

Table of Differences between IPSAS 40 and PBE IPSAS 40

Issued: July 2019

This document identifies key differences between IPSAS 40 *Public Sector Combinations* and PBE IPSAS 40 *PBE Combinations*.

The following points should be noted about the comparison.

- The comparison is based on the version of PBE IPSAS 40 issued in July 2019.
- The comparison is based on the version of IPSAS 40 in the IPSASB Handbook 2018, as amended by IPSAS 41 *Financial Instruments* (issued August 2018) and the *Improvements to IPSAS, 2018* (issued October 2018).
- The comparison identifies key differences in the requirements and application guidance of the two standards. It does not identify all differences. The comparison should be used only as an aid to understanding the differences between the two standards. It should not be used as a substitute to reading and gaining an understanding of the standards.
- The implementation guidance and illustrative examples have not been included in this document. A summary of the key differences between the non-integral sections of IPSAS 40 and PBE IPSAS 40 is set out in [Table 3](#).
- There is no explanation for the reduced disclosure regime (RDR) concessions.
- The footnotes from the standards are referenced using the caret (^) symbol.

Table 1 Standard and Application Guidance

IPSAS 40	PBE IPSAS 40	Notes on Differences
Objective	Objective	
<p>Paragraph 1</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects. To accomplish that, this Standard establishes principles and requirements for how:</p>	<p>Paragraph 1</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a PBE combination and its effects. To accomplish that, this Standard establishes principles and requirements for how:</p>	–
<ul style="list-style-type: none"> (a) A reporting entity classifies a public sector combination as an amalgamation or an acquisition; (b) A resulting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation; (c) A resulting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation; (d) An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation; (e) An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from, an acquisition; and (f) A reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination. 	<ul style="list-style-type: none"> (a) A reporting entity classifies a PBE combination as an amalgamation or an acquisition; (b) A resulting entity recognises and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation; (c) A resulting entity recognises and measures components of net assets/equity and other adjustments recognised in an amalgamation; (d) An acquirer recognises and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation; (e) An acquirer recognises and measures the goodwill acquired in, or the gain or loss arising from, an acquisition; and (f) A reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a PBE combination. 	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
Scope	Scope	
–	Paragraph 1.1 This Standard applies to Tier 1 and Tier 2 public benefit entities.	<u>Scope</u> Added NZ scope paragraph.
–	Paragraph 1.2 A Tier 2 entity is not required to comply with the requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.	<u>Tier 2 requirements</u> Added NZ scope paragraph.
Paragraph 2 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for public sector combinations.	Paragraph 2 An entity that prepares and presents financial statements shall apply this Standard in accounting for PBE combinations.	<u>Reference to accrual basis of accounting</u> Removed accrual basis of accounting because all PBE Standards are accrual based.
Paragraph 3 The Standard applies to a transaction or other event that meets the definition of a public sector combination. This Standard does not apply to:	Paragraph 3 This Standard applies to a transaction or other event that meets the definition of a PBE combination. This Standard does not apply to:	–
(a) The accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.	(a) The accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.	–
(b) The acquisition or receipt of an asset or a group of assets (and any related liabilities) that does not constitute an operation. In such cases an entity shall identify and recognize the individual identifiable assets acquired or received (including those assets that meet the definition of, and recognition criteria for, intangible assets in IPSAS 31, <i>Intangible Assets</i>) and liabilities assumed. Such a transaction or event does not give rise to goodwill.	(b) The acquisition or receipt of an asset or a group of assets (and any related liabilities) that does not constitute an operation. In such cases an entity shall identify and recognise the individual identifiable assets acquired or received (including those assets that meet the definition of, and recognition criteria for, intangible assets in PBE IPSAS 31 <i>Intangible Assets</i>) and liabilities assumed. Such a transaction or event does not give rise to goodwill.	–
(c) The assumption of a liability or a group of liabilities that does not constitute an operation. In such cases	(c) The assumption of a liability or a group of liabilities that does not constitute an operation. In such cases	–

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an entity shall identify and recognize the individual liabilities assumed.	an entity shall identify and recognise the individual liabilities assumed.	
Paragraph 4 The requirements of this Standard do not apply to the acquisition by an investment entity, as defined in IPSAS 35, <i>Consolidated Financial Statements</i> , of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit.	Paragraph 4 The requirements of this Standard do not apply to the acquisition by an investment entity, as defined in PBE IPSAS 35 <i>Consolidated Financial Statements</i> , of an investment in a controlled entity that is required to be measured at fair value through surplus or deficit.	–
Definitions	Definitions	
Paragraph 5 The following terms are used in this Standard with the meanings specified:	Paragraph 5 The following terms are used in this Standard with the meanings specified:	–
–	Public benefit entities are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.	<u>Definition of public benefit entities</u> Added NZ specific term.
A public sector combination is the bringing together of separate operations into one public sector entity.	A PBE combination is the bringing together of separate operations into one public benefit entity.	–
General Definitions Related to all Public Sector Combinations	General Definitions Related to all PBE Combinations	
For the purposes of this Standard, equity interests is used broadly to mean ownership interests of investor-owned entities and owner, member or participant interests of mutual entities.	For the purposes of this Standard, equity interests is used broadly to mean ownership interests of investor-owned entities and owner, member or participant interests of mutual entities. In the context of this Standard equity interests may also mean ownership interests established by other mechanisms such as deed or statute.	<u>Definition of equity interests</u> Consistent with the definition of equity interests in PBE IFRS 3 <i>Business Combinations</i> , added a reference to other forms of equity interests.

