Stage 3—
Teaching notes that accompany
the Acquisitive case study
Teaching notes for discussion facilitators using the Acquisitive case study

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Under *no circumstances* should these teaching notes be made available to students. Use of these teaching notes is limited exclusively to those teaching IFRS, because the efficacy of the case study as a tool to develop students’ ability to make IFRS judgements will be greatly impaired if the students have access to the teaching notes. Completing the case study will help students to develop their ability to make judgements and estimates when applying IFRS to unfamiliar economic phenomena (transactions, conditions and events). It is not an exercise in short-term memory recall.

The notes set out below are not intended to be complete. In other words, the notes provide the author’s selection of some issues that might provide interesting discussion in class when using this case study.

Furthermore, in the absence of facts to the contrary, when determining the correct accounting treatment for a transaction or series of transactions, all the relevant facts need to be taken into account. A case study such as this one, because of its brevity, can only present a certain collection of those facts. Although the requirements in IFRS are usually clear, the conclusions arrived at in this material are based on the assumption that there are no relevant facts that, if they had been considered, might have altered that conclusion. As a result, these can only be considered *likely conclusions*, and cannot be considered to be determinative, without full consideration of all the facts that would be present in a real-life scenario.

Moreover, the author encourages those using this case study to enhance class discussion by adding facts to the case study (or otherwise changing the facts presented in the case study) to extend the discussion to include how those new or otherwise changed facts affect the likely conclusions about a particular issue. The author believes that such enriched discussions are likely to further develop students’ ability to make the judgements that are necessary when applying IFRS.
Issue 1—goodwill

The issues for class discussion:

Do any of the following ‘items’ satisfy the definition of an asset (as defined in the IASB’s Conceptual Framework)?

- significant synergies between Acquisitive’s pre-existing operations and Introspective’s operations;
- synergies between the assembled collection of net assets that make up Introspective’s business; and
- the premium paid to entice the last remaining pre-existing Introspective shareholders to sell their shares.

Economically, is goodwill:

- a wasting asset—in other words, the service potential of goodwill is consumed as it is used to support the sale of goods over time; or
- an indefinite life asset—in other words, it is not consumed through use but is subject to impairment?

Assume you are in early 20x6 considering acquiring some Acquisitive shares. What information about the goodwill that arose from the accounting for the acquisition of Introspective in accordance with IFRS 3 Business Combinations would you consider useful to inform your investment decision?

Suggested pre-class reading

- The Conceptual Framework (particularly the objective, qualitative characteristics and definitions of elements);
- IFRS requirements (particularly IFRS 3 Business Combinations, IAS 36 Impairment of Assets and IAS 38 Intangible Assets);
- IFRS for SME requirements (particularly Section 19 Business Combinations and Goodwill)

Suggested pre-class student ‘research’—students’ interest in the issues in this case study can be heightened by encouraging them to explore academic research, press reports (and similar items) that reflect on the accounting for goodwill. For example:

- etc

1 You cannot require Acquisitive to provide information directly to you and consequently you must rely on its IFRS financial statements for much of the financial information you need.
Class discussions

A useful way in which to structure class discussion using the Framework-based approach is:

- What are the economics of the phenomenon (e.g., transaction or event)?
- What information about the phenomenon is
  - relevant for informing resource allocation decisions by existing and potential investors and lenders who cannot require information directly from Acquisitive; and
  - can be faithfully represented? 2
- Then consider IFRS requirements:
  - if different from the information expected from the previous ‘step’, then consider why (note: the Basis for Conclusions and dissenting opinions on the relevant IFRS can be helpful material for understanding the ‘why?’).
- Make judgements to develop an appropriate accounting policy.
- Make judgements and estimates to apply the relevant IFRS requirements with rigour and consistency.

Economics of goodwill

Before teaching the relevant IFRS requirements to students, it is useful to first establish that they understand the economics of goodwill. To achieve that understanding, I suggest that it is useful to use a series of smaller questions about the economics of goodwill. For example, the teachers might ask their students to discuss the following questions:

1. In a business combination what is the economics of goodwill?

Put another way—are the ‘economics’ of goodwill in a business combination one or more, if any, of the following?

