ภาคผนวก

มหาวิทยาลัยเชียงใหม่
Chiang Mai University

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มาตรฐานการบัญชีระหว่างประเทศ ฉบับที่ 22
เรื่อง
การรวมธุรกิจ ฉบับปรับปรุงปี ค.ศ.1998
IAS No. 22, Business Combinations (revised 1998)

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International Accounting Standard IAS 22 (revised 1998)

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International Accounting Standard IAS 22 (revised 1998)

Business Combinations

The standards, which have been set in bold italic type, should be read in the context of the background material and implementation guidance in this standard, and in the context of the Preface to International Accounting Standards. International Accounting Standards are not intended to apply to immaterial items (see paragraph 12 of the Preface).

Objective

The objective of this Standard is to prescribe the accounting treatment for business combinations. The Standard covers both an acquisition of one enterprise by another and also the rare situation of a uniting of interests when an acquirer cannot be identified. Accounting for an acquisition involves determination of the cost of the acquisition, allocation of the cost over the identifiable assets and liabilities of the enterprise being acquired and accounting for the resulting goodwill or negative goodwill, both at acquisition and subsequently. Other accounting issues include the determination of the minority interest amount, accounting for acquisitions which occur over a period of time, subsequent changes in the cost of acquisition or in the identification of assets and liabilities, and the disclosures required.

Scope

1. ***This Standard should be applied in accounting for business combinations.***

2. A business combination may be structured in a variety of ways which are determined for legal, taxation or other reasons. It may involve the purchase by an enterprise of the equity of another enterprise or the purchase of the net assets of a business enterprise. It may by effected by the issue of shares or by the transfer of cash, cash equivalents or other assets. The transaction may be between the shareholder of the combining enterprises or between one enterprise and the shareholders of the other enterprise. The business combination may involve the establishment of a new enterprise to have control over the combining enterprises, the transfer of the net assets of one or more of the combining enterprises to another enterprise or the dissolution of one or more of the combining enterprises. When the substance of the transaction is consistent with the definition of a business combination in this Standard, the accounting and disclosure requirements contained in this Standard are appropriate irrespective of the particular structure adopted for the combination.

3. A business combination may be result in a parent-subsidiary relationship in which the acquirer is the parent and the acquiree a subsidiary of the acquirer. In such circumstances, the acquirer applies this Standard in its consolidated financial statements. It includes its interest in the acquiree in its separate financial statements as an investment in a subsidiary (see IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries).

4. A business combination may involve the purchase of the net assets, including any goodwill, of another enterprise rather than the purchase of the shares in the other enterprise. Such a business combination does not result in a parent-subsidiary relationship. In such circumstances, the acquirer applies this Standard in its separate financial statements and consequently in its consolidated financial statements.

5. A business combination may give rise to a legal merger. While the requirements for legal mergers differ among countries, a legal merger is usually a merger between two companies in which either :
   (a) the assets and liabilities of one company are transferred to the other company and the first company is dissolved ; or
   (b) the assets and liabilities of both companies are transferred to a new company and both the original companies are dissolved.

   Many legal mergers arise as part of the restructuring or reorganisation of a group and are not dealt with in this Standard because they are transactions among enterprises under common control. However, any business combination that resulted in the two companies becoming members of the same group is dealt with as an acquisition or as a uniting of interests in consolidated financial statements under the requirements of this Standard.

6. This Standard does not deal with the separate financial statements of a parent other than in the circumstances described in paragraph 4. Separate financial statements are prepared using different reporting practices in different countries in order to meet a variety of needs.

7. This Standard does not deal with :
   (a) transactions among enterprises under common control ; and
   (b) interests in joint ventures (see IAS 31, Financial Reporting of Interests in Joint Ventures) and the financial statements of joint ventures.

Definitions

8. *The following terms are used in this Standard with the meanings specified :*

A __business combination__ is the bringing together of separate enterprises into one economic entity as a result of one enterprise uniting with or obtaining control over the net assets and operations of another enterprise.

An __acquisition__ is a business combination in which one of the enterprises, __the acquirer__, obtains control over the net assets and operaations of another enterprise, __the acquiree__, in exchange for the transfer of assets, incurrence of a liability or issue of equity.

A __uniting of interests__ is a business combination in which the shareholders of the combining enterprises combine control over the whole, or effectively the whole, of their net assets and operations to achieve a continuing mutual sharing in the risks and benefits attaching to the combined entity such that neither party can be identified as the acquirer.

__Control__ is the power to govern the financial and operation policies of an enterprise so as to obtain benefits from its activities.

A __parent__ is an enterprise that has one or more subsidiaries.

A __subsidiary__ is an enterprise that is controlled by another enterprise (known as the parent).

__Minority interest__ is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent.

__Fare value__ is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

__Monetary assets__ are money held and assets to be received in fixed or determinable amount of money.

__Date of acquisition__ is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer.

Nature of a Business Combination

9. In accounting for a business combination, an acquisition is in substance different from a uniting of interests and the substance of the transaction needs to be reflected in the financial statements[1]. Accordingly, a different accounting method is prescribed for each.

Acquisitions

10. In virtually all business combinations one of the combining enterprises obtains control over the other combining enterprise, thereby enabling an acquirer to be identified. Control is presumed to be obtained when on of the combining enterprises acquires more than one half of the voting rights of the other combining enterprise unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Even when one of the combining enterprises does not acquire more than one half of the voting rights of the other combining enterprise, it may still be possible to identify an acquirer when one of the combining enterprises, as a result of the business combination, acquires :

(a) power over more than one half of the voting rights of the other enterprise by virtue of an agreement with other investors ;

(b) power to govern the financial and operating policies of the other enterprise under a statute or an agreement ;

(c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body of the other enterprise ; or

(d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the other enterprise.

11. Although it may sometimes be difficult to identify an acquirer, there are usually indications that one exists. For example :

(a) the fair value of one enterprise is significantly greater than that of the other combining enterprise. In such cases, the larger enterprise is the acquirer ;

(b) the business combination is effected through an exchange of voting common shares for cash. In such cases, the enterprise giving up cash is the acquirer ; or

(c) the business combination results in the management of one enterprise being able to dominate the selection of the management team of the resulting combined enterprise. In such cases the dominant enterprise is the acquirer.

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[1] See also SIC – 9, Business Combinations – Classification either as Acquisitions or Unitings of Interests.

Reverse Acquisitions

12. Occasionally an enterprise obtains ownership of the shares of another enterprise but as part of the exchange transaction issues enough voting shares, as consideration, such that control of the combined enterprise passes to the owners of the enterprise whose shares have been acquired. This situation is described as a revere acquisition. Although legally the enterprise issuing the shares may be regarded as the parent or continuing enterprise, the enterprise whose shareholders now control the combined enterprise is the acquirer enjoying the voting or other powers identified in paragraph 10. The enterprise issuing the shares is deemed to have been acquired by the other enterprise ; the latter enterprise is deemed to be the acquirer and applies the purchase method to the assets and liabilities of the enterprise issuing the shares.