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<p>An asset is identifiable if it either:</p> <p>(a) Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related binding arrangement, identifiable asset or liability, regardless of whether the entity intends to do so; or</p> <p>(b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.</p>	<p>An asset is identifiable if it either:</p> <p>(a) Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related binding arrangement, identifiable asset or liability, regardless of whether the entity intends to do so; or</p> <p>(b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.</p>	<p>–</p>
<p>A mutual entity is an entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities.</p>	<p>A mutual entity is an entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities.</p>	<p>–</p>
<p>An operation is an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity’s objectives, by providing goods and/or services.</p>	<p>An operation is an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity’s objectives, by providing goods and/or services for community or social benefit, rather than a financial return to equity holders. In the context of this Standard, “operation” also includes an integrated set of activities that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.</p>	<p><u>Definition of operation</u> Aligned the definition of an operation with the definition of a business in PBE IFRS 3 <i>Business Combinations</i>.</p>
<p>For the purposes of this Standard owners is used broadly to include any party with quantifiable ownership interests in an operation. This includes, but is not limited to, holders of equity interests of investor-owned entities and owners or members of, or participants in, mutual entities.</p>	<p>For the purposes of this Standard, owners is used broadly to include those with an equity interest. This includes, but is not limited to, those with an equity interest in investor-owned entities and owners or members of, or participants in, mutual entities.</p>	<p><u>Definition of owners</u> Amended the definition to be consistent with the broader view of owners by PBEs in NZ. As a result of the changes to the definitions of equity interests and owners, “quantifiable</p>

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		ownership interests” has been replaced with “equity interests” where appropriate.
A public sector combination under common control is a public sector combination in which all of the entities or operations involved are ultimately controlled by the same entity both before and after the public sector combination.	A PBE combination under common control is a PBE combination in which all of the entities or operations involved are ultimately controlled by the same entity both before and after the PBE combination.	
Definitions Related to Amalgamations	Definitions Related to Amalgamations	
An amalgamation gives rise to a resulting entity and is either: (a) A public sector combination in which no party to the combination gains control of one or more operations; or (b) A public sector combination in which one party to the combination gains control of one or more operations, and in which there is evidence that the combination has the economic substance of an amalgamation. (Paragraph AG1 provides additional guidance.)	An amalgamation gives rise to a resulting entity and is either: (a) A PBE combination in which no party to the combination gains control of one or more operations; or (b) A PBE combination in which one party to the combination gains control of one or more operations, and in which there is evidence that the combination has the economic substance of an amalgamation.	<u>Reference to AG1</u> Removed reference to AG1 because AG1 was not used. PBE IPSAS 40 clarified the two types of amalgamations and when a new reporting entity and continuing reporting entity would arise.
The amalgamation date is the date on which the resulting entity obtains control of the combining operations.	The amalgamation date is the date on which the resulting entity obtains control of the combining operations.	–
A combining operation is an operation that combines with one or more other operations to form the resulting entity in an amalgamation.	A combining operation is an operation that combines with one or more other operations to form the resulting entity in an amalgamation.	–
A resulting entity is the entity that is the result of two or more operations combining in an amalgamation (paragraph AG1 provides additional guidance).	A resulting entity is the entity that is the result of two or more operations combining in an amalgamation	<u>Reference to AG1</u> Removed reference to AG1 because have clarified the two types of amalgamations and when a new reporting entity and continuing reporting entity would arise.
Definitions Relating to Acquisitions	Definitions Relating to Acquisitions	
An acquired operation is the operation that the acquirer gains control of in an acquisition.	An acquired operation is the operation that the acquirer gains control of in an acquisition.	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
An acquirer is the entity that gains control of one or more operations in an acquisition.	An acquirer is the entity that gains control of one or more operations in an acquisition.	–
An acquisition is a public sector combination in which one party to the combination gains control of one or more operations, and there is evidence that the combination is not an amalgamation.	An acquisition is a PBE combination in which one party to the combination gains control of one or more operations, and there is evidence that the combination is not an amalgamation.	–
The acquisition date is the date on which the acquirer gains control of the acquired operation.	The acquisition date is the date on which the acquirer gains control of the acquired operation.	–
Contingent consideration is usually an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquired operation as part of the exchange for control of the acquired operation if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.	Contingent consideration is usually an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquired operation as part of the exchange for control of the acquired operation if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.	–
Goodwill is an asset representing the future economic benefits arising from other assets acquired in an acquisition that are not individually identified and separately recognized.	Goodwill is an asset representing the future economic benefits arising from other assets acquired in an acquisition that are not individually identified and separately recognised	–
Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately.	Terms defined in other PBE Standards[^] are used in this Standard with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately. [^] PBE Standards as defined in PBE IPSAS 1 <i>Presentation of Financial Reports</i> , paragraph 7.	<u>Footnote</u> Added footnote to clarify what reference to PBE Standards means.
Identifying a Public Sector Combination	Identifying a PBE Combination	
Paragraph 6 An entity shall determine whether a transaction or other event is a public sector combination by applying the definitions in this Standard, which requires that the assets and liabilities constitute an operation. If the assets and	Paragraph 6 An entity shall determine whether a transaction or other event is a PBE combination by applying the definitions in this Standard, which requires that the assets and liabilities constitute an operation. If the assets and liabilities do not	–