(a) the excess of net assets fair values over the carrying amounts;
(b) the fair value of unrecognised identifiable net assets;
(c) the fair value of the going concern element of an existing business (i.e., the synergies of the net assets, market imperfections, including the ability to earn monopoly profits and

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2 The hierarchy set out in paragraph QC18 of the Conceptual Framework provides useful context for informing class discussion of these questions, as follows “The most efficient and effective process for applying the fundamental qualitative characteristics would usually be as follows (subject to the effects of enhancing characteristics and the cost constraint, which are not considered in this example). First, identify an economic phenomenon that has the potential to be useful to users of the reporting entity’s financial information. Second, identify the type of information about that phenomenon that would be most relevant if it is available and can be faithfully represented. Third, determine whether that information is available and can be faithfully represented. If so, the process of satisfying the fundamental qualitative characteristics ends at that point. If not, the process is repeated with the next most relevant type of information.”
barriers to market entry—either legal or because of transaction costs—by potential competitors);
(d) the fair value of the expected synergies and other benefits from combining the acquirer’s net assets and businesses with the acquiree’s;
(e) when purchasing a business, the overvaluation of the consideration paid by the acquirer stemming from errors in valuing the consideration tendered; and
(f) when purchasing a business, the overpayment or underpayment by the acquirer.

In developing IFRS 3, the Boards\(^3\) observed that the following are not conceptually part of goodwill because (see paragraphs BC313–BC315 of the Basis for Conclusions on IFRS 3):

- (a) above reflects gains that the acquiree has not recognised on its net assets—as such, (a) is part of those assets rather than part of goodwill.
- (b) above primarily reflects intangible assets that might be recognised as individual assets.
- (e) above is not an asset in and of itself, or even part of an asset, but is, instead, a measurement error.
- (f) above is also not an asset; it represents a loss (in the case of overpayment) or a gain (in the case of underpayment) to the acquirer.

In developing IFRS the Boards also observed that (c) and (d) above are the ‘core goodwill’ part of goodwill, because (see paragraphs BC313 and BC316 of the Basis for Conclusions on IFRS 3):

- (c) reflects the excess assembled value of the acquiree’s net assets—it represents the pre-existing goodwill that was either internally generated by the acquiree or acquired by it in prior business combinations.
- (d) reflects the excess assembled value that is created by the combination—the synergies that are expected from combining those businesses.

Applying this thinking to the facts presented when Acquisitive gains control of Introspective, the economics are: goodwill of CU1.4 billion arises from the acquisition—CU1 billion cost savings to arise from synergies between the pre-existing and new businesses plus CU0.4 billion synergies from Introspective’s established business.

2. **If there is no business combination, what is the economics of goodwill?**

I observe that nearly all participants in the workshops that I have facilitated conclude after some discussion that if there is no business combination, goodwill is the fair value of the going concern element of the existing business. The going concern element represents the

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\(^3\) IFRS 3 is the product of a joint IASB and the FASB (the US Standard-setter) project.
ability of the established business to earn a higher rate of return on its assembled collection of net assets than would be expected if those net assets had to be acquired separately. That value stems from the synergies of the net assets of the business, as well as from other benefits (such as factors related to market imperfections, including the ability to earn monopoly profits and barriers to market entry by potential competitors—either legal barriers or because of transaction costs).

I observe too that consistently with (a) and (b) in Question 1 above, workshop participants conclude that if irrespective of whether there is a business combination (in other words, even when there is no business combination), goodwill excludes any unrecognised separately identifiable intangible assets of the entity and any recognised items that are measured at amounts that are less than the item’s fair value because:

- those in (a) above reflects only ‘incomplete’ measurement (in other words part of) those assets rather than part of goodwill; and
- those in (b) above primarily reflects intangible assets in their own right.

Once students understand the nature of goodwill, they can determine which element (for example, asset) arises from the existence of goodwill.

3. Is goodwill an asset?

I observe that nearly all participants in the workshops that I have facilitated conclude after some discussion that the going concern element of an existing business and other benefits from combining net assets and businesses (ie (c) and (d) above) is an asset (goodwill).

For the IASB’s view, see paragraphs BC313–BC323 of the Basis for Conclusions of IFRS 3. In particular, paragraph BC323 explains that the IASB concluded that core goodwill—the fair value of the going concern element of an existing business and, in a business combination, the fair value of the expected synergies and other benefits from combining net assets and businesses (ie (c) and (d) above)—represents resources from which future economic benefits are expected to flow to the entity. In considering whether core goodwill represents a resource controlled by the entity, the IASB considered the assertion that core goodwill arises, at least in part, through factors such as a well-trained workforce, loyal customers and so on, and that these factors cannot be regarded as controlled by the entity because the workforce could leave and the customers could go elsewhere. However, the IASB, like the FASB, concluded that control of core goodwill is provided by means of the acquirer’s power to direct the policies and management of the acquiree. Therefore, both the IASB and the FASB concluded that core goodwill meets the conceptual definition of an asset.