Unitings of Interests

13. In exceptional circumstances, it may not be possible to identify an acquirer. Instead of a dominant party emerging, the shareholders of the combining enterprises join in a substantially equal arrangement to share control over the whole, or effectively the whole, of their net assets and operations. In addition, the managements of the combining enterprises participate in the management of the combined entity. As a result, the shareholders of the combining enterprises share mutually in the risks and benefits of the combined entity. Such a business combination is accounted for as a uniting of interests.

14. A mutual sharing of risks and benefits is usually not possible without a substantially equal of voting common shares between the combining enterprises. Such an exchange ensures that the relative ownership interests of the combining enterprises, and consequently their relative risks and benefits in the combined enterprise, are maintained and the decision-making powers of the parties are preserved. However, for a substantially equal share exchange to be effective in this regard there cannot be a significant reduction in the rights attaching to the shares of one of the combining enterprises, otherwise the influence of that party is weakened.

15. In order to achieve a mutual sharing of the risks and benefits of the combined entity :
    (a) the substantial majority, if not all, of the voting common shares of the combining enterprises are exchanged or pooled ;
    (b) the fair value of one enterprise is not significantly different from that of the other enterprise ; and
    (c) the shareholders of each enterprise maintain substantially the same voting rights and interest in the combined entity, relative to each other, after the combination as before.

16. The mutual sharing of the risks and benefits of the combined entity diminishes and the likelihood that an acquirer can be identified increases when :
    (a) the relative equality in fair value of the combining enterprises is reduced and the percentage of voting common shares exchanged decreases ;
    (b) financial arrangements provide a relative advantage to one group of shareholders over the other shareholders. Such arrangements may take effect either prior to or after the business combination ; and
    (c) one party's share of the equity in the combined entity depends on how the business which it previously controlled performs subsequent to the business combination.

Acquisitions

Accounting for Acquisitions

17. ***A business combination which is an acquisition should be accounted for by use of the purchase method of accounting as set out in the standards contained in paragraphs 19 to 76.***

18. The use of the purchase method results in an acquisition of an enterprise being accounted for similarly to the purchase of other assets. This is appropriate since an acquisition involves a transaction in which assets are transferred, liabilities are incurred or capital is issued in exchange for control of the net assets and operations of another enterprise. The purchase method uses cost as the basis for recording the acquisition and relies on the exchange transaction underlying the acquisition for determination of the cost.

Date of Acquisition

19. ***As from the date of acquisition, and acquirer should :***
    (a) incorporate in the income statement the results of operations of the acquiree ; and
    (b) recognise in the balance sheet the identifiable assets and liabilities of the acquiree and any goodwill or negative goodwill arising on the acquisition.

20. The date of acquisition is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer and the date when application of the purchase method commences. The results of operations of an acquired business are included in the financial statements of the acquirer as from the date of acquisition, which is the date on which control of the acquiree is effectively transferred to the acquirer. In substance, the date of acquisition is the date from when the acquirer has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its

activities. Control is not deemed to have been transferred to the acquirer until all conditions necessary to protect the interests of the parties involved have been satisfied. However, this does not necessitate a transaction being closed or finalised at law before control effectively passes to the acquirer. In assessing whether control has effectively been transferred, the substance of the acquisition needs to be considered.

Cost of Acquisition

21. An acquisition should be account for at its cost, being the amount of cash or cash equivalents paid or the fair value, at the date of exchange, of the other purchase consideration given the acquirer in exchange for control over the net assets of the other enterprise, plus any costs directly attributable to the acquisition.
22. When an acquisition involves more than one exchange transaction the cost of the acquisition is the agreegate cost of the individual transactions. When an acquisition is achieved in stages, the distinction between the date of acquisition and the date of the exchange transaction is important. While accounting for the acquisition commences as from the date of acquisition, it uses cost and fair value information determined as at the date of each exchange transaction.
23. Monetary assets given and liabilities incurred are measured at their fair values at the date of the exchange transaction. When settlement of the purchase consideration is deferred, the cost of the acquisition is the present value of the consideration, taking into account any premium or discount likely to be incurred in settlement, and not the nominal value of the payable.
24. In determining the cost of the acquisition, marketable securities issued by the acquirer are measured at their fair value which is their market price as at date of the exchange transaction, provided that undue fluctuations or the narrowness of the market do not make the market price an unreliable indicator. When the market price on one particular date is not a reliable indicator, price movements for a reasonable period before and after the announcement of the terms of the acquisition need to be considered. When the market is unreliable or no quotation exists, the fair value of the securities issued by the acquirer is estimated by reference to their proportional interest in the fair value of the acquirer's enterprise or by reference to the proportional interest in the fair value of the enterprise acquired, whichever is the more clearly evident. Purchase consideration which is paid in cash to shareholders of the acquiree as an alternative to securities may also provide evidence of the total fair value given. All aspects of the acquisition, including significant factors influencing the negotiations, need to be considered, and independent valuations may be used as an aid in determining the fair value of securities issued.
25. In addition to the purchase consideration, the acquirer may incur direct costs relating to the acquisition. These include the costs of registering and issuing equity securities, and professional fees paid to accountants, legal advisers, valuers and other consultants to effect the acquisition. General administrative costs, including the costs of maintaining an acquisitions department, and other costs

which cannot be directly attributed to the particular acquisition being accounted for, are not included in the cost of the acquisition but are recognised as an expense as incurred.

Recognition of Identifiable Assets and Liabilities

26. The identifiable assets and liabilities acquired that are recognised under paragraph 19 should be those of the acquiree that exited at the date of acquisition together with any liabilities recognised under paragraph 31. They should be recognized separately as at the date of acquisition if, and only if :
    (a) it is probable that any associated future economic benefits will flow to, or resources embodying economic benefits will flow from, the acquirer ; and
    (b) a reliable measure is available of their cost or fair value.
27. Assets and liabilities that are recognised under paragraph 26 are described in this Standard as identifiable assets and liabilities. To the extent that assets and liabilities are purchased which do not satisfy these recognition criteria there is a resultant impact on the amount of goodwill or negative goodwill arising on the acquisition, because goodwill or negative g:odwill is determined as the residual cost of acquisition after recognising the identifiable assets and liabilities.
28. The identifiable assets and liabilities over which the acquirer obtain control may include assets and liabilities which were not previously recognised in the financial statements of the acquiree. This may be because they did not qualify for recognition prior to the acquisition. This is the case, for example, when tax benefit arising from tax losses of the acquiree qualifies for reconition as an identifiable asset as a result of the acquirer earning sufficient taxable income.
29. **Subject to paragraph 31, liabilities should not be recognised at the date of acquisition if they result from the acquirer's intentions or actions. Liabilities should also not be recognised for future losses or other costs expected to be incurred as a result of the acquisition, whether they relate to the acquirer or the acquiree.**
30. The liabilities referred to in paragraph 29 are not liabilities of the acquiree at the date of acquisiton. Therefore, they are not relevant in allocating the cost of acquisition. Nonetheless, this Standard contains one specific exception to this general principle. This exception applies if the acquirer has developed plans that relate to the acquiree's business and an obligation comes into existence as a direct consequence of the acquisition. Because these plans are an integral part of the acquirer's plan for the acquisition, this Standard requires an enterprise to recognise a provision for the resulting costs (see paragraph 31). Paragraph 31 lays down strict conditions designed to ensure that the plans were an integral part of the acquisition and that within a short time – the earlier of three months after the date of acuisition and the date when the financial statements are approved – the acquirer has developed the plans in a way that requires the enterprise to recognise a restructuring provision under IAS 37,

Provisions, Contigent Liabilities and Contigent Assets. This Standard also requires an enterprise to reverse such provisions if the plan is not implemented in the manner expected or within the time originally expected (see paragraph 75) and to disclose information on such provisions (see paragraph 92).

