts recognized in the financial statements for the amalgamation thus have been determined only provisionally:
 - (i) The reasons why the initial accounting for the amalgamation is incomplete;
 - (ii) The assets or liabilities for which the initial accounting is incomplete; and
 - (iii) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph 43.
 - (b) If amounts of tax due are forgiven as a result of the terms of the amalgamation (see paragraphs 33–34):
 - (i) The amount of tax due that was forgiven; and
 - (ii) Where the resulting entity is the tax authority, details of the adjustment made to tax receivable.
- 56. If the specific disclosures required by this and other IPSASs do not meet the objectives set out in paragraphs 52 and 54, the resulting entity shall disclose whatever additional information is necessary to meet those objectives.

Acquisitions

Disclosures

119. **The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an acquisition that occurs either:**
- (a) During the current reporting period; or**
 - (b) After the end of the reporting period but before the financial statements are authorized for issue.**
120. To meet the objective in paragraph 119, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period:
- (a) The name and a description of the acquired operation.
 - (b) The acquisition date.
 - (c) The percentage of voting equity interests or equivalent acquired.
 - (d) The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquired operation.
 - (e) A qualitative description of the factors that make up the goodwill recognized, such as expected synergies from combining the operations of the acquired operation and the acquirer, intangible assets that do not qualify for separate recognition or other factors.
 - (f) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:
 - (i) Cash;
 - (ii) Other tangible or intangible assets, including an operation or controlled entity of the acquirer;
 - (iii) Liabilities incurred, for example, a liability for contingent consideration; and
 - (iv) Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests.
 - (g) For contingent consideration arrangements and indemnification assets:
 - (i) The amount recognized as of the acquisition date;
 - (ii) A description of the arrangement and the basis for determining the amount of the payment; and
 - (iii) An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.
 - (h) For acquired receivables:
 - (i) The fair value of the receivables;
 - (ii) The gross amounts receivable in accordance with a binding arrangement; and

- (iii) The best estimate at the acquisition date of the cash flows in accordance with a binding arrangement not expected to be collected.

The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.

- (i) The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed.
- (j) For each contingent liability recognized in accordance with paragraph 76, the information required in paragraph 98 of IPSAS 19. If a contingent liability is not recognized because its fair value cannot be measured reliably, the acquirer shall disclose:
 - (i) The information required by paragraph 100 of IPSAS 19; and
 - (ii) The reasons why the liability cannot be measured reliably.
- (k) The total amount of goodwill that is expected to be deductible for tax purposes.
- (l) For transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the acquisition in accordance with paragraph 109:
 - (i) A description of each transaction;
 - (ii) How the acquirer accounted for each transaction;
 - (iii) The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized; and
 - (iv) If the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.
- (m) The disclosure of separately recognized transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognized as an expense and the line item or items in the statement of financial performance in which those expenses are recognized. The amount of any issue costs not recognized as an expense and how they were recognized shall also be disclosed.
- (n) In an acquisition in which a loss is recognized in surplus or deficit (see paragraph 86):
 - (i) The amount of the loss recognized in accordance with paragraph 86 and the line item in the statement of financial performance in which the loss is recognized; and
 - (ii) A description of the reasons why the transaction resulted in a loss.
- (o) In a bargain purchase (see paragraphs 88–90):
 - (i) The amount of any gain recognized in accordance with paragraph 88 and the line item in the statement of financial performance in which the gain is recognized; and
 - (ii) A description of the reasons why the transaction resulted in a gain.
- (p) For each acquisition in which the acquirer holds less than 100 per cent of the quantifiable ownership interests or equivalent in the acquired operation at the acquisition date:
 - (i) The amount of the non-controlling interest in the acquired operation recognized at the acquisition date and the measurement basis for that amount; and

- (ii) For each non-controlling interest in an acquired operation measured at fair value, the valuation technique(s) and significant inputs used to measure that value.
- (q) In an acquisition achieved in stages:
 - (i) The acquisition-date fair value of the equity interest in the acquired operation held by the acquirer immediately before the acquisition date; and
 - (ii) The amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquired operation held by the acquirer before the acquisition (see paragraph 100) and the line item in the statement of financial performance in which that gain or loss is recognized.
- (r) The following information:
 - (i) The amounts of revenue and expense, and the surplus or deficit of the acquired operation since the acquisition date included in the consolidated statement of financial performance for the reporting period; and
 - (ii) The revenue and expense, and the surplus or deficit of the combined entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period.

If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This IPSAS uses the term 'impracticable' with the same meaning as in IPSAS 3.

- 121. For individually immaterial acquisitions occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph 120(e)–(r).
- 122. If the acquisition date of an acquisition is after the end of the reporting period but before the financial statements are authorized for issue, the acquirer shall disclose the information required by paragraph 120 unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorized for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.
- 123. **The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to acquisitions that occurred in the period or previous reporting periods.**
- 124. To meet the objective in paragraph 123, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:
 - (a) If the initial accounting for an acquisition is incomplete (see paragraph 103) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally:
 - (i) The reasons why the initial accounting for the acquisition is incomplete;
 - (ii) The assets, liabilities, quantifiable ownership interests (or equivalent) or items of consideration for which the initial accounting is incomplete; and

- (iii) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph 107.
- (b) For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:
 - (i) Any changes in the recognized amounts, including any differences arising upon settlement;
 - (ii) Any changes in the range of outcomes (undiscounted) and the reasons for those changes; and
 - (iii) The valuation techniques and key model inputs used to measure contingent consideration.
- (c) For contingent liabilities recognized in an acquisition, the acquirer shall disclose the information required by paragraphs 97 and 98 of IPSAS 19 for each class of provision.
- (d) A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:
 - (i) The gross amount and accumulated impairment losses at the beginning of the reporting period.
 - (ii) Additional goodwill recognized during the reporting period.
 - (iii) Adjustments resulting from the subsequent recognition of amounts during the reporting period in accordance with the relevant international or national accounting standard dealing with income taxes.
 - (iv) Goodwill derecognized during the reporting period.
 - (v) Impairment losses recognized during the reporting period in accordance with IPSAS 26, *Impairment of Cash-Generating Assets*. (IPSAS 26 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.)
 - (vi) Net exchange rate differences arising during the reporting period in accordance with IPSAS 4, *The Effects of Changes in Foreign Exchange Rates*.
 - (vii) Any other changes in the carrying amount during the reporting period.
 - (viii) The gross amount and accumulated impairment losses at the end of the reporting period.
- (e) The amount and an explanation of any gain or loss recognized in the current reporting period that both:
 - (i) Relates to the identifiable assets acquired or liabilities assumed in an acquisition that was effected in the current or previous reporting period;
 - (ii) Is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.

And

- (f) If amounts of tax due are forgiven as a result of the terms of the acquisition (see paragraphs 77–78):
 - (i) The amount of tax due that was forgiven; and
 - (ii) Where the acquirer is the tax authority, details of the adjustment made to tax receivable.
125. If the specific disclosures required by this and other IPSASs do not meet the objectives set out in paragraphs 119 and 123, the acquirer shall disclose whatever additional information is necessary to meet those objectives.