S02.02-AS-02-I.2-Exceptions

I - Goodwill (and Business Combination): General principles

2. Acquisition method: Exceptions to the recognition and measurement principles

Exceptions to the recognition principle

Contingent liabilities:

(IFRS 3, par 23)

The requirements in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" do not apply in determining which contingent liabilities to recognise as of the acquisition date.
Instead, the acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

*Therefore, **contrary to IAS 37**, the acquirer **recognises a contingent liability** assumed in a business combination at the acquisition date **even if** it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. (...).*

Exceptions to the recognition AND measurement principles

Income tax

(IFRS 3, par 24)

The acquirer shall recognise and measure a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination in accordance with IAS 12 "Income Taxes".

(IFRS 3, par 25)

The acquirer shall account for the potential tax effects from temporary differences and (the tax loss) carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition in accordance with IAS 12.

Employee benefits

(IFRS 3, par 26)

The acquirer shall recognise and measure a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with IAS 19 "Employee Benefits".

Indemnification assets **(or liability guarantee)**

(IFRS 3, par 27)

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. (...)

As a result, the acquirer obtains an indemnification asset. The acquirer shall recognise an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. (...)

Exceptions to the measurement principle

Reacquired rights

As part of a business combination an acquirer may reacquire a right it had previously granted to the acquiree to use one or more assets recognised or not by the acquirer. Examples of such rights are in particular those under a concession agreement or the right to use the technology of the acquirer under a technology licence agreement.

A reacquired right is an identifiable intangible asset that the acquirer recognises separately from goodwill.

Share-based payment rights

(IFRS 3, par 30)

The acquirer shall measure a liability or an equity instrument related to the replacement of an acquiree's share-based payment awards with share-based payment awards of the acquirer in accordance with the method in IFRS 2 "Share-based Payment".

Assets held for sale

(IFRS 3, par 31)

*The acquirer shall measure an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" **at fair value less costs to sell**.*