31. **At the date of acquisition, the acquirer should recognise a provision that was not a liability of the acquiree at that date if, and only if, the acquirer has :**

(a) at, or before, the date of acquisition, developed the main features of a plan that involves terminating or reducing the activities of the acquiree and that relates to :

(i) compensating employees of the acquiree for terminating of their employment ;

(ii) closing facilities of the acquiree ;

(iii) eliminating product lines of the acquiree ; or

(iv) terminating contracts of the acquiree that have become onerous because the acquirer has communicated to the other party at, or before, the date of acquisition that the contract will be terminated ;

(b) by announcing the main features of the plan at, or before, the date of acquisition, raised a valid expectation in those affected by the plan that it will implement the plan ; and

(c) by the earlier of three months after the date of acquisition and the date when the annual financial statements are approved, developed those main features into a detailed formal plan identifying at least :

(i) the business or part of a business concerned ;

(ii) the principal locations affected ;

(iii) the location, function, and approximate number of employees who will be compensated for terminating their services ;

(iv) the expenditures that will be undertaken ; and

(v) when the plan will be implemented.

Any provision recognised under this paragraph should cover only the costs of the items listed in (a)(i) to (iv) above.

Allocation of Cost of Acquisition

Benchmark Treatment

32. **The identifiable assets and liabilities recognised under paragraph 26 should be measured at the aggregated of :**

(a) **the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction to the extent of the acquirer's interest obtained in the exchange transaction ; and**

(b) **the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiary.**

Any goodwill or negative goodwill should be accounted for under this Standard.

33. The cost of an acquisition is allocated to the identifiable assets and liabilities recognised under paragraph 26 by reference to their fair values at the date of the exchange transaction. However, the cost of the acquisition only relates to the percentage of the identifiable assets and liabilities purchased by the acquirer. Consequently, when an acquirer purchases less than all the shares of the other enterprise, the resulting minority interest is stated at the minority's proportion of the pre-acquisition carrying amounts of the net identifiable assets of the subsidiary.This is because the minority's proportion has not been part of the exchange transaction to effect the acquisition.

Allowed Alternative Treatment

34. The identifiable assets and liabilities recognised under paragraph 26 should be measured at their fair values as at the date of acquisition. Any goodwill or negative goodwill should be accounted for under this Standard. Any minority interest should be stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised under paragraph 26.

35. Under this approach, the net identifiable assets over which the acquirer has obtained control are stated at their fair values, regardless of whether the acquirer has acquired all or only some of the capital of the other enterprise or has acquired the assets directly. Consequently, any minority interest is stated at the minority's proportion of the fair values of the net identifiable assets of the subsidiary.

Successive Share Purchases

36. An acquisition may involve more than one exchange transaction, as for example when it is achieved in stages by successive purchases on a stock exchange. When this occurs, each significant transacton is treated separately for the purpose of determining the fair values of the identifiable assets and liabilities acquired and for determining the amount of any goodwill or negative goodwill on that transaction. This results in a step-by-step comparision of the cost of the individual investments with the acquirer's percentage interest in the fair values of the identifiable assets and liabilities acquired at each significant step.

37. When an acquisition is achieved by successive purchases, the fair values of the identifiable assets and liabilities may vary at the date of each exchange transaction. If all the identifiable assets and liabilities

relating to an acquisition are restated to fair values at the time of successive purchases, any adjustment relating to the previously held interest of the acquirer is a revaluation and is accounted for as such.

38. Prior to qualifying as an acquisition, a transaction may qualify as an investment in an associate and be accounted for by use of the equity method under IAS 28, Account for Investments in Associates. If so, the determination of fair values for the identifiable asset and liabilities acquired and recognition of goodwill or negative goodwill occurs notionally as from the date when the equity method is applied. When the investment did not qualify previously as an associate, the fair values of the identifiable assets and liabilities are determined as at the date of each significant step and goodwill or negative goodwill is recognised from the date of acquisition.

Determining the Fair Values of Identifiable Assets and Liabilities Acquired

39. General guidelines for arriving at the fair value of identifiable assets and liabilities acquired are as follows :

(a) marketable securities at their current market values ;

(b) non-marketable securities at estimated value that take into consideration features such as price earnings ratios, dividend yields and expected growth rates of comparable securities of enterprises with similar characteristics ;

(c) receivables at the present values of the amount to be received, determined at appropriate current interest rates, less allowances for uncollectability and collection costs, if necessary. However, discounting is not required for short-term receivables when the difference between the nominal amount of the receivable and the discounted amount is not material ;

(d) inventories :

(i) finished goods and merchandise at selling prices less the sum of (a) costs of disposal and (b) a reasonable profit allowance for the selling effort of the acquirer based on profit for similar finished goods and merchandise ;

(ii) work in process at selling prices of finished goods less the sum of (a) cost to complete, (b) costs of disposal and (c) a reasonable profit allowance for the completing and selling effort based on profit for similar finished goods ; and

(e) land and buildings at their market value :

(f) plant and equipment :

at market value, normally determined by appraisal. When there is no evidence of market value because of the specialised nature of the plant and equipment or because the items are rarely sold, except as part of a continuing business, they are valued at their depreciated replacement cost ;

(g) intangible assets, as defined in IAS 38, Intangible Assets, at fair value determined :

(i) by reference to an active market as defined in IAS 38 ; and

(ii) if no active market exists, on a basis that reflects the amount that the enterprise would have paid for the asset in an arm's length transaction between knowledgeable willing parties, based on the best information available (see IAS 38 for further guidance on determining the fair value of an intangible asset acquired in a business combination) ;

(h) net employee benefit assets or liabilities for defined benefit plans at the present value of the difined benefit obligation less the fair value of any plan assets. However, an asset is only recognised to the extent that it is probable that it will be available to the enterprise in the form of refunds from the plan or deduction in future contributions ;

(i) tax assets and liabilities; at the amount of the tax benefit arising from tax losses or the taxes payable in respect of the net profit or loss, assessed from the perspective of the combined entity or group resulting from the acquisition. The tax asset or liability is determined after allowing for the tax effect of restating identifiable assets and liabilities to their fair values and is not discounted. The tax assets include any deferred tax asset of the acquirer that was not recognised prior to the business combination, but which, as a consequence of the business combination, now satisfies the recognition criteria in IAS 12, Income Taxes;

(j) accounts and notes payable, long-term debt, liabilities, accruals and other claims payable at the present values of amounts to be disbursed in meeting the liability detemined at appropriate current interest rates. However, discounting is not required for shot-term liabilities when the difference between the norminal amount of the liability and the discounted amount is not material ;

(k) onerous contract and other identifiable liabilities of the acquiree at the present values of amounts to be disbursed in meeting the obligation determined at appropriate current interest rates ; and

(l) provision for terminating or reducing activities of the acquiree that are recognised under paragraph 31, at an amount determined under IAS 37, Provision, Contigent Liabilities and Contigent Assets.