I observe too that nearly all participants in the workshops that I have facilitated conclude after some discussion that:
• the items described in (a), (b) are not part of goodwill because they are assets in their own right;
• the item described in (e) is a valuation error relating to assets separate from goodwill rather than goodwill; and
• the item described in (f) above is an expense rather than an asset because no incremental resource comes under Acquisitive’s control and no incremental benefits are expected to flow to Acquisitive from such overpayment.

4. Is goodwill a wasting asset?

I observe too that nearly all participants in the workshops that I have facilitated conclude, consistently with the IASB, that goodwill (ie (c) and (d) above) is a wasting asset—“The Board acknowledged that if goodwill is an asset, in some sense it must be true that goodwill acquired in a business combination is being consumed” (see paragraph BC131E of the Basis for Conclusions of IAS 36 Impairment of Assets). However, regarding (f) above, most participants conclude that the overpayment, although accounted for as goodwill in accordance with IFRS 3 Business Combinations (see below), is an expense (rather than an asset) there can be no further ‘wasting’ of this item.

Relevant information that can be faithfully represented

Once students understand the economics of goodwill, they can move on to asking what information about goodwill is relevant to primary users’ decisions about providing economic resources to an entity that has goodwill that can be represented faithfully.

Teachers might find asking personalised questions to be useful in stimulating class discussion. For example: assuming you own shares in Acquisitive, what information about goodwill arising from the acquisition of Introspective would you find relevant (capable of making a difference) to your decisions about whether to hold or sell those shares; and can that information be faithfully represented?

When considering what information about goodwill can be faithfully represented, discussion can be stimulated by observing, for example, that the IFRS for SMEs requires goodwill to be amortised. In contrast, IFRS 3 prohibits amortising goodwill, because the Board remained doubtful about the usefulness of an amortisation charge that reflects the consumption of acquired goodwill, when the useful life of acquired goodwill and the pattern in which it diminishes generally are not possible to predict. Amortisation of goodwill depends on such predictions (see paragraph BC131E of the Basis for Conclusions of IAS 36 Impairment of Assets).
Reporting in accordance with IFRS

Now that the students understand the economics and they have considered what information about those economics (that can be faithfully represented) would be useful to potential and existing investors, lenders and other creditors (who are not in a position to demand information from the entity) for making decisions about providing resources to Acquisitive, they are ready to:

(a) identify the relevant IFRS requirements;
(b) consider whether those requirements are consistent with their expectations of relevant information that can be faithfully represented; and
(c) make the judgements necessary to apply those requirements.

All participants identify IFRS 3 Business Combinations, IAS 36 Impairment of Assets and IAS 38 Intangible Assets as the Standards most relevant to Acquisitive when accounting for goodwill.

In particular:

- for internally generated goodwill, paragraphs 48–50 of IAS 38;
- for goodwill arising in a business combination, paragraphs 32–40 and B46–B49 of IFRS 3; and
- for the impairment of goodwill, paragraphs 80–99 of IAS 38.

When applying the requirements of IFRS 3 to Acquisitive’s acquisition of Introspective, I observe that all workshop participants conclude that goodwill arising from the accounting for the acquisition of Introspective is CU2 billion. Most workshop participants observed that it is inconsistent with the economics (see above) to recognise as part of the asset (goodwill) the CU0.6 billion premium paid solely to entice the last remaining Introspective shareholders to sell their shares. They appreciate that impairment testing in accordance with IAS 36 should (to the extent that ‘growth’ between the acquisition date and the date of the impairment test does not conceal the recognition of any overpayment) result in any overpayment being recognised as an impairment expense. Put another way (paragraph BC131E of the Basis for Conclusions of IAS 36): ‘The Board concluded that because it is not possible to measure separately goodwill generated internally after a business combination and to factor that measure into the impairment test for acquired goodwill, the carrying amount of goodwill will always be shielded from impairment by that internally generated goodwill. Therefore, the Board took the view that the objective of the goodwill impairment test could at best be to ensure that the carrying amount of goodwill is recoverable from future cash flows expected to be generated by both acquired goodwill and goodwill generated internally after the business combination.’