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liabilities do not constitute an operation, the entity shall account for the transaction or other event in accordance with other IPSASs. Paragraphs AG2-AG9 provide guidance on identifying a public sector combination.	constitute an operation, the entity shall account for the transaction or other event in accordance with other PBE Standards. Paragraphs AG2-AG9 provide guidance on identifying a PBE combination.	
Classification of Public Sector Combinations	Classification of PBE Combinations	
Paragraph 7 If no party to a public sector combination gains control of one or more operations as a result of the combination, the combination shall be classified as an amalgamation. Paragraphs AG10-AG18 provide guidance on determining whether one party to a public sector combination gains control of one or more operations as a result of that combination.	Paragraph 7 If no party to a PBE combination gains control of one or more operations as a result of the combination, the combination shall be classified as an amalgamation. Paragraphs AG10-AG18 provide guidance on determining whether one party to a PBE combination gains control of one or more operations as a result of that combination.	-
Paragraph 8 If one party to a public sector combination gains control of one or more operations as a result of the combination, an entity shall consider the economic substance of the combination in classifying the combination as either an amalgamation or an acquisition. A combination in which one party gains control of one or more operations shall be classified as an acquisition, unless it has the economic substance of an amalgamation.	Paragraph 8 If one party to a PBE combination gains control of one or more operations as a result of the combination, an entity shall consider the economic substance of the combination in classifying the combination as either an amalgamation or an acquisition. A combination in which one party gains control of one or more operations shall be classified as an acquisition, unless it has the economic substance of an amalgamation.	-
Paragraph 9 In determining the classification of the public sector combination, an entity considers whether the resulting accounting treatment of the combination provides information that meets the objectives of financial reporting and that satisfies the qualitative characteristics (QCs). To assess the economic substance of the combination, an entity considers the indicators relating to consideration and to the decision-making process in paragraphs 12-13. These indicators, individually or in combination, will usually provide evidence that the	Paragraph 9 In determining the classification of the PBE combination, an entity considers whether the resulting accounting treatment of the combination provides information that meets the objectives of financial reporting and that satisfies the qualitative characteristics (QCs). To assess the economic substance of the combination, an entity considers the indicators relating to consideration and to the decision-making process in paragraphs 12-13. These indicators, individually or in combination, will usually provide evidence that the economic substance of the	-

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<p>economic substance of the combination is that of an amalgamation. A combination does not need to satisfy both of these indicators to be classified as an amalgamation. Paragraphs AG19–AG39 provide additional guidance.</p>	<p>combination is that of an amalgamation. A combination does not need to satisfy both of these indicators to be classified as an amalgamation. Paragraphs AG19–AG39 provide additional guidance.</p>	
<p>Paragraph 10 An analysis of the indicators relating to consideration and to the decision-making process in paragraphs 12–13 will usually produce a conclusive result and provide sufficient evidence about the economic substance of the public sector combination to determine whether the combination is an amalgamation. In such circumstances, the resulting classification and the associated accounting treatment will ensure that users have access to information that meets the objectives of financial reporting and that satisfies the QCs.</p>	<p>Paragraph 10 An analysis of the indicators relating to consideration and to the decision-making process in paragraphs 12–13 will usually produce a conclusive result and provide sufficient evidence about the economic substance of the PBE combination to determine whether the combination is an amalgamation. In such circumstances, the resulting classification and the associated accounting treatment will ensure that users have access to information that meets the objectives of financial reporting and that satisfies the QCs.</p>	–
<p>Paragraph 11 In exceptional circumstances, after applying the indicators in paragraphs 12–13, the results may be inconclusive or may not provide sufficient evidence about the economic substance of the public sector combination. In such circumstances, an entity also considers which classification would provide information that best meets the objectives of financial reporting and that best satisfies the QCs, having regard to paragraph 14. Paragraphs AG40–AG41 provide additional guidance.</p>	<p>Paragraph 11 In exceptional circumstances, after applying the indicators in paragraphs 12–13, the results may be inconclusive or may not provide sufficient evidence about the economic substance of the PBE combination. In such circumstances, an entity also considers which classification would provide information that best meets the objectives of financial reporting and that best satisfies the QCs, having regard to paragraph 14. Paragraphs AG40–AG41 provide additional guidance.</p>	–
<p>Indicators that May Provide Evidence that the Combination is an Amalgamation</p>	<p>Indicators that May Provide Evidence that the Combination is an Amalgamation</p>	
<p><i>Indicators Relating to Consideration</i></p>	<p><i>Indicator Relating to Consideration</i></p>	
<p>Paragraph 12 The following indicators may provide evidence that the combination is an amalgamation:</p>	<p>Paragraph 12 The absence of consideration paid to compensate those with an entitlement to the net assets of a transferred operation for giving up that entitlement may provide</p>	<p><u>Indicators relating to consideration</u> Combined the indicators in paragraphs 12(a) and 12(b) and removed the indicator in paragraph 12(c).</p>