Certain of the guidelines above assume that fair values will be determined by the use of discounting. When the guidelines do not refer to the use of discounting, discounting may or may not be used in determining the fair values of identifiable assets and liabilities.

40. **If the fair value of an intangible asset cannot be measured by reference to an active market (as defined in IAS 38, Intangible Assets), the amount recognised for that intangible asset at the date of the acquisition should be limited to an amount that does not create or increase negative goodwill that arises on the acquisition (see paragraph 59)**

Goodwill Arising on Acquisition

Recognition and Measurement

41. **Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction should be described as goodwill and recognised as an asset.**

42. Goodwill arising on acquisition represents a payment made by the acquirer in anticipation of future economic benefits. The future economic benefits may be result from synergy between the identifiable assets acquired or from assets which, individually, do not qualify for recognition in the financial statements but for which the acquirer is prepared to make payment in the acquisition.

43. **Goodwill should be carried at cost less any accumulated amortisation and any accumulated impairment losses.**

Amortisation

44. **Goodwill should be amortised on a systematic basis over its useful life. The amortisation period should reflect the best estimate of the period during which future economic benefits are expected to flow to the enterprise. There is a rebuttable presumption that the useful life of goodwill will not exceed twenty years from initial recognition.**

45. **The amortisation method used should reflect the pattern in which the future economic benefits arising from goodwill are expected to be consumed. The straight-line method should be adopted unless there persuasive evidence that another method is more appropriate in the circumstances.**

46. **The amortisation for each period should be recognised as an expense.**

47. With the passage of time, goodwill diminishes, reflecting the fact that its service potential is decreasing. In some cases, the value of goodwill may appear not to decrease over time. This is because the potential for economic benefits that was purchased initially is being progressively replaced by the potential for economic benefits resulting from subsequent enhancements of goodwill. In other words, the goodwill that was purchased is being replaced by internally generated goodwill. IAS 38, Intangible assets, prohibits the recognition of internally generated goodwill as an asset. Therefore, it is appropriate that goodwill is amortised on a systematic basis over the best estimate of its useful life.

48. Many facts need to be considered in estimation the useful life of goodwill including :
    (a) the nature and foreseeable life of the acquired business ;
    (b) the stability and foreseeable life of the industry to which the goodwill relates ;
    (c) public information on the characteristic of goodwill in similar business or industries and typical lifecycles of similar businesses ;
    (d) the effects of product obsolescence, changes in demand and other economic factors on the acquired business ;

(e) the service life expectancies of key individuals or groups of employees and whether the acquired business could be efficiently managed by another management team ;

(f) the level of maintenance expenditure or of funding required to obtain the expected future economic benefits from the acquired business and the company's ability and intent to reach such a level ;

(g) expected action by competitors or potential competitors ; and

(h) the period of control over the acquired business and legal, regulatory or contractual provisions affecting its useful life.

49. Because goodwill represents, among other things, future economic benefits from synergy or assets that cannot be recognised separately, it is difficult to estimate its useful life. Estimates of its useful life become less reliable as the length of the useful life increases. The presumption in this Standard is that goodwill does not normally have a useful life in excess of twenty years from initial recognition.

50. In rare cases, there may be persuasive evidence that the useful life of goodwill will be a specific period longer than twenty years. Although examples are difficult to find, this may occur when the goodwill is so clearly related to an identifiable asset or a group of identifiable assets that it can reasonably be expected to benefit the acquirer over the useful life of the identifiable asset or group of assets. In these cases, the presumption that the useful life of goodwill will not exceed twenty years is rebutted and the enterprise :

(a) amortises the goodwill over the best estimate of its useful life ;

(b) estimates the recoverable amount of the goodwill at least annually to identify any impairment loss (see paragraph 56) ; and

(c) discloses the reasons why the presumption is rebutted and the factor(s) that played a significant role in determining the useful life of the goodwill (see paragraph 88 (b)).

51. The useful life of goodwill is always finite. Uncertainty justifies estimating the useful life of goodwill on a prudent basis, but it does not justify estimating a useful life that is unrealistically short.

52. There will rarely, if ever, be persuasive evidence to support an amortisation method for goodwill other than the straight-line basis, especially if that other method results in a lower amount of accumulated amortisation than under the straight-line method. The amortisation method is applied consistently from period to period unless there is a change in the expected pattern of economic benefits from goodwill.

53. When accounting for an acquisition, there may be circumstances in which the goodwill on acquisition does not reflect future economic benefits that are expected to flow to the acquirer. For example, since negotiating the purchase consideration, there may have been a decline in the expected future cash flows from the net identifiable assets acquired. In this case, an enterprise tests the goodwill for impairment under IAS 36, Impairment of Assets, and accounts for any impairment loss accordingly.

54. **The amortization period and the amortisation method should be reviewed at least at each financial year end. If the expected useful life of goodwill is significantly different from previous estimates, the amortisation period should be changed accordingly. If there has been a significant change in the expected pattern of economic benefits from goodwill, the method should be changed to reflect the changed pattern. Such changes should be accounted for as changes in accounting estimates under IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, by adjusting the amortisation charge for the current and future periods.**

Recoverability of the Carrying Amount – Impairment Losses

55. To determine whether goodwill is impaired, an enterprise applies IAS 36, Impairment of Assets. IAS 36 explains how an enterprise reviews the carrying amount of its assets, how it determines the recoverable amount of an asset and when it recognises or reverses an impairment loss.

56. **In addition to following the requirements included in IAS 36, Impairment of Assets, an enterprise should, at least at each financial year end, estimate in accordance with IAS 36 the recoverable amount of goodwill that is amortises over a period exceeding twenty years from initial recognition, even if there is no indication that it is impaired.**

57. It is sometimes difficult to identify whether goodwill is impaired, particularly if it has a long useful life. As a consequence, this Standard requires, as a minimum, an annual calculation of the recoverable amount of goodwill if its useful life exceeds twenty years from initial recognition.

58. The requirement for an annual impairment test of goodwill applies whenever the current total estimated useful life of the goodwill exceeds twenty years from its initial recognition. Therefore, if the useful life of goodwill was estimated to be less than twenty years at initial recognition, but the estimated useful life is subsequently extended to exceed twenty years from when the goodwill was initially recognised, an enterprise performs the impairment test required under paragraph 56 and gives the disclosure required under paragraph 88 (b).

