STAFF PAPER

10–11 September 2013

IFRS Interpretations Committee Meeting

Project	**New items for initial consideration**
Paper topic	IFRS 3 *Business Combinations*—Acquisition of Control over a Joint Operation

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Introduction

1. The IFRS Interpretations Committee (the 'Interpretations Committee') received a request to clarify whether a previously held interest in the assets and liabilities of a joint operation is re-measured to the fair value on obtaining control over a joint operation.

2. The submission is reproduced in full in Appendix A to this Staff Paper.

Structure of the Staff Paper

3. This Staff Paper:

   (a) provides background information on the issue;

   (b) analyses the issue within the context of IFRSs;

   (c) summarises the discussions with the staff of the US-based accounting standard-setter, the Financial Accounting Standards Board (FASB), on this issue;

   (d) summarises the results from the outreach to preparers from the extractive industries sector, to national accounting standard-setters and securities regulators;

(e) includes a staff recommendation on how to proceed with the issue; and

(f) asks questions of the Interpretations Committee.

Background information

The issue

4. Appendix A of IFRS 11 *Joint Arrangements* defines a *joint operation* as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

5. Paragraph 20 of IFRS 11 requires that a joint operator recognises in relation to its interest in a joint operation amongst other things:

   (a) its assets, including its share of any assets held jointly; and

   (b) its liabilities, including its share of any liabilities incurred jointly.

6. Consequently, the question arises of how to account for this previously held interest in the joint operation, if:

   (a) the joint operation as a whole constitutes a business as defined in IFRS 3 *Business Combinations*; and

   (b) the joint operator obtains control over the business of the joint operation as the result of acquiring an additional interest in the joint operation.

7. For ease of reference, such transactions are referred to as 'the acquisition of control over a joint operation' in this Staff Paper.

8. In the circumstances described in the previous paragraphs, the acquisition of control over the joint operation meets the definition of a business combination in Appendix A of IFRS 3. This is because the acquirer obtains control over a business.

9. Paragraphs 41 and 42 of IFRS 3 give specific guidance on the accounting for business combinations, if control is acquired in more than one transaction. In particular, paragraphs 41 and 42 of IFRS 3 require for so-called 'business combinations achieved in stages' that:

(a) a previously held equity interest in the acquiree is remeasured to its acquisition-date fair value; and

(b) any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

10. For ease of reference, this accounting is referred to as 'the remeasurement approach' in this Staff Paper.

11. In other words, paragraphs 41 and 42 of IFRS 3 only give explicit guidance for the acquisition of control over a business that is held through an equity interest, as opposed to a business that is held through rights to assets of the business itself and obligations for the liabilities of the business itself. Put differently, paragraphs 41 and 42 of IFRS 3 explicitly only address business combinations that are share deals from a legal perspective as opposed to such acquisitions that are asset deals from a legal perspective.

12. Joint operations instead may or may not be structured through a separate vehicle (see paragraphs B16 and B19 of IFRS 11). Appendix A of IFRS 11 defines a separate vehicle as a separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

13. Consequently, the question arises of whether a previously held interest in a joint operation is remeasured to its acquisition-date fair value on the acquisition of control over the joint operation. In particular, this question arises if the joint operation is not structured through a separate legal entity.

14. The submitter explains that there is uncertainty among constituents, which has resulted in significant diversity in practice.

Divergent approaches observed in practice

15. The submitter explains that two approaches are generally seen in practice in accounting for the acquisition of control over a joint operation that is not structured through a separate legal entity:

IFRS 3 approach or the remeasurement approach

16. The previously held interest in the assets and liabilities of the joint operation is remeasured to its acquisition-date fair value and any resulting gain or loss is recognised in the income statement.

17. Proponents of this view consider the previously held net interest in the assets and liabilities of the joint operation to be the previously held ‘equity interest’. For them, the substance of the transaction is that control has been obtained over a business and hence the guidance for business combinations in IFRS 3 should apply in its entirety.

Modified IFRS 3 approach

18. The previously held interest in the assets and liabilities of the joint operation is not remeasured to its acquisition-date fair value. Instead, it is recorded at the previous carrying value.

19. Proponents of this view distinguish in accounting for business combinations whether the business is housed in an entity or not:

    (a) If a business is housed in an entity, the acquirer starts consolidating the entity on the acquisition date by recognising the assets and liabilities of the subsidiary, including the shares of the non-controlling interests in these assets and liabilities.

    (b) If the business is not housed in an entity and the acquirer has rights to the assets and obligations for the liabilities of the acquiree itself, it only accounts for its share in the assets acquired and its share in the liabilities incurred in the business combination. Shares in the assets and liabilities of the business that were acquired or incurred in a previous transaction are not acquired in the business combination. Consequently, the acquirer who has obtained control over such a business in stages accounts separately for each acquisition and therefore for each share in the assets and liabilities. Furthermore, the acquirer of such a business does not recognise non-controlling interests in the business and their shares in the assets and liabilities of the business that is not housed in an entity.

Previous discussions

20. The Interpretations Committee discussed this issue at its meeting in January 2012 and decided not to address it.[1]

21. The reason why the Interpretations Committee decided not to address this issue was that the constituent that raised the issue wanted the issue to be addressed as part of the project *Acquisition of an Interest in a Joint Operation*. The Interpretations Committee concluded that the issue was beyond the scope of this project (see paragraph 20 of Staff Paper 5 presented at the January 2012 Interpretations Committee meeting[2]).

22. Consequently, we understand that the Interpretations Committee has not decided so far whether to address the issue of acquisition of control over a joint operation in a separate project.

23. During the discussions with this constituent, we noted the following additional argument for the IFRS 3 approach or the remeasurement approach and a variation of the modified IFRS 3 approach:

IFRS 3 approach or the remeasurement approach

24. Paragraph 18 of IFRS 3 requires the acquirer to recognise and measure the identifiable assets and the liabilities of the business itself at acquisition-date fair values. Consequently, 100 per cent of the identifiable assets and the liabilities of the joint operation are remeasured to fair value, because these are the assets and liabilities of the business over which control has been obtained.