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<p>(a) Consideration is paid for reasons other than to compensate those with an entitlement to the net assets of a transferred operation for giving up that entitlement (paragraphs AG27–AG28 provide additional guidance);</p> <p>(b) Consideration is not paid to those with an entitlement to the net assets of a transferred operation (paragraphs AG29–AG30 provide additional guidance); or</p> <p>(c) Consideration is not paid because there is no-one (whether an individual or an entity) with an entitlement to the net assets of a transferred entity (paragraph AG31 provides additional guidance).</p>	<p>evidence that the combination is an amalgamation if the reasons for the absence of consideration do not provide evidence of an acquisition (paragraphs AG26–AG30 provide additional guidance).</p> <p>(a) – (c) Not used</p>	<p>Combined paragraphs 12(a) and 12(b) because, on its own, the indicator in paragraph 12(a) is not a helpful indicator of an amalgamation. As explained in the Basis for Conclusions, the NZASB was of the view that, when classifying combinations, it is necessary to consider the reasons why no consideration has been paid to compensate those with an entitlement to the net assets of a transferred operation.</p> <p>Removed paragraph 12(c) because the absence of consideration does not itself provide evidence that a PBE combination is an amalgamation. Paragraph 12(c) could also have been seen as inconsistent with the broader view of equity interests and owners in the PBE sectors.</p>
<p><i>Indicators Relating to the Decision-Making Process</i></p>	<p><i>Indicators Relating to the Decision-Making Process</i></p>	
<p>Paragraph 13</p> <p>The following indicators may provide evidence that the combination is an amalgamation:</p> <p>(d) A public sector combination is imposed by a third party without any party to the combination being involved in the decision-making process (paragraphs AG32–AG35 provide additional guidance);</p> <p>(e) A public sector combination is subject to approval by each party’s citizens through referenda (paragraph AG36 provides additional guidance); or</p> <p>(f) A public sector combination under common control occurs (paragraphs AG37–AG39 provide additional guidance).</p>	<p>Paragraph 13</p> <p>The following indicators may provide evidence that the combination is an amalgamation:</p> <p>(a) A PBE combination is imposed by a third party without any party to the combination being involved in the decision-making process (paragraphs AG32–AG35 provide additional guidance);</p> <p>(b) A PBE combination is subject to approval by each party’s citizens through referenda (paragraph AG36 provides additional guidance); or</p> <p>(c) A PBE combination under common control occurs (paragraphs AG37–AG39 provide additional guidance).</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
<i>Additional matters to be taken into account where the indicators relating to consideration and the decision-making process do not provide sufficient evidence to determine whether the combination is an amalgamation</i>	<i>Additional matters to be taken into account where the indicators relating to consideration and the decision-making process do not provide sufficient evidence to determine whether the combination is an amalgamation</i>	
<p>Paragraph 14</p> <p>The analysis of the indicators relating to consideration and the decision-making process may, in exceptional circumstances, produce inconclusive results or not provide sufficient evidence to determine whether the combination is an amalgamation, based on the economic substance of the public sector combination and the indicators in paragraphs 12–13. In such circumstances, an entity considers which classification and resulting accounting treatment would provide information that best meets the objectives of financial reporting. Paragraphs AG42–AG46 provide additional guidance. An entity also considers which classification and resulting accounting treatment would provide information that best satisfies the QCs of relevance, faithful representation, understandability, timeliness, comparability and verifiability. Paragraphs AG47–AG50 provide additional guidance.</p>	<p>Paragraph 14</p> <p>The analysis of the indicators relating to consideration and the decision-making process may, in exceptional circumstances, produce inconclusive results or not provide sufficient evidence to determine whether the combination is an amalgamation, based on the economic substance of the PBE combination and the indicators in paragraphs 12-13. In such circumstances, an entity considers which classification and resulting accounting treatment would provide information that best meets the objectives of financial reporting. Paragraphs AG42–AG46 provide additional guidance. An entity also considers which classification and resulting accounting treatment would provide information that best satisfies the QCs of relevance, faithful representation, understandability, timeliness, comparability and verifiability. Paragraphs AG47–AG50 provide additional guidance.</p>	–
Accounting for Amalgamations	Accounting for Amalgamations	
<p>Paragraph 15</p> <p>A resulting entity shall account for each amalgamation by applying the modified pooling of interests method of accounting.</p>	<p>Paragraph 15</p> <p>A resulting entity shall account for each amalgamation by applying the modified pooling of interests method of accounting.</p>	–
The Modified of Pooling of Interests Method of Accounting	The Modified of Pooling of Interests Method of Accounting	
<p>Paragraph 16</p> <p>Applying the modified pooling of interests method of accounting requires:</p> <p>(a) Identifying the resulting entity;</p>	<p>Paragraph 16</p> <p>Applying the modified pooling of interests method of accounting requires:</p> <p>(a) Identifying the resulting entity;</p>	<p><u>Reference to “identifiable”</u></p> <p>Removed reference to “identifiable” assets in the guidance for amalgamations. This is a defined term that is specifically linked to the</p>