Negative Goodwill Arising on Acquisition

Recognition and Measurement

59. **Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, should be recognised as negative goodwill.**

60. The existence of negative goodwill may indicate that identifiable assets have been overstated and identifiable liabilities have been omitted or understated. It is important to ensure that this is not the case before negative goodwill is recognised.

61. **To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition (see paragraph 26), that portion of negative goodwill should be recognised as income in the income statement when the juture losses and expenses are recognised. If these identifiable future losses and expenses are not recognised in the expected period , negative goodwill should be treated under paragraph 62 (a) and (b)**

62. **To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measure reliably at the date of acquisition, negative goodwill should be recognised as income in the income statement as follows :**
    (a) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets should be recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets ; and
    (b) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets should be recognised as income immediately.

63. To the extent that negative goodwill does not relate to expectations of future losses and expenses that have been identified in the acquirer's plan for the acquisition and can be measured reliably, negative goodwill is a gain which is recognised as income when the future economic benefits embodied in the identifiable depreciably/amortisable assets acquired are consumed. In the case of monetary assets, the gain is recognised as income immediately.

Presentation

64. **Negative goodwill should be presented as a deduction from the assets of the reporting enterprise, in the same balance sheet classification as goodwill.**

Adjustments to Purchase Consideration Contigent on Future Events

65. **When the acquisition agreement provides for an adjustment to the purchase consideration contingent on one or more future events, the amount of the adjustment should be included in the cost of the acquisition as at the date of acquisition if the adjusment is probable and the amount can be measured reliably.**

66. Acquisition agreements may allow for adjustments to be made to the purchase consideration in the light of one or more future events. The adjustments may be contigent on a specified level of earnings being maintained or achieved in future periods or on the market price of the securities issued as part of the purchase consideration being maintained.

67. When initially accounting for an acquisition, it is usually possible to estimate the amount of any adjustment to the purchase consideration, even though some uncertainty exists, without impairing the reliability of the information. If the future events do not occur, or the estimate needs to be revised, the

cost of the acquisition is adjusted with a consequential effect on goodwill, or negative goodwill, as the case may be.

Subsequent Changes in Cost of Acquisition

68. **The cost of the acquisition should be adjust when a contigency affecting the amount of the purchase consideration is resolved subsequent to the date of the acquisition, so that payment of the amount is probable and a reliable estimate of the amount can be made.**

69. The term of an acquisition may provide for an adjustment of the purchase consideration if the results from the acquiree's operations exceed or fall short of an agreed level after acquisition. When the adjustment subsequently becomes probable and a reliable estimate can be made of the amount, the acquirer treats the additional consideration as an adjustment to the cost of acquisition, with a consequential effect on goodwill, or negative goodwill, as the case may be.

70. In some circumstances, the acquirer may be required to make subsequent payment to the seller as compensation for a reduction in the value of the purchase consideration. This is the case when the acquirer has guaranteed the market price of securities or debt issued as consideration and has to make a further issue of securities or debt for the purchase of restoring the originally determined cost of acquisition. In such cases, there is no increase in the cost of acquisition and, consequently, no adjustment to goodwill or negative goodwill. Instead, the increase in securities or debt issued represents a reduction in the premium or an increase in the discount on the initial issue.

Subsequent Identification or Change in Value of Identifiable Assets and Liabilities

71. **Identifiable assets and liabilities, which are acquired but which do not satisfy the criteria in paragraph 26 for separate recognition when the acquisition is initially accounted for, should be recognised subsequently as and when they satisfy the criteria. The carrying amounts of identifiable assets and liabilities acquired should be adjusted when, subsequent to acquisition, additional evident becomes available to assist with the estimation of the amounts assigned to those identifiable assets and liabilities when the acquisition was initially accounted for. The amount assigned to goodwill or negative goodwill should also be adjusted, when necessary, to the extent that :**

    (a) the adjustment does not increase the carrying amount of goodwill above its recoverable amount, as defined in IAS 36, Impairment of Assets ; and

    (b) such adjustment is made by the end of the first annual accounting period commencing after acquisition (except for the recognition of an identifiable liability under paragraph 31, for which the time-frame in paragraph 31(c) applies) ;

otherwise the adjustments to the identifiable assets and liabilities should be recognised as income or expense.

72. Identifiable assets and liabilities of an acquiree may not have been recognised at the time of acquisition because they did not meet the recognition criteria for identifiable assets and liabilities or the acquirer was unaware of their existence. Similarly, the fair values assigned at the date of acquisition to the identifiable assets and liabilities acquired may need to be adjusted as addititional evidence becomes available to assist with the estimation of the value of the identifiable asset or liability at the date of acquisition. When the identifiable assets or liabilities are recognised or the carrying amounts are adjusted after the end of the first annual account period (excluding interim periods) commencing after acquisition, income or expense is recognised rather than an adjustment to goodwill or negative goodwill. This time-limit, while arbitrary in its length, prevents goodwill and negative goodwill from being reassessed and adjusted indefinitely.

73. Under paragraph 71, the carrying amount of goodwill (negative goodwill) is adjusted if, for example, there is an impairment loss before the end of the first annual accounting period commencing after acquisition for an identifiable asset acquired and the impairment loss does not relate to specific events or changes in circumstances occurring after the date of acquisition.

74. When, subsequent to acquisition but prior to the end of the first annual accounting period commencing after acquisition, the acquirer becomes aware of the existence of a liability which had existed at the date of acquisition or of an impairment loss that does not relate to specific events or change in circumstances occurring after the date of acquisition, goodwill is not increased above its recoverable amount determined under IAS 36.

75. **If provision for terminating or reducing activities of the acquiree were recognised under paragraph 31, these provisions should be reversed if, and only if :**

(a) the outflow of economic benefits in no longer probable ; or

(b) the detailed formal plan is not implemented :

(i) in the manner set out in the detailed formal plan ; or

(ii) within the time established in the detailed formal plan.

Such a reversal should be reflected as an adjustment to goodwill or negative goodwill (and minority interests, if appropriate) so that no income or expense is recognised in respect of it. The adjusted amount of goodwill should be amortised prospectively over its remaining useful life. The adjusted amount of negative goodwill should be dealt with under paragraph 62(a) and (b).

76. No subsequent adjustment is normally necessary in respect of provisions recognised under paragraph 31, as the detailed formal plan is required to identify the expenditures that will be undertaken. If the expenditures have not occurred in the expected period, or are no longer expected to occur, it is necessary to adjust the provision for terminating or reducing activities of the acquiree, with a corresponding

adjustment to the amount of goodwill or negative goodwill (and minority interest, if appropriate). If subsequently, there is any obligation that required to be recognised under IAS 37, Provisions, Contigent Liabilities and Contigent Assets, the enterprise recognises a corresponding expense.