To develop further the cohesiveness of students’ understanding of the accounting for goodwill, it is useful to explore with them the reasons why the IASB specified such
requirements for goodwill. The following questions might be useful to stimulate class discussion:

- Why does IFRS require recognised goodwill to be carried at its historical cost, and to be periodically tested for impairment? (For the IASB’s reasons, see paragraphs BC131A-BC131G of the Basis for Conclusions of IAS 36.)
- What judgements and estimates are made in testing goodwill for impairment in accordance with IAS 36? (For some ideas to stimulate class discussion, see paragraphs BC132–BC159 of the Basis for Conclusions of IAS 36.)
- Contrast the accounting for goodwill in accordance with IFRS and the IFRS for SMEs and consider issues set out in the IASB’s Post-implementation Review of IFRS 3 about the accounting for goodwill arising from business combinations.

Reporting in accordance with the IFRS for SMEs

Now that the students understand the economics and they have considered what information about those economics (that can be faithfully represented) would be useful to potential and existing investors, lenders and other creditors (who are not in a position to demand information from the entity) for making decisions about providing resources to Acquisitive, they are ready to:

(a) identify the relevant IFRS for SMEs requirements;
(b) consider whether those requirements are consistent with their expectations of relevant information that can be faithfully represented; and
(c) make the judgements necessary to apply those requirements.

All participants identify Section 19 Business Combinations and Goodwill and Section 27 Impairment of Assets as the Sections most relevant to Acquisitive when accounting for goodwill.

In particular:

- for internally generated goodwill, paragraph 18.15(f);
- for goodwill arising in a business combination, paragraphs 19.22–19.24; and
- for the impairment of goodwill paragraphs 27.24–27.31.

To develop the cohesiveness of students’ understanding of the accounting for goodwill, it is useful to explore with them the reasons why the IASB specified such requirements for goodwill.
A final question

After workshop participants had understood the economics and user information needs and discussed the accounting for goodwill in accordance with IFRS and the IFRS for SMEs (or other relevant reporting requirements, for example, a local GAAP), and after they have considered the issues documented in the Post-implementation Review of IFRS 3, they should be prepared to discuss a final question—how, if at all, should the IASB improve the accounting for goodwill?

Issue 2—controlling shareholder buys out the non-controlling interest

The issues for class discussion

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<tr>
<th>Question</th>
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<tbody>
<tr>
<td>Assuming that the purchase of the non-controlling interest in Booming is priced at the market—why does this transaction, when accounted for in accordance with IFRS, result in the net assets of the Acquisitive group declining by CU6 billion?</td>
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<tr>
<td>Reflecting on Warren Buffet’s commentary, how would you advise Jane Doe to explain this transaction to Acquisitive’s shareholders at the forthcoming earnings release?</td>
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<td>What changes, if any, to IFRS do you think could be made to provide information in a way that addresses the question raised by Warren Buffet?</td>
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<td>Would your answer to the question above be affected by the option chosen by Acquisitive when, many years ago, measuring non-controlling interest in its accounting for the acquisition of Booming—that is to say: (i) fair value or (ii) the present ownership instruments’ proportionate share in the recognised amounts of the Booming’s identifiable net assets?</td>
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Suggested pre-class reading

- the Conceptual Framework (particularly the objective, qualitative characteristics and element definitions);
- IFRS requirements (particularly IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements);
- suggested pre-class student ‘research’—students’ interest in the issues in this case study can be heightened by encouraging them to explore press releases, press reports (and similar items) that reflect on the accounting for the purchase of non-controlling interests by controlling shareholders. For examples:
o Warren Buffett’s letter to Berkshire Hathaway Inc. shareholders 2013 (see http://www.berkshirehathaway.com/letters/2013ltr.pdf);


o International Accounting Standards Board Business Combinations Phase II Project summary, feedback and effect analysis, January 2008 (see http://www.ifrs.org/Current-Projects/IASB-Projects/Business-Combinations/Documents/BusComb_Effects.pdf) (particularly pages 20–25 with regard to “Changes in the relative proportion of the controlling and non-controlling interests”);

o Alan Teixeira (2014): The International Accounting Standards Board and Evidence-Informed Standard-Setting, Accounting in Europe, DOI: 10.1080/17449480.2014.900269; and

o UBS Research Footnotes Compendium issued by Dennis Jullens, former UBS Accounting and Valuation Analyst (8 December 2010).

Class discussion

A useful way in which to structure class discussion using the Framework-based approach is:

• What are the economics of the phenomenon (eg transaction or other event)?

• What information about the phenomenon is relevant for informing resource allocation decisions by existing and potential investors and lenders who cannot require information directly from Acquisitive, and

• that can be faithfully represented?