Variation of the modified IFRS 3 approach

25. In the previous discussions, we noted a variation of the modified IFRS 3 approach. Proponents of this view do not remeasure a previously held interest in a

[1] http://www.ifrs.org/Updates/IFRIC-Updates/Documents/IFRICUpdateJan12.pdf

[2] http://www.ifrs.org/Meetings/Documents/051201AP5IFRS11Acquisitionofaninterestinajointoperation.pdf

joint operation on the acquisition of control over the joint operation. However, they recognise the non-controlling interests in the business and their shares in the assets and liabilities of the business over which control has been acquired.

26. In other words, they recognise 100 per cent of the assets and liabilities of the business over which control has been obtained. However, they do not adjust the previously held share in these assets and liabilities to their acquisition-date fair values. Instead, they measure those shares in the assets and liabilities at their carrying amounts immediately before the acquisition date.

27. For proponents of this view, not remeasuring the previously held shares in the assets and liabilities of the business results from applying the exception in paragraph 38 of IFRS 3 by analogy. The exception in paragraph 38 of IFRS 3 requires the measurement of assets and liabilities in a business combination at their carrying amounts immediately before the acquisition date, if:

    (a) these assets and liabilities of the acquirer are included in the consideration transferred in the business combination; and

    (b) the acquirer retains control of these assets and liabilities because the transferred assets and liabilities remain within the combined entity after the business combination.

Illustrative examples

28. The application of the different approaches and views and the differences in results are illustrated in Appendix C of this Staff Paper.

Staff analysis

Scope of work

29. In this analysis we only address the issue of whether a previously held interest in a joint operation is remeasured to its acquisition-date fair value, if the business is not housed in an entity.

30. We do not address the separate issue of whether an acquirer who obtains control over a joint operation should also recognise the non-controlling interests in a business, and their shares in the assets and liabilities related to the business, of the joint operation over which control has been acquired.

31. We have limited the scope of our work accordingly, although both issues have been interlinked by proponents of the modified IFRS 3 approach for acquisitions of control over joint operations. We limited the scope of our work because:

(a) we think it is possible to address the former issue (ie the issue of whether a previously held interest in a joint operation is remeasured to its acquisition-date fair value, if the business is not housed in an entity) without also needing to address the latter one (ie the issue of whether an acquirer who obtains control over a joint operation should also recognise the non-controlling interests in a business, if the joint operation is not structured through a separate legal entity);

(b) only the former issue has been raised for clarification in the submission; and

(c) the submitter only claims significant diversity in practice for the former issue.

Relevant questions

32. We think that the answer to the question, namely whether a previously held interest in a joint operation is remeasured to its acquisition-date fair value on the acquisition of control over the joint operation, depends on the conclusion on the following questions:

(a) Does a joint operator have an equity interest in a joint operation, if the joint operation is not structured through a separate legal entity? (**Is there an equity interest?**)

(b) Is the remeasurement-approach appropriate for business combinations achieved in stages that are asset deals from a legal perspective? (**Is the remeasurement-approach appropriate for asset deals?**)

Is there an equity interest?

33. For a business combination achieved in stages, paragraphs 41 and 42 of IFRS 3 require the remeasurement of a previously held equity interest.

34. We think that a joint operator does not, in many cases, hold an equity interest in a joint operation, if the joint operation is not structured through a separate legal entity. This is because Appendix A of IFRS 3 defines an *equity interests* as ownership interests of investor-owned **entities** and owner, member or participant interests of mutual **entities**.

35. In other words, the business of the joint operation must be housed in an entity for paragraphs 41 and 42 to apply on the acquisition of control over joint operations.

36. It has to be acknowledged, however, that the definition of *equity interests* in Appendix A of IFRS 3 does not require an interest in a legal entity. It also includes interests in entities that are not entities from a legal perspective but that are nevertheless entities because of the substance of their financial structure.

37. Consequently, we think that:

    (a) there are many scenarios in which the previously held interest in a joint operation does not qualify as an equity interest as defined in Appendix A of IFRS 3; and

    (b) the question arises of whether previously held interests in joint operations that are not equity interests are remeasured on the acquisition of control over the business or not.

Is the remeasurement-approach appropriate for asset deals?

38. Paragraphs BC384 and following of IFRS 3 explain that the IASB decided in favour of the remeasurement-approach for business combinations achieved in stages because of two main arguments:

    (a) the significant change in the nature of the investment, and in the economic circumstances surrounding the investment, resulting from the acquisition of control (paragraph BC384 of IFRS 3); and

(b) the inconsistencies and deficiencies in financial reporting resulting from cost-accumulation practices (paragraph BC386 of IFRS 3 in conjunction with paragraphs BC198–BC202 of IFRS 3).

39. Consequently, we analyse whether or not these arguments support the application of the remeasurement approach for acquisitions of control over joint operations that are not structured through separate legal entities.

Is there a significant change in the nature of the investment, and in the economic circumstances surrounding it, on the acquisition of control over the joint operation?

40. Paragraph BC384 of IFRS 3 explains that there is a significant change in the nature of and economic circumstances surrounding the investment resulting from the acquisition of control because the investor-investee relationship is replaced by a parent-subsidiary relationship. In particular:

(a) the change warrants a change in the classification and measurement of the investment;

(b) the acquirer is no longer the owner of a non-controlling investment asset in the acquiree;

(c) the acquirer ceases its accounting for an investment asset and begins reporting in its financial statements the underlying assets, liabilities and results of the operations of the acquiree; and

(d) in effect, the acquirer exchanges its status as an owner of an investment asset in an entity for a controlling financial interest in all of the underlying assets and liabilities of that entity (acquiree), together with the right to direct how the acquiree and its management use those assets in its operations.

41. We understand that paragraph BC384 of IFRS 3 analyses the acquisition of control over investments that were either accounted for using the equity method (ie associates or joint ventures/jointly controlled entities) or as financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*.

42. On the basis of the indicators given in paragraph 40 of this Staff Paper, we think that the change on the acquisition of control over a joint operation is not as significant as the change on the acquisition of control over an associate, a joint venture or a financial asset within the scope of IAS 39 or IFRS 9.

43. This is because we understand that a joint operator is usually not in an investor-investee relationship to its joint operation, compared to when it is the investor in an associate, a joint venture or a financial asset. The joint operator's relationship is more akin to a parent-subsidiary relationship because of:

    (a) the joint operator's rights to the assets, and its obligations for the liabilities underlying the joint arrangement; together with

    (b) its right to jointly direct how the joint operation uses those assets in its operations.

44. Unlike the typical owner of a non-controlling investment asset, the joint operator does not only have rights to the net assets of the joint operation.