Unitings of Interests

Accounting for Unitings of Interests

77. **A uniting of interests should be accounted for by use of the pooling of interest method as set out in paragraphs 78, 79 and 82.**

78. **In applying the pooling of interests method, the financial statement items of the combining enterprises for the period in which the combination occurs and for any comparative periods disclosed should be included in the financial statements of the combined enterprises as if they had been combined from the beginning of the earliest period presented. The financial statements of an enterprise should not incorporate a uniting of interests to which the enterprise is a party if the date of the uniting of interests is after the date of the most recent balance sheet included in the financial statements.**

79. **Any difference between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired should be adjusted against equity.**

80. The substance of a uniting of interests is that no acquisition has occurred and there has been a continuation of the mutual sharing of risks and benefits that existed prior to the business combination. Use of the pooling of interests method recognises this by accounting for the combined enterprises as though the separate businesses were continuing as before, though now joinly owned and managed. Accordingly, only minimal changes are made in aggregating the individual financial statements.

81. Since a uniting of interests results in a single combined entity, a single uniform set of accounting policies in adopted by that entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining enterprises at their existing carrying amounts adjusted only as a result of conforming the combining enterprises' accounting policies and applying those policies to all periods presented. There is no recognition of any new goodwill or negative goodwill. Similarly, the effects of all transactions between the combining enterprises, whether occurring before or after the uniting of interests, are eliminated in preparing the financial statements of the combined entity.

82. **Expenditures incurred in relation to a uniting of interests should be recognised as expenses in the period in which they are incurred.**

83. Expenditures incurred in relation to a uniting of interests include registration fees, costs of furnishing information to shareholders, finders and consultants fees, and salaries and other expenses related to

services of employees involved in achieving the business combination. They also include any costs or losses incurred in combining operations of the previously separate businesses.

All Business Combinations

Taxes on Income

84. In some countries, the accounting treatment for a business combination may differ from that applied under their respective income tax laws. Any resulting deferred tax liabilities and deferred tax assets are recognised under IAS 12, Income Taxes.

85. The potential benefit of income tax loss carryforwards, or other deferred tax assets, of an acquired enterprise, which were not recognised as an identifiable asset by the acquirer at the date of acquisition, may subsequently be realised. When this occurs, the acquirer recognises the benefit as income under IAS 12, Income Taxes. In addition, the acquirer :

   (a) adjust the gross carrying amount of the goodwill and the related accumulated amortisation to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at the date of the business combination ; and

   (b) recognises the reduction in the net carrying amount of the goodwill as an expense.

   However, this procedure does not create negative goodwill, nor does it increase the carrying amount of negative goodwill.

Disclosure

86. **For all business combinations, the following disclosures should be made in the financial statements for the period during which the combination has taken place :**

   (a) the names and descriptions of the combining enterprises ;

   (b) the method of accounting for the combination ;

   (c) the effective date of the combination for accounting purposes ; and

   (d) any operations resulting from the business combination which the enterprise has decided to dispose of.

87. **For a business combination which is an acquisition, the following additional disclosures should be made in the financial statements for the period during which the acquisition has taken place :**

   (a) the percentage of voting shares acquired ; and

   (b) the cost of acquisition and a description of the purchase consideration paid or contingently payable.

88. **For the goodwill, the financial statements should disclose :**

   (a) the amortisation period(s) adopted ;

(b) if goodwill is amortised over more than twenty years, the reasons why the presumption that the useful life of goodwill will not exceed twenty years from initial recognition is rebutted. In giving these reasons, the enterprise should describe the factor(s) that played a significant role in determining the useful life of the goodwill.

(c) If goodwill is not amortised on the straight-line basis, the basis used and reason why that basis is more appropriate than the straight-line basis ;

(d) The line item(s) of the income statement in which the amortisation of goodwill in included ; and

(e) A reconciliation of the carrying amount of goodwill at the beginning and end of the period showing :

(i) the gross amount and the accumulated amortisation (aggregated with accumulated impairment losses), at the beginning of the period ;

(ii) any additional goodwill recognised during the period ;

(iii) any adjustments resulting from subsequent identification or changes in value of identifiable assets and liabilities ;

(iv) any goodwill derecognised on the disposal of all or part of the business to which it relates during the period ;

(v) amortisation recognised during the period ;

(vi) impairment losses recognised during the period under IAS 36, Impairment of Assets (if any) ;

(vii) other changes in the carrying amount during the period (if any) ; and

(viii) the gross amount and the accumulated amortisation (aggregated with accumulated impairment losses), at the end of the period.

Comparative information is not required.

89. When an enterprise describes the factor(s) that played a significant role in determining the useful life of goodwill that is amortised over more than twenty years, the enterprise considers the list of factors in paragraph 48.

90. An enterprise discloses information on impaired goodwill under IAS 36 in addition to the information required by paragraph 88 (e)(vi) and (vii)

91. **For negative goodwill, the financial statements should disclose ;**

(a) to the extent that negative goodwill is treated under paragraph 61, a description, the amount and the timing of the expected future losses and expenses ;

(b) the period(s) over which negative goodwill is recognised as income ;

(c) the line item(s) of the income statement in which negative goodwill is recognised as income ; and

(d) a reconciliation of the carrying amount of negative goodwill at the beginning and end of the period showing :

91. the gross amount of negative goodwill and the accumulated amount of negative goodwill already recognised as income, at the beginning of the period ;

(iii) any additional negative goodwill recognised during the period ;

(iv) any adjustments resulting from subsequent identification or changes in value of identifiable assets and liabilities ;

(v) any negative goodwill derecognised on the disposal of all or part of the business to which it relates during the period ;

(vi) negative goodwill recognised as income during the period, showing separately the portion of negative goodwill recognised as income under paragraph 61 (if any) ;

(vii) other changes in the carrying amount during the period (if any) ; and

(viii) the gross amount of the negative goodwill and the accumulated amount of negative goodwill already recognised as income, at the end of the period.

Comparative information is not required.

92. The disclosure requirement of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, apply to provisions recognised under paragraph 31 for terminating or reducing the activities of an acquiree. These provisions should be treated as a separate class of provisions for the purpose of disclosure under IAS 37. In addition, the aggregate carrying amount of these provisions should be disclosed for each individual business combination.

93. In an acquisition, if the fair values of the identifiable assets and liabilities or the purchase consideration can only be determined on a provisional basis at the end of the period in which the acquisition took place, this should be stated and reasons given. When there are subsequent adjustments to such provisional fair values, those adjustments should be disclosed and explained in the financial statements of the period concerned.

94. For a business combination which is a uniting of interests, the following additional disclosures should be made in the financial statements for the period during which the uniting of interests has take place :

(a) description and number of shares issued, together with the percentage of each enterprise's voting shares exchanged to effect the uniting of interests ;

(b) amounts of assets and liabilities contributed by each enterprise ; and

(c) **sale revenue, other operating revenues, extraordinary items and the net profit or loss of each enterprise prior to the date of the combination that are included in the net profit or loss shown by the combined enterprise's financial statements.**

95. General disclosures required to be made in consolidated financial statements are contained in IAS 27, Consolidated Financial Statements and Accounting for Investment in Subsidiaries.