• Then consider relevant IFRS requirements:

• if the IFRS requirement is different from the information generated in response to the previous question, then consider why it is different (note: the Basis for Conclusions and dissenting opinions on the relevant IFRS can be helpful material to understanding the ‘why?’).

• Make judgements to develop an appropriate accounting policy.

• Make judgements and estimates to apply the relevant IFRS requirements with rigour and consistency.

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4 When an IFRS specifically applies to a transaction, other event or condition, the accounting policy shall be determined by applying that IFRS. In the absence of an IFRS that specifically applies use the IAS 8 Hierarchy (paragraphs 10–12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).
Economics of NCI and the transaction purchasing the NCI

Before teaching the relevant IFRS requirements to students it is useful first to establish that they understand the economics of:

(i) the claims that non-controlling interests (NCI) have against the group; and
(ii) the transactions that extinguish their claims.

I observe that when asked to classify the NCIs’ claims using only the element definitions in the Conceptual Framework (see paragraph 4.4), nearly all participants experience little difficulty in quickly concluding that that NCIs’ claims are equity—part of the residual interest in the assets of the group after deducting all its liabilities. They reach this conclusion because the NCIs' claims are not a present obligation of the group. This is because the group is not currently obliged to transfer resources to the NCI—a present obligation would arise, for example, only if Booming were to declare a dividend (and then, continuing the example, only the dividend payable to the NCI would be classified as a liability of the group).

Understanding the economics of the transaction (Acquisitive’s purchase of the NCI’s shares in Booming) can be explored by simply asking the student to discuss a simple question—what is the economics of the transaction?

I observe that nearly all participants in the workshops that I have facilitated quickly conclude that the economics of Acquisitive purchasing the Booming NCI is: the group pays CU10 billion cash to extinguish the Booming NCI’s CU10 billion claim against the group.

Once students understand the economics of the NCIs’ claims and of the transaction between the NCI and Acquisitive, they are then ready to consider what information (that can be faithfully represented) about those economic phenomena is relevant to primary users’ resource allocation decisions.

Relevant information about the purchase of NCI that can be faithfully represented

Once the elements that exist have been established, the students are ready to discuss what information about the transaction they would find useful when making decisions about providing resources to Acquisitive on the basis of information provided in Acquisitive’s 20x1 financial statements. For example, students could be asked: which of the following provides relevant information to primary users about the purchase of Booming’s NCI?

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5 The extent to which this is necessary will depend on the pre-existing knowledge that your students possess about business combinations and consolidated financial statements.
6 Existing and potential investors, lenders and other creditors that cannot require Acquisitive to provide information directly to them (see paragraphs OB2 and OB5 of the Conceptual Framework).
Asset (cash) ↓ CU10 billion and choose one of:

(a) equity (NCI) ↓ CU10 billion (ie each reporting period remeasure the subsidiary’s assets and liabilities at their fair value, with consequent updating to the carrying amount of equity, including NCI to CU10 billion on 1 July 20x5);

(b) equity (NCI) ↓ CU10 billion (ie only at 1 July 20x5—date NCI purchased—remeasure the subsidiary’s assets and liabilities at their fair value with consequent changes in the carrying amount of equity, including NCI (ie in the Acquisitive case study to increase (credit) NCI by CU6 billion, to CU10 billion, the aggregate of the individual assets and liabilities of Introspective would be debited by CU24 billion)

(c) equity (NCI) ↓ CU4 billion and equity other ↓ CU6 billion (ie no remeasurement at fair value and CU6 billion difference recognised directly in equity); or

(d) equity (NCI) ↓ CU4 billion and ↓ profit or loss CU6 billion (ie no remeasurement at fair value and CU6 billion difference recognised as an expense)

Put another way:

‘If you were deciding whether to buy shares in Acquisitive, what information about the purchase of Booming’s NCI that can be faithfully represented in Acquisitive’s 20x5 consolidated financial statements would you find relevant to your buy decision?’

Nearly all of the participants at the workshops I facilitated report that the most relevant information about the transaction is—asset (cash) ↓ CU10 billion and equity (NCI) ↓ CU10 billion. However, the audience is perplexed by how that accounting could be achieved. Some suggest that only by remeasuring NCI and underlying items at fair value each reporting period can a faithful representation of the underlying economics be achieved. They also suggest that such a fair value measurement of each ‘underlying’ asset and liability in accordance with IFRS 13 Fair Value Measurement can be faithfully represented. Others doubt whether such accounting would be cost-beneficial, while yet others raise concerns about whether such regular measurements can be faithfully represented. They suggest that only at 1 July 20x5—the date the NCI is ‘purchased’—can the NCI and underlying items be measured at fair value, because only at that date does a market transaction exist for the fair value of the NCIs’ claims.