45. Consequently, we think that the comparison drawn in the previous paragraphs does not indicate the application of the remeasurement approach on the acquisition of control over a joint operation.

46. At the same time we think this comparison does not support the converse argument. This argument is that the remeasurement approach cannot be applied on the acquisition of control over a joint operation, because the change resulting from this transaction is not as significant as the change described in paragraph BC384 of IFRS 3. Paragraph BC384 of IFRS 3 does not indicate a minimum level of significance for the application of the remeasurement approach.

47. Consequently, we think the change resulting from the acquisition of control over a joint operation that is not structured through a separate legal entity must be assessed together with other indicators and arguments to decide whether the application of the remeasurement approach is appropriate for such acquisitions.

Does the concern about inconsistencies and deficiencies in financial reporting resulting from cost-accumulation practices also apply on the acquisition of control over a joint operation?

48. Paragraph BC386 of IFRS 3, in conjunction with paragraphs BC198-BC202 of IFRS 3, explains that the boards rejected the view expressed by some constituents that the carrying amount of any pre-acquisition investment should be retained in the initial accounting for the cost of the business acquired. This because the boards concluded that cost-accumulation practices led to many of the inconsistencies and deficiencies in the financial reporting that is required by SFAS 141 *Business Combinations* and, to a lesser extent, by IFRS 3 (issued 2004).

49. One of the inconsistencies and deficiencies in financial reporting resulting from cost-accumulation practices related to the benchmark treatment in IAS 22 *Business Combinations* and the provisions of SFAS 141 for step acquisitions (see paragraph BC199 of IFRS 3). For a step acquisition, that process involved accumulating the costs or carrying amounts or earlier purchases of interests in an entity, which may have occurred years or decades ago. Those amounts were added to the current costs to purchase incremental interests in the acquiree on the acquisition date. The accumulated amounts of those purchases were then allocated to the assets acquired and liabilities assumed. Allocating the accumulated amounts generally resulted in recognising the identifiable assets and liabilities of the acquiree at a mixture of current exchange prices and carry-forward book values for each earlier purchase rather than at their acquisition-date fair values.

50. Paragraph BC199 of IFRS 3 highlights that users of financial statements have long criticised those practices as resulting in information that lacks consistency, understandability and usefulness.

51. In assessing the arguments, the boards concluded that no useful purpose is served by reporting the assets or liabilities of a newly acquired business using a mixture of their fair values at the date acquired and the acquirer's historical costs or carrying amounts (paragraph BC200 of IFRS 3).

52. In other words, the IASB clearly rejected cost-accumulation approaches in developing IFRS 3 and thereby had particularly in mind the accounting consequences of cost-accumulation practices for step acquisitions.

53. Consequently, we think the rejection of cost-accumulation practices by the IASB in developing IFRS 3 (revised 2008), and in particular the IASB's reasons for rejecting the cost-accumulation approaches, indicate that the remeasurement approach should be applied on the acquisition of control over a joint operation. Otherwise, the different shares acquired in the assets of the joint operation and the different shares incurred in the liabilities of the joint operation are reported using a mixture of their fair values at the acquisition date and the acquirer's historical costs or carrying amounts.

Does the application of the remeasurement approach conflict with the exception in paragraph 38 of IFRS 3?

54. The (shares in the) assets held and liabilities incurred in relation to an interest in a joint operation are not remeasured to their acquisition-date fair values if the exception in paragraph 38 of IFRS 3 applies.

55. The exception in paragraph 38 of IFRS 3 requires measuring the assets and liabilities in a business combination at their carrying amounts immediately before the acquisition date, if:

  (a) these assets and liabilities of the acquirer are included in the consideration transferred in the business combination; and

  (b) the acquirer retains control of these assets and liabilities because the transferred assets and liabilities remain within the combined entity after the business combination.

56. Consequently, with respect to the acquisition of control over a joint operation, an acquirer might argue that it retains, in relation to the joint operation, control of:

  (a) its assets, including its share of any assets held jointly; and

  (b) its liabilities, including its share of any liabilities incurred jointly.

57. Furthermore, these assets and liabilities are exchanged for a controlling interest in the business of the joint operation and are therefore included in the consideration transferred.

58. We think that the exception in paragraph 38 of IFRS 3 does not apply on the acquisition of control over a joint operation. In our view, the acquirer does not transfer the rights to the assets, and the obligations for the liabilities, that it possessed immediately before obtaining control over the joint operation, as consideration for obtaining control over the business.

59. Instead, it keeps these rights and obligations and acquires additional ones to obtain control over the business.

60. Consequently, we think that the exception in paragraph 38 of IFRS 3 does not conflict with the remeasurement approach. We can reach this conclusion without needing to decide whether the identifiable assets acquired, and the liabilities assumed, by the acquirer of a business that is not housed in an entity are:

    (a) 100 per cent of the identifiable assets and liabilities of the business over which control has been obtained; or

    (b) only the acquirer's share in the identifiable assets and liabilities whose acquisition resulted in obtaining control.

61. Furthermore, we do not think that the exception in paragraph 38 of IFRS 3 should apply by analogy to the measurement of the identifiable assets and the liabilities of a previously held interest in a joint operation.

62. This is because in developing IFRS 3 the IASB clearly rejected the application of a cost-accumulation approach for step acquisitions (see paragraphs BC386 and BC198-BC202 of IFRS 3).

63. Accordingly, we reject the variation of the modified IFRS 3 approach.

Does the remeasurement-approach result in the recognition of internally generated goodwill?

64. If the interest in a joint operation is not held through an equity interest, there is no entity that sits between the joint operator and its joint operation. The joint

operator itself holds the (shares in the) assets and liabilities that form the joint operation.

65. Consequently, the question arises of whether an increase in the fair value of a previous held interest in a joint operation might result in the recognition of internally generated goodwill. Its recognition would conflict with paragraphs 48 and following of IAS 38 *Intangible Assets*.

66. We disagree with this argument. We question whether goodwill recognised in a business combination can be disaggregated into different components in order to assess separately for each component whether it represents acquired or internally generated goodwill. This is because goodwill recognised in a business combination is measured as a residual (see paragraph 32 of IFRS 3).