96. For business combinations effected after the balance sheet date, the information required by paragraphs 86 to 94 should be disclosed. If it is impracticable to disclose any of this information, this fact should be disclosed.

97. Business combinations which have been effected after the balance sheet date and before the date on which the financial statements of one of the combining enterprises are authorised for issue are disclosed if they are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions (see IAS 10, Contingencies and Events Occurring After the Balance Sheet Date).

98. In certain circumstances, the effect of the combination may be to allow the financial statements of the combined enterprise to be prepared in accordance with the going concern assumption. This might not have been possible for one or both of the combining enterprises. This may occur, for example, when an enterprise having access to cash that can be used in the enterprise with a need for cash. If this is the case, disclosure of this information in the financial statements of the enterprise having the cash flow difficulties is relevant.

Transitional Provisions

99. At the date when this Standard becomes effective (or at the date of adoption, if earlier), it should be applied as set out in the following tables. In all cases other than those detailed in this tables, this Standard should be applied retrospectively, unless it is impracticable to do so.

100. The effect of adopting this Standard on its effective date (or earlier) should be recognised under IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, that is, as an adjustment either to the opening balance of retained earnings of the earliest period presented (IAS 8 benchmark treatment) or to the net profit or loss for the current period (IAS 8 allowed alternative treatment).

101. In the first annual financial statement issued under this Standard, an enterprise should disclose the transitional provisions adopted where transitional provisions under this Standard permit a choice.

Effective Date

102. **This International Accounting Standard becomes operative for annual financial statements covering periods beginning on or after 1 July 1999. Earlier application is encouraged. If an enterprise applies this Standard for annual financial statements covering periods beginning before 1 July 1999, the enterprise should :**

   (a) disclose that fact ; and

   (b) adopt IAS 36, Impairment of Assets, IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and IAS 38, Intangible Assets, at the same time.

103. This Standard supersedes IAS 22, Business Combinations, approved in 1993.

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Transitional Provision – Restatement of Goodwill and Negative Goodwill	
Circumstances	Requirements
1. Business combination that was an acquisition and arose in annual financial statements covering periods beginning before 1 January 1995.	
(a) Goodwill (negative goodwill) was written off against reserves.	Restatement of the goodwill (negative goodwill) is encouraged, but not required. If the goodwill (negative goodwill) is restated. (i) restate goodwill and negative goodwill for all transactions before 1 January 1995. (ii) Determine the amount assigned to the goodwill (negative goodwill) at the date of acquisition under paragraph 41 (59) of this Standard and recognise the goodwill (negative goodwill) accordingly ; and (iii) Determine the accumulated amortisation of the goodwill (the accumulated amount of negative goodwill recognised as income) since the date of acquisition under paragraphs 44-54 (61-63) of this Standard and recognise it accordingly.
(b) Goodwill (negative goodwill) was recognised initially as an asset (deferred income) but not at the amount that would have been assigned under paragraph 41 (59) of this Standard.	Restatement of the goodwill (negative goodwill) is encouraged, but not required. If the goodwill (negative goodwill) is restated, apply the requirements under circumstances 1 (a) above. If the goodwill (negative goodwill) is not restated, the amount assigned to the goodwill (negative goodwill) at the date of acquisition is deemed to have been properly determined. For the amortisation of goodwill (recognition of negative goodwill as income), see circumstances 3 or 4 below.

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Transitional Provision – Restatement of Goodwill and Negative Goodwill (continued)	
Circumstances	Requirements
2. Business combination that was as acquisition and arose in annual financial statements covering periods beginning on or after 1 January 1995, but before this Standard is effective (or before the date of adoption of this Standard, if earlier).	
(a) At the date of acquisition, the cost of the acquisition exceeded the acquirer's interest in the fair value of the identifiable assets and liabilities.	If the goodwill was recognised as an asset and the amount assigned to it at the date of acquisition was determined under paragraph 41 of this Standard, see transitional provisions for amortisation under circumstances 3 or 4 below. Otherwise : (i) determine the amount that would have been assigned to the goodwill at the date of acquisition under paragraph 41 of this Standard and recognise the goodwill accordingly ; (ii) determine the related accumulated amortisation of the goodwill that would have been recognised under IAS 22 (revised 1993) and recognise it accordingly (the twenty year limit in IAS 22 (revised 1993) applies) ; and (iii) amortise any remaining carrying amount of the goodwill over its remaining useful life determined under this Standard (treatment as in circumstances 4 below).

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Transitional Provision – Restatement of Goodwill and Negative Goodwill (continued)	
Circumstances	Requirements
2. Business combination that was as acquisition and arose in annual financial statements covering periods beginning on or after 1 January 1995, but before this Standard is effective (or before the date of adoption of this Standard, if earlier) (continued).	
(b) At the date of acquisition : (i) the cost of the acquisition was less than acquirer's interest in the fair value of the identifiable assets and liabilities ; and (ii) the fair value of the identifiable non-monetary assets acquired were reduced until the excess was eliminated (benchmark treatment under IAS 22 (revised 1993)).	Restatement of the negative goodwill is encouraged, but not required. If the negative goodwill is restated : (i) restate negative goodwill for all acquisitions after 1 January 1995 ; (ii) determine the amount that would have been assigned to the negative goodwill at the date of acquisition under paragraph 59 of this Standard and recognise the negative goodwill accordingly ; (iii) determine the related accumulated amount of negative goodwill that would have been recognised as income under IAS 22 (revised 1993) and recognise it accordingly ; and (iv) recognise any remaining carrying amount of the negative goodwill as income over the remaining weighted average useful life of the identifiable depreciable/amortisable non-monetary asset acquired (treatment as in circumstances 4 below). If the negative goodwill is not restated, the amount assigned to the negative goodwill (if any) at the date of acquisition is deemed to have been properly determined. For the recognition of negative goodwill as income, see circumstances 3 or 4 below.

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Transitional Provision – Restatement of Goodwill and Negative Goodwill (continued)	
Circumstances	Requirements
2. Business combination that was as acquisition and arose in annual financial statements covering periods beginning on or after 1 January 1995, but before this Standard is effective (or before the date of adoption of this Standard, if earlier) (continued).	
(c) At the date of acquisition : (i) the cost of the acquisition was less than the acquirer's interest in the fair value of the identifiable assets and liabilities ; and (ii) the fair value of the identifiable non-monetary assets acquired were <u>not</u> reduced to eliminate the excess (allowed alternative treatment under IAS 22 (revised 1993)).	If the negative goodwill was recognised and the amount assigned to it at the date of acquisition was determined under paragraph 59 of this Standard, see transitional provisions for the recognition of negative goodwill as income under circumstances 3 and 4 below. Other wise : (i) determine the amount that would have been assigned to the negative goodwill the date of acquisition under paragraph 59 of this Standard and recognise the negative goodwill accordingly ; (ii) determine the related accumulated amount of the negative goodwill that would have been recognised as income under IAS 22 (revised 1993) and recognise it accordingly ; and (iii) recognise any remaining carrying amount of the negative goodwill as income over the remaining weighted average useful life of the identifiable depreciable/amortisable non-monetary assets acquired (treatment as in circumstances 4 below).