Very few that we have observed would find relevant the following information about the transaction—asset (cash) ↓ CU10 billion and equity (NCI) ↓ CU4 billion and equity (attributable to the shareholders of Acquisitive) ↓ CU6 billion (ie no remeasurement at fair value).
IFRS accounting for the purchase of the NCI

All of the participants at the workshops I facilitated concluded that paragraphs 23 and B96 of IFRS10 Consolidated Financial Statements specify that Acquisitive must, in its consolidated financial statements, report the purchase of the Booming NCI as specified by alternative (c) above: ↓asset (cash) CU10 billion, ↓equity (NCI) CU4 billion and ↓equity (other) CU6 billion.

To provide students with a cohesive understanding of IFRS, it is helpful to explore with them why the IASB specified such accounting for the purchase of NCI (see paragraphs BCZ168–BCZ179 of the Basis for Conclusions on IFRS 10).

Similarly, it is helpful for students to understand why the IASB allows two alternatives (see paragraph 19 of IFRS 3) for measuring non-controlling interest at the date of acquisition, and see paragraphs BC205–BC221A of the Basis for Conclusions on IFRS 3 Business Combinations). It is also useful for the students to understand the effects on Acquisitive’s consolidated financial statements of management’s choice to use (or not to use) fair value for measuring non-controlling interest at the date of acquisition.

A final question

After workshop participants had understood the economics and user information needs and discussed the accounting in accordance with IFRS 10 for the controlling shareholder’s (Acquisitive’s) purchase of the Booming NCI, to extend their understanding I asked them a final question—which, if any, of the hypothetical changes to IFRS below, do you believe would address Warren Buffet’s concerns?

(a) for each reporting period, remeasure all the subsidiary’s assets and liabilities (including assets that currently would not be recognised under IFRS, for example, in-process research, internally generated brands and internally generated goodwill) at their fair value with consequent updating to the carrying amount of equity, including NCI;
(b) only at 1 July 20x5 (the date NCI was purchased) remeasure all the subsidiary’s assets and liabilities at their fair value with consequent changes in the carrying amount of equity, including NCI (ie in the Acquisitive case study to increase (credit) NCI by CU6 billion the aggregate of the individual assets and liabilities of Introspective would be debited by CU24 billion);
(c) rather than remeasuring the subsidiary’s individual assets and liabilities at 1 July 20x5 remeasure NCI at its fair value, when NCI is purchased and create a ‘new’ asset measured at the difference between the fair value and the carrying amount of the NCI purchased (ie in the Acquisitive case study CU10 billion – CU4 billion = CU6 billion asset). I ask those that select this option a follow-up question—what is the ‘new’ asset?
Most workshop participants that I observed answered that alternative (a) was the solution that they believe would best address Mr Buffett’s concerns. Further discussion has revealed that they generally believe that the ‘problem’:

- is not with the mechanics of the accounting for the purchase of the NCI (ie derecognising the cash (asset) paid and the NCIs’ claims (equity); but instead
- is the result of the incomplete measurement of the NCIs’ claims between the date of their initial recognition and their derecognition (and, when entities do not elect to measure NCI at its fair value, also as a result of incomplete measurement of the NCIs’ claims at their initial recognition).

Nevertheless, I observe that some workshop participants find it vexing to reconcile their conclusion on the question above with their pre-existing belief in the usefulness of asset recognition criteria and the relevance of historical cost accounting or (for others) the ‘mixed measurement model’ currently used across IFRS as satisfying the objective of general purpose financial information in a cost-beneficial way.

**Issue 3—reorganisation**

This reorganisation is adapted from the Amalgam case study (see [http://www.ifrs.org/Use-around-the-world/Education/Documents/Framework-based%20teaching%20materials/IAS%208%20hierarchy%20case%20study%20(final).pdf](http://www.ifrs.org/Use-around-the-world/Education/Documents/Framework-based%20teaching%20materials/IAS%208%20hierarchy%20case%20study%20(final).pdf)).

The teaching notes that accompany the Amalgam case study can be downloaded by qualifying persons from webpage [http://www.ifrs.org/Use-around-the-world/Education/Pages/Framework-based-teaching-material.aspx](http://www.ifrs.org/Use-around-the-world/Education/Pages/Framework-based-teaching-material.aspx).

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7 in addition to the existence of an asset