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<p>(b) Determining the amalgamation date;</p> <p>(c) Recognizing and measuring the identifiable assets received, the liabilities assumed and any non-controlling interest in the combining operations, consistent with the requirements in IPSASs; and</p> <p>(d) Recognizing and measuring the components of net assets/equity and other adjustments from an amalgamation.</p>	<p>(b) Determining the amalgamation date;</p> <p>(c) Recognising and measuring the assets received, the liabilities assumed and any non-controlling interest in the combining operations, consistent with the requirements in PBE Standards; and</p> <p>(d) Recognising and measuring the components of net assets/equity and other adjustments from an amalgamation.</p>	<p>recognition of intangible assets. The use of the word identifiable is appropriate under acquisition accounting which requires the separation of identifiable intangible assets but does not seem necessary when discussing amalgamations. In an amalgamation PBE Standards determine what assets and liabilities should be recognised so there is no need for the resulting entity to consider whether or not particular assets are identifiable.</p> <p>This comment also applies to paragraphs 21, 26, 28, 30, 41, 42, AG54, IE166, IE173 and IE174.</p>
<p>Identifying the Resulting Entity</p>	<p>Identifying the Resulting Entity</p>	
<p>Paragraph 17</p> <p>For each amalgamation, a resulting entity shall be identified.</p>	<p>Paragraph 17</p> <p>For each amalgamation, a resulting entity shall be identified.</p>	<p>–</p>
<p>Paragraph 18</p> <p>Paragraph 5 of this Standard defines a resulting entity as “the entity that is the result of two or more operations combining in an amalgamation.” The resulting entity shall thereafter be identified as the entity that obtains control of the combining operations as a result of the amalgamation.</p>	<p>Paragraph 18</p> <p>Paragraph 5 of this Standard defines a resulting entity as “the entity that is the result of two or more operations combining in an amalgamation.” As explained in paragraph 8, one of the parties to the amalgamation may have gained control of one or more of the combining operations. The existence or absence of control determines whether the resulting entity is a new reporting entity or a continuing reporting entity. When none of the parties to the combination that existed prior to the combination gain control over the combining operations, the resulting entity is a new reporting entity. When one of the parties to the combination that existed prior to the combination gains control of the other combining operations, the resulting entity is that continuing reporting entity.</p>	<p><u>Types of amalgamation</u></p> <p>Added guidance to clarify the two types of amalgamations and when a new reporting entity and continuing reporting entity would arise.</p>

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Determining the Amalgamation Date	Determining the Amalgamation Date	
Paragraph 19 The resulting entity shall identify the amalgamation date, which is the date on which it obtains control of the combining operations.	Paragraph 19 The resulting entity shall identify the amalgamation date, which is the date on which it obtains control of the combining operations.	–
Paragraph 20 The date on which the resulting entity obtains control of the combining operations may be the date on which the resulting entity receives the assets and assumes the liabilities of the combining operations. It is possible that the resulting entity will not receive legal title to the assets or assume legal responsibility for the liabilities of the combining operations. In these circumstances, the resulting entity will often obtain control of the assets and liabilities of the combining operations on the date on which responsibility for the assets and liabilities is formally delegated to the resulting entity. However, the resulting entity might obtain control on a different date. For example, legislation or a written agreement may provide that the resulting entity obtains control of the assets and liabilities of the combining operations on a specified date. A resulting entity shall consider all pertinent facts and circumstances in identifying the amalgamation date.	Paragraph 20 The date on which the resulting entity obtains control of the combining operations may be the date on which the resulting entity receives the assets and assumes the liabilities of the combining operations. It is possible that the resulting entity will not receive legal title to the assets or assume legal responsibility for the liabilities of the combining operations. In these circumstances, the resulting entity will often obtain control of the assets and liabilities of the combining operations on the date on which responsibility for the assets and liabilities is formally delegated to the resulting entity. However, the resulting entity might obtain control on a different date. A resulting entity shall consider all pertinent facts and circumstances in identifying the amalgamation date.	<u>Example of amalgamation date</u> Deleted the example in PBE IPSAS 40 because the necessary information about determining the date control is obtained is in the other sentences of paragraph 20.
Recognizing and Measuring the Identifiable Assets, Liabilities Assumed and Any Non-Controlling Interests in the Combining Operations	Recognising and Measuring the Assets Received, Liabilities Assumed and Any Non-Controlling Interests in the Combining Operations	<u>Reference to identifiable and received</u> Removed “identifiable”, see paragraph 16 for the rationale. Added “received” for clarity.
<i>Recognition principle</i> –	<i>Recognition Principle</i> Paragraph 20.1	<u>Standards applied prior to amalgamation</u> Added paragraph 20.1 because IPSAS 40 did not contain sufficient guidance about PBE combinations (in which the resulting entity could be either a continuing reporting entity or new reporting entity) where the combining