67. But even if the view is applied that goodwill recognised in a business combination can be disaggregated into acquired components and internally generated components of goodwill, we still disagree with this argument. This is because in our view the remeasurement approach for business combinations achieved in stages in paragraphs 41 and 42 of IFRS 3 would require the recognition of internally generated goodwill as an exception to the normal prohibition. For example, increases in fair value of an interest in an associate that relate to goodwill and that occur between the acquisition of the previously held interest in the associate and the acquisition date of the business combination are included in the goodwill recognised in the business combination (see paragraph 32(a)(iii) of IFRS 3).

68. We think that the portion of goodwill recognised in a business combination that relates to increases in fair value of a previously held equity interest in the associate would need to be classified as internally generated. This is because:

(a) it is not acquired in a business combination; and

(b) IFRS 3 and IAS 38 distinguish between goodwill acquired in a business combination and internally generated goodwill (see paragraph BC325 of IFRS 3). If a (portion of) goodwill is not classified as acquired in a business combination, it must be classified as internally generated.

69. While goodwill acquired in a business combination is recognised, internally generated goodwill would generally not be recognised.

70. If paragraphs 41 and 42 of IFRS 3 nevertheless require the recognition of a portion of goodwill that relates to increases in fair value of a previously held equity interest as part of the business combination, it means that these paragraphs would justify an exception. They would provide an exception to the general prohibition against recognising internally generated goodwill. In other words, the recognition of internally generated goodwill itself is not an argument against the application of the remeasurement approach.

Summary

71. Summarising the analysis, we think the questions that need to be answered in deciding whether a previously held interest in the joint operation is remeasured to its acquisition-date fair value on the acquisition of control over a joint operation are the following:

(a) Does the rejection of the cost-accumulation approach by the IASB in developing IFRS 3 (revised 2008) justify, or indeed require, the application of the remeasurement-approach on the acquisition of control over a joint operation that is not structured through a separate legal entity?

(b) And if not, or in addition, is the change from joint control over a joint operation in which the activity constitutes a business, to control over that business, significant enough to justify or require the application of the remeasurement approach for such acquisitions?

FASB discussion

72. Because paragraphs 10-25-9 and -10 of Topic 805 *Business Combinations* in the *FASB Accounting Standards Codification*® and paragraphs 41–42 of IFRS 3 both include converged guidance on business combinations achieved in stages we discussed the issue with the FASB staff.

73. In their experience, in a business combination achieved in stages, preparers of US GAAP financial statements remeasure all types of previously held ownership interests in businesses no matter whether:

(a) these ownership interests were accounted for by using the equity method or at cost; or

(b) the business acquired is hosted in an entity or the acquirer has rights to assets and liabilities for the obligations of the business itself.

74. In a business combination that is achieved in stages, the FASB staff do not believe that there should be a blend of historical cost and fair values, regardless of the type or level of previous ownership in the acquired business. The FASB staff are not aware of preparers that carry forward the book values of shares in assets and liabilities of a business in which they had a previous ownership interest that did not meet the definition of an equity interest, ie the business over which control has been obtained is not housed in an entity. The FASB staff believe that there is clear guidance in Topic 805 (formerly SFAS 141R) and in the basis for conclusions in SFAS 141R, which clearly states that in a business combination achieved in stages, the assets acquired and liabilities assumed in a business combination should be recognised at the full amount of their fair values. This was a deliberate change to, and improvement over, the previous guidance (SFAS 141). That former guidance resulted in a blend of historical cost and fair values.

75. The FASB staff understand that the criterion of a previously held equity interest is broadly intended to cover all ownership interests in businesses, delineating the scope of the guidance for business combinations achieved in stages from the scope of the guidance on the settlement of other pre-existing relationships (that are not ownership interests, such as debt) in Topic 805.

76. In other words, the guidance on business combinations achieved in stages should be applied to situations in which there was a previously held ownership interest in a business and should not affect the accounting for the settlement of pre-existing loan agreements, lease agreements or guarantees with the acquiree. Instead, the settlement accounting in paragraphs 10-25-21 and -22 and 10-55-20 through 55-

23 of Topic 805 (paragraphs 52(a) and B51-B53 of IFRS 3 include the converged IFRS-guidance) should be applied to these pre-existing relationships.

77. For the FASB staff, the remeasurement approach in paragraphs 10-25-9 and -10 of Topic 805 should be applied to any previously held ownership interest in a business, no matter whether this business is housed in an entity or not. Only such an accounting meets the intention of the FASB in developing SFAS 141R, namely that all the assets and liabilities of the business over which control has been obtained are measured at their full acquisition-date fair values (see also paragraph B386 of SFAS 141R).

Outreach

78. We have performed outreach with preparers from the extractive industries sector, national accounting standard-setters (ie the International Forum of Accounting Standard Setters (IFASS)) and securities regulators (IOSCO).

79. We contacted three preparers from the extractive industries sector and two preparer industry groups representing 28 preparers from the extractive industries sector. Nearly all of these preparers are large oil and gas producing or mining companies.

80. We contacted preparers and preparer industry groups from the extractive industries sector because we understood from discussions with the submitter that the issue is relevant for this industry sector.

Outreach requests

81. We asked them to provide us with information on whether the issue raised in the submission:

    (a) is widespread and has practical relevance; and

    (b) indicates that there are significant divergent interpretations (either emerging or existing in practice).

82. The outreach requests are reproduced in Appendix B of this Staff Paper and they included the submission reproduced in Appendix A to this Staff Paper as an attachment.

Outreach results

83. We received three responses from preparers from the extractive industries sector and 9 responses from national standard-setters.

84. The preparers explained that acquisitions of additional interests in a joint operation that is not structured through a separate legal entity are very common in their industry sector. It is not unusual for such acquisitions to increase the acquirer's share in the assets and liabilities of the joint operation to more than 50 per cent.

85. Only in rare cases, however, do such acquisitions result in the acquirer obtaining control over the acquiree. The contractual arrangements usually ensure joint control of the parties to the joint operation. This is the case even if one of these parties has a share in the assets and liabilities of the joint operation of more than 50 per cent. One respondent explains that its share in the assets and liabilities of a specific joint operation is 90 per cent and it still does not control the joint operation because of the contractual arrangement. In other words, to obtain control over a joint operation that is not structured through a separate legal entity generally requires in practice that a party acquires all of the interests in a joint operation.

86. Most of the national accounting standard-setters who responded to our outreach request did not consider the acquisition of control over a joint operation that is not structured through a separate legal entity to be common and relevant in their jurisdiction.