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Transitional Provision – Restatement of Goodwill and Negative Goodwill (Recognition of Negative Goodwill as Income)	
Circumstances	Requirements
3. Goodwill was recognised as an asset but was not previously amortised or the amortisation charge was deemed to be nil. Negative goodwill was recognised initially as a separate item in the balance sheet but was not subsequently recognised as income or the amount of negative goodwill to be recognised as income was deemed to be nil.	Restate the carrying amount of the goodwill (negative goodwill) as if the amortisation of goodwill (amount of negative goodwill recognised as income) had always been determined under this Standard (see paragraphs 44-45 (61-63)).
4. Goodwill (negative goodwill) was previously amortised (recognised as income)	Do not restate the carrying amount of the goodwill (negative goodwill) for any difference between accumulated amortisation (accumulated negative goodwill recognised as income) in prior years and that calculated under this Standard and : (i) amortise any carrying amount of the goodwill over its remaining useful life determined under this Standard (see paragraphs 44-54) ; and (ii) recognise any carrying amount of the negative goodwill as income over the remaining weighted average useful life of the identifiable depreciable/amortisable non-monetary assets acquired (see paragraph 62 (a)). (i.e. any change is treated in the same way as a change in accounting estimate under IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies).

ภาคผนวก ข

โครงการปรับปรุงมาตรฐานการบัญชีระหว่างประเทศ ฉบับที่ 22
เรื่อง การรวมธุรกิจ

PROJECT IN PROGRESS FOR BUSINESS COMBINATIONS

Phase I and II

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Business Combinations (Phase I)

Project Updates are provided for the information and convenience of constituents who wish to follow the IASB's deliberations. All conclusions reported are tentative and may be changed at future IASB meetings. Decisions become final only after completion of a formal ballot to issue an international Financial Reporting Standard, Interpretation, or Exposure Draft.

Latest revision: 2002/12/05

The IASB announced in July 2001 that it would undertake a Business Combinations project as part of its initial agenda. The project's overall objective it to improve the quality of, and seek international convergence on, the accounting for business combinations and the subsequent accounting for goodwill and intangible assets acquired in business combinations.

The project has two phases, Phase I has resulted the IASB publishing an Exposure Draft of proposed IFRS to replace IAS 22 *Business Combination* (ED 3), and an Exposure Draft of Proposed Amendments to IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*. The comment deadline for these Exposure Drafts is 4 April 2003.

The Board's deliberations during phase I have focused primarily on the following issues:

- The method of accounting for business combination;
- The initial measurement of the identifiable assets acquired and liabilities and contingent liabilities assumed;
- The recognition of liabilities for terminating or reducing the activities of an acquiree;
- The treatment of any excess over the cost of business combination of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities; and
- The accounting for goodwill and intangible assets acquired in business combinations.

At this stage, phase II of the project will involve consideration of:

- The accounting for business combinations in which separate entities or operations of entities are brought together to form a joint venture, including possible applications for 'fresh start' accounting. 'Fresh-start' accounting derives from the view that a new entity emerges as a result of business combination. Therefore, the assets and liabilities of each of the combining entities, including assets and liabilities not previously recognised, are recorded by the new entity at their fair values.
- The accounting for business combination involving entities under common control.

- Issues related to applying the purchase method to business combinations involving two or more mutual entities (such as mutual insurance companies or mutual cooperative entities) and business combinations involving the formation of a reporting entity solely by contract, without the obtaining of an ownership interest (for example, business combinations in which separate entities are brought together solely by contract to form a dual list corporation).
- Other issues related to applying the purchase method.

The first, second and fourth items listed above will be considered by the IASB in conjunction with the FASB as part of a joint IASB/FASB project on business combinations. The third item will be considered separately by the IASB.

หมายเหตุ: สืบค้นข้อมูลฉบับเต็มได้ที่ http://www.iasc.org.uk/docs/projects/buscom1-ps.pdf

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Business combination (phase II)

Project updates are provided for the information and convenience of constituents who wish to follow the IASB's deliberations. All conclusions reported are tentative and may be changed at future IASB meetings. Decisions become final only after completion of a formal ballot to issue an international Financial Reporting Standard, Interpretation, or Exposure Draft.

Latest revision: 2003/03/01

Background

Accounting for business combinations varies widely across jurisdictions. The IASB, after consulting with the SAC in July 2001, decided that a project to achieve convergence of existing standards on business combination should be added to the Board's agenda.

The project has two phases. The first seeks international convergence of existing standards on: the definition of a business combination; the appropriate method(s) of accounting for a business combination; the accounting for goodwill (and negative goodwill) and intangible assets acquired in business combination ; the treatment of liabilities for terminating or reducing the activities of an acquiree; and the initial measurement of the identifiable net assets acquired in a business combination. Phase I has resulted in the IASB publishing an Exposure Draft of a proposed IFRS to replace IAS 22 Business Combination (ED 3), and an Exposure Draft of Proposed Amendments to IAS 36 Impairment of Assets and IAS 38 intangible Assets. The comments deadline for these Exposure Drafts is 4 April 2003. The project summary for phase I provides an overview of the main changes being proposed in the Exposure Drafts.

There are three aspects to phase II of the Business Combinations project:

- Issues related to the application of the purchase method,
- The accounting for business combinations in which separate entities or operations of entities are brought together to form a joint venture, including possible applications for 'fresh start' accounting. 'Fresh-start' accounting derives from the view that a new entities emerges as result of the combination entities, including assets and liabilities not previously recognised, are recorded by the new entity at their fair values.
- Issues that were excluded from phase I:
  - Business combination involving entities (or operations of entities) under common control,
  - Business combinations involving two or more mutual entities (such as mutual insurance companies or mutual cooperative entities), and

- Business combinations in which separate entities are brought together to form a reporting entity by contract only without the obtaining of an ownership interest (for example, business combinations in which separate entities are brought together by contract to form a dual listed company).

At its April 2002 meeting the IASB agreed to move that part of the phase II project dealing with the application of the purchase method to its active agenda, and to conduct that project as a joint with the FASB. An important objective of joint project is to achieve convergence between FASB and IASB guidance in the area of purchase accounting. Both Boards attempt to same issues using the same agenda papers in meeting as close together as possible.

The IASB views the joint project as a board reconsideration of existing purchase accounting guidance, other than the guidance that is being developed as part of the IASB's phase I project. It will therefore consider during the joint project significant issues that preparers and auditors of financial statements commonly encounter in applying the purchase method. The FASB will also consider as part of the phase II project some of the issues considered by the IASB as part of its phase I project. For example, the FASB is considering as part of phase II the accounting for provisions for restructuring an acquiree's activities.

The IASB expects that this project will result in amendment to the IFRS on Business Combinations being developed as part of phase I and/or a new IFRS with guidance to supplement that earlier IFRS.

หมายเหตุ: สืบค้นข้อมูลฉบับเต็มได้ที่ http://www.iasc.org.uk/docs/projects/buscom2-ps.pdf

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