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	<p>If, prior to the amalgamation date, all of the combining operations have previously applied PBE Standards, then the resulting entity shall apply paragraphs 21–35. If, prior to the amalgamation date, one or more of the combining operations have not previously applied PBE Standards, then the resulting entity shall apply paragraphs 21–35 and paragraphs AG50.1–AG50.2.</p>	<p>operations have reported in accordance with different suites of standards.</p>
<p>Paragraph 21 As of the amalgamation date, the resulting entity shall recognize the identifiable assets, liabilities and any non-controlling interests that are recognized in the financial statements of the combining operations as of the amalgamation date. Recognition of identifiable assets and liabilities received is subject to the conditions specified in paragraphs 22–23.</p>	<p>Paragraph 21 As of the amalgamation date, the resulting entity shall, in accordance with PBE Standards, recognise in the combined operation’s financial statements the assets, liabilities and any non-controlling interests that are recognised in the financial statements of the combining operations as of the amalgamation date. Recognition of assets received and liabilities assumed is subject to the conditions specified in paragraph 22 and the exceptions specified in paragraph 31.</p>	<p><u>Previously unrecognised assets and liabilities</u> Modified paragraph 21 by removing the prohibition on recognising previously unrecognised assets and liabilities because this would create inconsistency between PBE IPSAS 40 and PBE FRS 47 for first-time adopter of PBE Standards. Modified the last sentence of paragraph 21 to clarify the recognition and measurement principles of an amalgamation are subject to the exceptions in paragraph 31 of PBE IPSAS 40. Added “received” for clarity.</p>
<p>Recognition Conditions</p>	<p>Recognition Condition</p>	
<p>Paragraph 22 The effects of all transactions between the combining operations are eliminated in preparing the financial statements of the resulting entity (paragraphs AG51–AG52 provide related application guidance).</p>	<p>Paragraph 22 The effects of all transactions between the combining operations are eliminated in preparing the financial statements of the resulting entity (paragraphs AG51–AG52 provide related application guidance).</p>	<p>–</p>
<p>Paragraph 23 To qualify for recognition as part of applying the modified pooling of interests method, the identifiable assets and liabilities must meet the definitions of assets and liabilities in the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> at the amalgamation date. For example, costs that the resulting entity expects,</p>	<p>Paragraph 23 Not used.</p>	<p><u>Recognition of assets and liabilities</u> Removed paragraph 23 because PBE Standards determine what assets and liabilities should be recognised so there is no need to consider the definitions of assets and liabilities in the <i>Public Benefit Entities’ Conceptual Framework</i>.</p>

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<p>but is not obliged, to incur in the future to effect its plan to exit an activity of a combining operation or to terminate the employment of or relocate a combining operation's employees are not liabilities at the amalgamation date. Therefore, the resulting entity does not recognize those costs as part of applying the modified pooling of interests method. Instead, the resulting entity recognizes those costs in its post-combination financial statements in accordance with other IPSASs.</p>		
<p>Classifying or Designating Assets and Liabilities in an Amalgamation</p>	<p>Classifying or Designating Assets and Liabilities in an Amalgamation</p>	
<p>Paragraph 24</p> <p>At the amalgamation date, the resulting entity shall classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. A resulting entity shall not adopt different classifications or designations on initial recognition, even if this is permitted by other IPSASs.</p>	<p>Paragraph 24</p> <p>At the amalgamation date, the resulting entity shall classify or designate the assets and liabilities received in an amalgamation using the classifications or designations previously applied by the combining operations. A resulting entity shall not adopt different classifications or designations on initial recognition, unless required to do so by other PBE Standards.</p>	<p><u>Classification or designation of assets and liabilities</u></p> <p>Changed the requirement to allow for situations where the resulting entity might be required to adopt a different classification or designation in order to comply with PBE Standards. IPSAS 40 does not allow for that possibility.</p>
<p>Paragraph 25</p> <p>In some situations, IPSASs provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the resulting entity shall make on the basis of the classifications or designations previously applied by the combining operations include but are not limited to:</p> <p>(a) Classification of particular financial assets and liabilities as measured at fair value or at amortized cost, in accordance with IPSAS 41, <i>Financial Instruments</i>;</p> <p>(b) Designation of a derivative instrument as a hedging instrument in accordance with IPSAS 41; and</p>	<p>Paragraph 25</p> <p>In some situations, PBE Standards provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the resulting entity shall make on the basis of the classifications or designations previously applied by the combining operations include but are not limited to:</p> <p>(a) Classification of particular financial assets and liabilities as measured at fair value through surplus or deficit or at amortised cost, or as a financial asset measured at fair value through other comprehensive revenue and expense in accordance with PBE IPSAS 41 <i>Financial Instruments</i>;^</p>	<p><u>Financial instruments requirements</u></p> <p>Added footnote to clarify requirements for amalgamations occurring after the Standard becomes effective but before all of the combining operations have applied PBE IPSAS 41. And for entities that may still be applying PBE IPSAS 29 or have early adopted PBE IFRS 9.</p>