87. Only two of the national accounting standard-setters responding to our outreach request consider the issue common or relevant in their jurisdiction and confirm diversity in views. While the IFRS 3 approach or the remeasurement approach is the preferred approach in one jurisdiction, preparers in the other jurisdiction do not generally remeasure the previously interest in the joint operation.

88. Comparing the results from the outreach to preparers from the extractive industries sector and national accounting standard-setters and securities regulators, we struggle to conclude whether the issue of acquisition of control over a joint operation is widespread and has, or is expected to have, a material effect on those affected. While preparers from the extractive industries sector, ie the relevant industry sector, explain that the acquisition of control over a joint operation is a rare case in their industry, two national accounting standard-setters confirm significant diversity in practice on this issue.

89. Consequently, we want to ask the Interpretations Committee members for their observations on the issue of acquisition of control over a joint operation:

(a) Is the issue common in practice or does it rarely occur?

(b) Is there diversity in the accounting by preparers of IFRS financial statements or only diversity in views that are then discussed in practice?

Staff recommendation

90. Our recommendation on the next steps depends on the conclusion of the Interpretations Committee on whether there is significant diversity in practice in accounting for the acquisition of control over a joint operation:

(a) If the Interpretations Committee thinks that there is significant diversity in practice on this issue, we recommend giving guidance by an IFRIC Interpretation.

(b) If the Interpretations Committee concludes, however, that there is no significant diversity in practice on this issue, we recommend that the Interpretations Committee should not add this issue to its agenda.

91. Depending on the conclusion of the Interpretations Committee on the existence of significant diversity in practice on this issue, we would:

(a) either ask the IASB whether it agrees with the recommendation of the Interpretations Committee before drafting an interpretation; or

(b) present a draft tentative agenda decision at the Interpretations Committee meeting in November 2013.

Project options

92. The guidance to be developed would determine whether a previously held interest in a joint operation is remeasured on the acquisition of control over a joint operation by explaining which principles in IFRS 3, ie the principles in paragraphs 38 or 41 and 42 of IFRS 3 etc., apply to such an acquisition.

93. We think this issue could be addressed by an IFRIC Interpretation. This is because the issue can be resolved efficiently within the confines of existing IFRSs and the *Conceptual Framework* (see paragraph 5.16(c) of the *Due Process Handbook*).

94. We think the issue does not qualify for annual improvements because it is neither clarifying nor correcting in nature. This is because the limitation in the scope of paragraphs 41 and 42 of IFRS 3 to the remeasurement of previously held equity interests is, in our understanding, part of the principle underlying the guidance for business combinations achieved in stages. Reading paragraphs 41, 42 and BC384 of IFRS 3 we understand that IASB wanted to limit the scope of paragraphs 41 and 42 of IFRS 3 to the remeasurement of previously held equity interests. Consequently, we think that also applying the remeasurement approach to the acquisition of control over a joint operation expands the scope of the current principle.

95. On the other hand, we think that the issue is not so broad, or the lack of explicit guidance in IFRS 3 not so significant, that a limited-scope project of the IASB would be required.

Applicable approach

96. We recommend that if an IFRIC Interpretation is developed then it should require remeasuring a previously held interest in a joint operation, irrespective of whether the joint operation is structured through an equity interest or not.

97. We recommend the remeasurement approach for the following reasons:

(a) The IASB rejected the cost-accumulation approach in developing IFRS 3 (revised 2008) because cost-accumulation practices had led to many of the inconsistencies and deficiencies in the financial reporting (see paragraph BC386 of IFRS 3). The IASB noted significant criticism of cost-accumulation practices. For example, paragraph BC199 of IFRS 3 explains that users of financial statements have long criticised cost-accumulation practices as resulting in information that lacks consistency, understandability and usefulness.

(b) The change from joint control to control over a business is a significant event for the acquirer (see also *IASB Update March 2006*[3]). The acquirer obtains sole decision-making power over the business and its assets and liabilities.

(c) Applying the remeasurement approach to the acquisition of control over all joint operations makes accounting for such transactions easier to understand and more consistent. This is because the distinction between interests in joint operations that are held via an equity interest and other types of interests becomes obsolete as far as the remeasurement of a previously held interest in a joint operation is concerned.

Loss of control

98. To ensure symmetry with the accounting for the acquisition of control over a joint operation, we recommend that the IFRIC Interpretation should also address the reverse transaction. This is the measurement of a retained interest in a business on the loss of control over the business, if the loss of control results in the classification of the remaining interest as an interest in a joint operation.

99. The latter transaction and the acquisition of control over a joint operation are the same story in reverse.

[3] http://www.ifrs.org/Updates/IASB-Updates/2006/Documents/mar06.pdf

100. Furthermore, accounting for the loss of control over a business on its contribution to a joint operation was one of the issues on which many respondents to the ED/2012/7 *Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)* asked for guidance (see paragraph 119(b) of Staff Paper 4 presented at the July 2013 Interpretations Committee meeting[4]).

101. The remeasurement-approach should also be the conceptual basis for accounting for these transactions. This means that a retained interest in a business is remeasured to its fair value at the date of the loss of control, if the loss of control results in the classification of the remaining interest as an interest in a joint operation.

102. We support the remeasurement-approach for this type of transaction for the following reasons:

(a) it achieves symmetry with the recommended accounting for the acquisition of control over a joint operation;

(b) the change from control to joint control over a business is a significant event for the parent losing control (see also *IASB Update March 2006*[5]). From now on it has to co-ordinate its decision-making over the business and its assets and liabilities with other parties; and

(c) applying the remeasurement approach to the loss of control over all businesses, as long as this loss of control results in a classification of the remaining interest as a joint operation, makes accounting for such transactions easier to understand and more consistent. This is because the distinction between interests in business that are held via an equity interest and other types of interests in a business becomes obsolete as long as the loss of control results in the classification of the remaining interest as a joint operation.