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<p>(c) Assessment of whether an embedded derivative should be separated from a host contract in accordance with IPSAS 41 (which is a matter of ‘classification’ as this Standard uses that term).</p>	<p>(b) Designation of a derivative instrument as a hedging instrument in accordance with PBE IPSAS 41; and</p> <p>(c) Assessment of whether an embedded derivative should be separated from a host contract in accordance with PBE IPSAS 41 (which is a matter of ‘classification’ as this Standard uses that term).</p> <p>[^] PBE IPSAS 41 becomes effective for annual periods beginning on or after 1 January 2022. In the case of an amalgamation occurring after this Standard becomes effective but before all of the combining operations have applied PBE IPSAS 41, the combining operations may report financial assets and financial instruments in accordance with different financial instrument standards (such as PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i> or PBE IFRS 9 <i>Financial Instruments</i>). In such cases the resulting entity determines which standard is to be applied in reporting financial instruments and, to the extent that reclassification or redesignation of financial assets or liabilities is required, reclassifies or redesignates in accordance with the relevant standard as at the date of amalgamation. If an entity applies this Standard and is applying PBE IPSAS 29 or PBE IFRS 9, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9.</p>	
<p><i>Measurement Principle</i></p>	<p><i>Measurement Principle</i></p>	
<p>Paragraph 26</p> <p>The resulting entity shall measure the identifiable assets and liabilities of the combining operations at their carrying amounts in the financial statements of the combining operations as of the amalgamation date, subject to the requirements of paragraph 27 (paragraphs AG53–AG54 provide related application guidance).</p>	<p>Paragraph 26</p> <p>The resulting entity shall measure the assets and liabilities of the combining operations at their carrying amounts in the financial statements of the combining operations as of the amalgamation date, subject to the requirements of paragraph 27 (paragraphs AG53–AG54 provide related application guidance) and the exceptions specified in paragraph 31.</p>	<p>Removed reference to “identifiable” See paragraph 16 for the rationale. <u>Reference to paragraph 31</u> Added reference to paragraph 31 to clarify that the recognition and measurement principles of an amalgamation are subject to the exceptions in paragraph 31 of PBE IPSAS 40.</p>
<p>Paragraph 27</p> <p>As of the amalgamation date, the resulting entity shall adjust the carrying amounts of the identifiable assets and liabilities of the combining operations where required to conform to the resulting entity's accounting policies.</p>	<p>Paragraph 27</p> <p>As of the amalgamation date, the resulting entity shall adjust the carrying amounts of the assets and liabilities of the combining operations where required to conform to the resulting entity's accounting policies.</p>	<p>Removed reference to “identifiable” See paragraph 16 for the rationale.</p>

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<p>Paragraph 28</p> <p>The modified pooling of interests method results in a single combined resulting entity. A single uniform set of accounting policies, consistent with the requirements of IPSASs, is adopted by that entity, and the carrying amounts of the identifiable assets and liabilities of the combining operations are adjusted, where required, to conform to those accounting policies.</p>	<p>Paragraph 28</p> <p>The modified pooling of interests method results in a single combined resulting entity. A single uniform set of accounting policies, consistent with the requirements of PBE Standards, is adopted by that entity, and the carrying amounts of the assets and liabilities of the combining operations are adjusted, where required, to conform to those accounting policies (paragraphs AG54.1–AG54.2 provide related application guidance). .</p>	<p><u>Removed reference to “identifiable”</u></p> <p>See paragraph 16 for the rationale.</p> <p><u>Guidance on accounting policies</u></p> <p>Added reference to the guidance on the selection of accounting policies by a new reporting entity and continuing reporting entity and the interaction between the Standard and PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>
<p>Paragraph 29</p> <p>The resulting entity shall measure any non-controlling interests in a combining operation at their carrying amounts in the financial statements of that combining operation as of the amalgamation date, adjusted for the non-controlling interests’ proportionate share of the adjustments made in accordance with paragraph 27.</p>	<p>Paragraph 29</p> <p>The resulting entity shall measure any non-controlling interests in a combining operation at their carrying amounts in the financial statements of that combining operation as of the amalgamation date, adjusted for the non-controlling interests’ proportionate share of the adjustments made in accordance with paragraph 27.</p>	<p>–</p>
<p>Paragraph 30</p> <p>Paragraphs 33–35 specify the types of identifiable assets and liabilities that include items for which this Standard provides limited exceptions to the measurement principle</p>	<p>Paragraph 30</p> <p>Paragraphs 33–35 specify the types of assets and liabilities that include items for which this Standard provides limited exceptions to the measurement principle.</p>	<p><u>Removed reference to “identifiable”</u></p> <p>See paragraph 16 for the rationale.</p>
<p><i>Exceptions to the Recognition Principles</i></p>	<p><i>Exceptions to the Recognition Principles</i></p>	
<p>Paragraph 31</p> <p>This Standard provides limited exceptions to its recognition and measurement principles. Paragraphs 32–35 specify both the particular items for which exceptions are provided and the nature of those exceptions. The resulting entity shall account for those items by applying the requirements in paragraphs 32–35, which will result in some items being:</p> <p>(a) Recognized either by applying recognition conditions in addition to those in paragraphs 22–23 or by applying the requirements of other IPSASs, with</p>	<p>Paragraph 31</p> <p>This Standard provides limited exceptions to its recognition and measurement principles. Paragraphs 32–35 specify both the particular items for which exceptions are provided and the nature of those exceptions. The resulting entity shall account for those items by applying the requirements in paragraphs 32–35, which will result in some items being:</p> <p>(a) Recognised either by applying recognition conditions in addition to those in paragraph 22 or by applying the requirements of other PBE Standards, with results that</p>	<p><u>Removed redundant reference</u></p> <p>Removed reference to paragraph 23 in paragraph 31(a) because the former paragraph has been omitted in PBE IPSAS 40.</p>