[4] http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2013/July/AP04%20-%20LSP%20IFRS%2011%20Acquisition%20of%20an%20Interest%20in%20a%20Joint%20Operation%20%28Draft%29%20v7%20Compare.pdf

[5] http://www.ifrs.org/Updates/IASB-Updates/2006/Documents/mar06.pdf

Questions to the IFRS Interpretations Committee

Questions to the IFRS Interpretations Committee
1. Does the Interpretations Committee think that there is significant diversity in practice in accounting for the acquisition of control over a joint operation? 2. Does the Interpretations Committee agree with limiting the scope of our work to the issue of whether a previously held interest in a joint operation is remeasured on the acquisition of control? Ie, does the Interpretations Committee agree with not addressing the recognition of shares in assets and liabilities of a business attributable to non-controlling interests? If the Interpretations Committee thinks that there is significant diversity in practice in accounting for the acquisition of control over a joint operation: 3. Does the Interpretations Committee agree that the significant diversity in practice should be resolved by an IFRIC Interpretation? 4. Does the Interpretations Committee agree that the conceptual basis of the IFRIC Interpretation should be the principles that any previously held interest in a joint operation is remeasured to its acquisition-date fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income? 5. Does the Interpretations Committee agree that the IFRIC Interpretation should also address the accounting on the loss of control over a business, if the loss of control results in the classification of the retained interest as an interest in a joint operation? 6. Does the Interpretations Committee agree that the conceptual basis of the IFRIC Interpretation in accounting for these transactions should be the principle that any retained interest in the business should be remeasured to its fair value at the date of the loss of control, with any resulting gain or loss recognised in profit or loss attributable to the parent? If the Interpretations Committee does not think that there is significant diversity in practice in accounting for the acquisition of control over a joint operation: 7. Does the Interpretations Committee agree not to add the issue to its agenda?

Appendix A—IFRS IC potential agenda item request

A1. The staff received the following request. All information has been copied without modification, except for details that would identify the submitter of the request and details that are subject to confidentiality.

The issue

A2. Should a previously held interest in the assets and liabilities of a joint operation be re-measured to fair value on acquiring control over the joint operation?

A3. IFRS 3 does not contain any specific guidance on accounting for acquisition of control over a joint operation (JO) whose activities constitute a 'business' as defined in IFRS 3. For example, a transaction where an entity has a 40% stake in a JO and acquires an additional 40% stake from another party to the joint arrangement which gives the entity control over the JO.

A4. IFRS 3 specifically requires an acquiring entity to recognise and measure the identifiable assets acquired and liabilities assumed in a business combination at fair value. Similarly if the acquiring entity had a previous equity interest in the acquiree, IFRS 3 requires such previously held equity interest to be re-measured at fair value. The difference between the fair value and the carrying value of the previously held equity interest is recorded as a gain or loss in the income statement.

A5. JOs are generally not conducted through legal entities and the operators do not have equity interests in a JO. Instead, they have rights to their share of assets and obligation for their share of liabilities relating to the JO. In such cases, it is not clear whether the previously held interest in the JO should be re-measured to fair value on acquiring control over the JO.

Current practice

A6. Currently there is significant diversity in accounting for these transactions. There are two approaches generally seen in practice:

IFRS 3 approach

(a) The previously held interest in the assets and liabilities of the jointly controlled operation is re-measured to fair value and the gain or loss arising on the re-measurement is recognised in the income statement.

This view considers the previously held net interest in the assets and liabilities of the jointly controlled operation as previously held 'equity interest' and hence, it is re-measured to fair value. The substance of the transaction is that control has been acquired over a business and hence the guidance under IFRS 3 is applied in its entirety.

This approach does not give a different accounting result depending on whether the joint arrangement operates through a legal entity or not.

Modified IFRS 3 approach

(b) The previously held interest in the assets and liabilities of the JO is not re-measured to fair value instead it is recorded at the previous carrying value.

Proponents of this approach consider the following factors as the basis for the view:

(i) Joint operations are generally not conducted through legal entities and hence there is no equity interest in a JO. Consequently, the requirement of IFRS 3 to re-measure the previously held equity interest to fair value does not apply; and

(ii) Assets of a joint operation are already recognised on the balance sheet of the operator to the extent it controls those assets (40% in the case above). On acquiring control over the JO (additional 40% stake), the operator has effectively acquired a further 40% control over the assets of the JO. Hence, it records the additional stake acquired at fair value but does not re-measure the previously held interest in the assets that it already controls.

Both these approaches are illustrated in the section below.

Question

A7. Should the previously held interest in the assets and liabilities of a JO should be re-measured to fair value and a gain or loss be recognised in the income statement when control is acquired over a JO?

Illustration

A8. There are three participants in a producing field which is a joint operation. The producing field represents a business as defined in IFRS 3. The ownership interest of the participants is as follows:

(a) Entity A 40%;

(b) Entity B 40%; and

(c) Entity C 20%.

A9. The terms of the joint operating agreement require decisions relating to financial and operating policies be approved by parties representing 75% of the interest in the arrangement. The carrying value of the asset in Entity A's financial statements is C 15 million.

A10. Entity A purchases Entity B's interest of 40% and obtains control. The fair value of the business is determined to be C 50 million. Entity A pays B consideration equivalent to its fair value of C 20 million.

A11. Entity A records this transaction as a business combination since it has acquired control over a producing field whose activities constitute a business.

A12. How should Entity A record the previously held interest of 40% in the assets and liabilities of the producing field?

IFRS 3 approach

(a) Entity A records the previously held interest of 40% in the assets and liabilities of the producing field at its fair value of C 20 million. A gain of C 5 million (being the difference between the carrying value of C 15 million and fair value of C 20 million) is recognised by Entity A in the income statement.

Modified IFRS 3 approach

(b) Entity A records the previously held interest of 40% in the assets and liabilities of the producing field at its carrying value of C 15 million. No gain or loss is recognised in the income statement.

Criteria	**Assessment**
Is the issue widespread and practical?	Yes. The issue affects all entities that acquire control over a joint operation.
Does the issue involve significantly divergent interpretations (either emerging or already existing in practice)?	Yes. There is existing diversity in practice.
Would financial reporting be improved through elimination of the diversity?	Yes.
Is the issue sufficiently narrow in scope to be capable of interpretation within the confines of IFRSs and the Framework for the Preparation and Presentation of Financial Statements, but not so narrow that it is inefficient to apply the interpretation process?	Yes. The issue relates specifically to acquisition of control over joint operations.
If the issue relates to a current or planned IASB project, is there a pressing need for guidance sooner than would be expected from the IASB project?	Not applicable.

Appendix B—Outreach requests

B1. Appendix B reproduces the outreach requests submitted to:

(a) national accounting standard-setters (ie the International Forum of Accounting Standard Setters (IFASS) and securities regulators (IOSCO); and

(b) preparers and preparer industry groups in the extractive industries sector.

B2. The outreach requests included, as an attachment, the submission reproduced in Appendix A to this Staff Paper.

Outreach to IFASS and IOSCO

> The IFRS Interpretations Committee has received a request to clarify the accounting for the acquisition of an additional interest in a joint operation ('JO') that results in the acquirer obtaining control over JO. In this submission, the activities of the JO meet the definition of a business, and consequently the acquisition of this additional interest results in a business combination.
>
> **1. Summary of the issue**
>
> The submitter refers to the fact pattern in which a joint operator acquires an additional interest in a JO and because of this latter acquisition the acquirer obtains control over the business of the JO.
>
> In applying IFRS 3 *Business Combinations* the question arises of whether the acquirer remeasures the previously held interest in a JO to the fair value at the acquisition date of the business combination (the 'acquisition-date fair value'). The previously held interest in the JO would be remeasured to the acquisition-date fair value if paragraphs 41-42 of IFRS 3 apply.
>
> The submitter explains that the applicability of paragraphs 41-42 of IFRS 3 is unclear if the JO is not structured through a separate legal entity. This is because paragraphs 41-42 require the remeasurement of a previously held equity interest in the acquiree. In the case of a JO that is not structured through a separate legal entity, the joint operators usually do not have (at

least from a legal perspective) an equity interest in the JO. Instead, they usually have (at least from a legal perspective) rights to the assets of the JO, including jointly held assets, and liabilities for the obligations of the JO, including the liabilities incurred jointly.

Because of this reference to a previously held equity interest in the acquiree, the submitter explains that it had observed two different approaches. If the acquisition of the additional interests results in the acquirer obtaining control over the business of the JO:

(a) the previously held interest in the assets and liabilities of a JO is remeasured to its acquisition-date fair value. The resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income (the 'statement of comprehensive income'); or

(b) the previously held interest in the assets and liabilities of a JO is not remeasured to fair value. Consequently no gain or loss is recognised in the statement of comprehensive income on the acquisition date. Instead, the previously held interest in the assets and liabilities of a JO is recorded at the previous carrying amount.

For further details I have attached the submission that we have received.

2. Questions

I would very much appreciate your observations in your jurisdiction on the following aspects:

Q1. Is the acquisition of an additional interest in a JO that results in the acquirer obtaining control over the business of a JO that is not structured through a legal entity common and relevant in your jurisdiction?

Q2. If yes to Q1, what is the prevalent approach in your jurisdiction to account for such transactions? Is the previously held interest in the assets and liabilities of a JO that is not structured through a separate legal entity remeasured to its acquisition-date fair value and the resulting gain or loss recognised in the statement of comprehensive income or not?

Outreach to preparers and preparer industry groups in the extractive industries sector

The IFRS Interpretations Committee has received a request to clarify the accounting for the acquisition of an additional interest in a joint operation ('JO') that results in the acquirer obtaining control over JO. In this submission, the activity of the JO meets the definition of a business; consequently the acquisition of this additional interest results in a business combination.

1. Summary of the issue

The submitter refers to the fact pattern in which a joint operator acquires an additional interest in a JO and because of this latter acquisition the acquirer obtains control over the business of the JO.

In applying IFRS 3 *Business Combinations* the question arises of whether the acquirer remeasures the previously held interest in a JO to the fair value at the acquisition date of the business combination (the 'acquisition-date fair value'). The previously held interest in the JO would be remeasured to the acquisition-date fair value if paragraphs 41-42 of IFRS 3 apply.

The submitter explains that the applicability of paragraphs 41-42 of IFRS 3 is unclear if the JO is not structured through a separate legal entity. This is because paragraphs 41-42 require the remeasurement of a previously held equity interest in the acquiree. In the case of a JO that is not structured through a separate legal entity, the joint operators usually do not have (at least from a legal perspective) an equity interest in the JO. Instead, they usually have (at least from a legal perspective) rights to the assets of the JO, including jointly held assets, and liabilities for the obligations of the JO, including the liabilities incurred jointly.

Because of this reference to a previously held equity interest in the acquiree, the submitter explains that it has observed two different approaches. If the acquisition of the additional interests results in the acquirer obtaining control over the business of the JO:

(a) the previously held interest in the assets and liabilities of a JO is remeasured to its acquisition-date fair value. The resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income (the 'statement of comprehensive income'); or

(b) the previously held interest in the assets and liabilities of a JO is not remeasured to fair value. Consequently no gain or loss is recognised in the statement of comprehensive income on the acquisition date. Instead, the previously held interest in the assets and liabilities of a JO is recorded at the previous carrying amount.

For further details I have attached the submission that we have received.

2. Questions

I would very much appreciate your observations in the oil and gas/mining sector on the following aspects:

Q1. Is the acquisition of an additional interest in a JO that results in the acquirer obtaining control over the business of a JO that is not structured through a legal entity common and relevant in the oil and gas/mining sector?

Q2. If yes to Q1, what is the prevalent approach in the oil and gas/mining sector to account for such transactions? Is the previously held interest in the assets and liabilities of a JO that is not structured through a separate legal entity remeasured to its acquisition-date fair value and the resulting gain or loss recognised in the statement of comprehensive income or not?

Appendix C—Illustration of the application of principal approaches

C1. The example illustrates the application of the different approaches outlined in the main body of this Staff Paper.

Fact pattern

C2. In Year 1 Entity A acquires a 30 per cent ownership interest in a joint operation (Joint Operation C) that is not structured through a separate vehicle (a separate legal entity) at a cost of CU100[6].

C3. In Year 5 Entity A acquires an additional 40 per cent ownership interest in Joint Operation C at a cost of CU400 which results in Entity A obtaining control over the business of Joint Operation C.

C4. At the date of the acquisition of the additional 40 per cent ownership interest in Joint Operation C, the fair value of previously held ownership interest is CU300 and the net carrying amount of the assets and liabilities related to this 30 per cent interest is CU150.

C5. It is Entity A's accounting policy, when measuring at acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, to measure those components at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

C6. The fair value (or the value required by IFRS 3 instead) of the assets and liabilities (including deferred tax assets and deferred tax liabilities) related to the business of Joint Operation C at the acquisition date and the carrying amounts of Entity A's share in the assets and liabilities related to Joint Operation C immediately before the acquisition date are set out in the following table:

[6] In this Staff Paper, currency amounts are denominated in 'currency units' (CU).

	Fair value of assets and liabilities related to the business of Joint Operation C at acquisition date (in CU)	*Carry amount Entity A's share in assets and liabilities related to Joint Operation C immediately before the acquisition date (in CU)*
Property, plant and equipment	270	47
Intangible assets (excluding goodwill)	125	5
Goodwill	430	50
Accounts receivable	210	63
Inventory	175	60
Retirement benefit obligation	(30)	(9)
Accounts payable	(120)	(36)
Deferred tax liability	(60)	(30)
Total	**1.000**	**150**

IFRS 3 approach or the remeasurement approach

C7. Entity A remeasures its previously held interest in the assets and liabilities of Joint Operation C to its acquisition-date fair value and it recognises the share in the assets and liabilities of Joint Operation C attributable to the non-controlling interests. In other words, Entity A recognises 100 per cent of the identifiable assets and liabilities of the business over which control has been obtained. It measures goodwill on the basis of the acquisition-date fair value of the previously held interest in the assets and liabilities of Joint Operation C.

C8. The residual is recognised as goodwill:

Consideration transferred	CU400
Amount of 30 per cent non-controlling interests in the identifiable assets and liabilities, ie excluding goodwill (CU570×30%)	CU171
Fair value of previously held interest in Joint Operation C	CU300
Net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed	CU(570)
Goodwill	CU301

C9. Consequently, Entity A presents the following amounts in its financial statements at the acquisition date:

	Amounts presented in Entity A's financial statements (in CU)
Property, plant and equipment	270
Intangible assets (excluding goodwill)	125
Goodwill	301
Accounts receivable	210
Inventory	175
Non-controlling interests	(171)
Retirement benefit obligation	(30)
Accounts payable	(120)
Deferred tax liability	(60)
Remeasurement gain (statement of comprehensive income)	(150)
Total	**550**

Modified IFRS 3 approach

C10. The previously held interest in the assets and liabilities of Joint Operation C is not remeasured. Instead, it is recorded at the carrying amounts immediately before the business combination. Non-controlling interests and their shares in the identifiable assets and liabilities are not recognised.

C11. Consequently, Entity A recognises the following amounts in its financial statements at the acquisition date for the acquisition of the additional 40 per cent interest in Joint Operation C:

	Fair value of assets and liabilities related to the business of Joint Operation C at acquisition date (in CU)	*Entity A's share in assets and liabilities related to the business of Joint Operation C (in per cent)*	*Amounts recognised in Entity A's financial statements* ***for additional share*** *(in CU)*
Property, plant and equipment	270	40%	108
Intangible assets (excluding goodwill)	125	40%	50
Accounts receivable	210	40%	84
Inventory	175	40%	70
Retirement benefit obligation	(30)	40%	(12)
Accounts payable	(120)	40%	(48)
Deferred tax liability	(60)	40%	(24)
Total	**570**		**228**

C12. The residual is recognised as goodwill:

Consideration transferred	CU400
Share in the identifiable assets acquired and liabilities assumed in the acquisition in Year 5	CU(228)
Goodwill	CU172

C13. Consequently, Entity A presents the following amounts in its financial statements at the acquisition date:

	Share acquired in Year 1	*Share acquired in Year 5*	*Amounts recognised on acquisition date*
Property, plant and equipment	47	108	155
Intangible assets (excluding goodwill)	5	50	55
Goodwill	50	172	222
Accounts receivable	63	84	147
Inventory	60	70	130
Retirement benefit obligation	(9)	(12)	(21)
Accounts payable	(36)	(48)	(84)
Deferred tax liability	(30)	(24)	(54)
Total	**150**	**400**	**550**

Variation of the modified IFRS 3 approach

C14. The previously held interest in the assets and liabilities of Joint Operation C is not remeasured. Instead, it is recorded at the carrying amounts immediately before the business combination. However, non-controlling interests and their shares in the identifiable assets and liabilities are recognised.

C15. Consequently, Entity A recognises the following amounts in its financial statements at the acquisition date of the additional 40 per cent interest in Joint Operation C:

	Fair value of assets and liabilities related to the business of Joint Operation C at acquisition date (in CU)	*Entity A's and non-controlling interests' share in assets and liabilities related to the business of Joint Operation C (in per cent)*	*Amounts recognised in Entity A's financial statements because of the acquisition of the additional share (in CU)*
Property, plant and equipment	270	70%	189
Intangible assets (excluding goodwill)	125	70%	88
Accounts receivable	210	70%	147
Inventory	175	70%	122
Retirement benefit obligation	(30)	70%	(21)
Accounts payable	(120)	70%	(84)
Deferred tax liability	(60)	70%	(42)
Total	**570**		**399**

C16. The residual is recognised as goodwill:

Consideration transferred	CU400
Amount of 30 per cent non-controlling interests in the identifiable assets and liabilities, ie excluding goodwill (CU570×30%)	CU171
70 per cent of the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed	CU(399)
Goodwill	CU172

C17. Consequently, Entity A presents the following amounts in its financial statements at the acquisition date:

	Share acquired in Year 1	*Share acquired in Year 5 (incl. non-controlling interest*	*Amounts presented on acquisition date*
Property, plant and equipment	47	189	236
Intangible assets (excluding goodwill)	5	88	93
Goodwill	50	172	222
Accounts receivable	63	147	210
Inventory	60	122	182
Non-controlling interests	N/A	(171)	(171)
Retirement benefit obligation	(9)	(21)	(30)
Accounts payable	(36)	(84)	(120)
Deferred tax liability	(30)	(42)	(72)
Total	**150**	**400**	**550**

Comparison

C18. The following table compares the results of the different approaches:

	IFRS 3 approach or the remeasurement approach	***Modified IFRS 3 approach***	***Variation of modified IFRS 3 approach***
Property, plant and equipment	270	155	236
Intangible assets (excluding goodwill)	125	55	93
Goodwill	301	222	222
Accounts receivable	210	147	210
Inventory	175	130	182
Non-controlling interests	(171)	-	(171)
Retirement benefit obligation	(30)	(21)	(30)
Accounts payable	(120)	(84)	(120)
Deferred tax liability	(60)	(54)	(72)
Remeasurement gain (statement of compr. income)	(150)	-	-
Total	**550**	**550**	**550**