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<p>results that differ from applying the recognition principle and conditions.</p> <p>(b) Measured at an amount other than their amalgamation date carrying amounts.</p>	<p>differ from applying the recognition principle and conditions.</p> <p>(b) Measured at an amount other than their amalgamation date carrying amounts.</p>	
Exception to the Recognition Principle	Exception to the Recognition Principle	
Licenses and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation	Licenses and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation	
<p>Paragraph 32</p> <p>A license or similar right, previously granted by one combining operation to another combining operation and recognized as an intangible asset by the recipient combining operation shall be recognized by the resulting entity as an intangible asset. The license or similar right shall not be eliminated in accordance with paragraph 22 (paragraphs AG55–AG56 provide related application guidance).</p>	<p>Paragraph 32</p> <p>A licence or similar right, previously granted by one combining operation to another combining operation and recognised as an intangible asset by the recipient combining operation shall be recognised by the resulting entity as an intangible asset. The licence or similar right shall not be eliminated in accordance with paragraph 22 (paragraphs AG55–AG56 provide related application guidance).</p>	–
Exceptions to Both the Recognition and Measurement Principles	Exceptions to Both the Recognition and Measurement Principles	
Income Taxes (where included in the terms of the amalgamation)	Income Taxes (where included in the terms of the amalgamation)	
<p>Paragraph 33</p> <p>Amalgamations involving public sector entities may result in a tax authority forgiving amounts of tax due as part of the terms of the amalgamation. The resulting entity shall not recognize any taxation items that are forgiven as a result of the terms of the amalgamation (paragraphs AG57–AG58 provide related application guidance).</p>	<p>Paragraph 33</p> <p>Amalgamations involving public sector entities may result in a tax authority forgiving amounts of tax due as part of the terms of the amalgamation. The resulting entity shall not recognise any taxation items that are forgiven as a result of the terms of the amalgamation (paragraph AG57 provide related application guidance).</p>	<p><u>Income taxes</u></p> <p>Removed reference to paragraph AG58 because this has been deleted in PBE IPSAS 40.</p> <p>Removed paragraph AG58 because it is not necessary and could create confusion.</p>
<p>Paragraph 34</p> <p>The resulting entity shall recognize and measure any remaining taxation items included in or arising from an amalgamation in accordance with the relevant international or national accounting standard dealing with income taxes.</p>	<p>Paragraph 34</p> <p>Not used</p>	<p><u>Income taxes</u></p> <p>Removed this requirement because it is not necessary and could create confusion.</p>

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The resulting entity shall recognize and measure any remaining revenue from taxation included in or arising from an amalgamation in accordance with IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> .		
Employee Benefits	Employee Benefits	
Paragraph 35 The resulting entity shall recognize and measure a liability (or asset, if any) related to the combining operation's employee benefit arrangements in accordance with IPSAS 39, <i>Employee Benefits</i> .	Paragraph 35 The resulting entity shall recognise and measure a liability (or asset, if any) related to the combining operations' employee benefit arrangements in accordance with PBE IPSAS 39 <i>Employee Benefits</i> .	–
Recognizing and Measuring Components of Net Assets/Equity Arising as a Result of an Amalgamation	Recognising and Measuring Components of Net Assets/Equity Arising as a Result of an Amalgamation	
Paragraph 36 An amalgamation does not give rise to goodwill (paragraphs AG59–AG60 provide related application guidance).	Paragraph 36 An amalgamation does not give rise to goodwill (paragraphs AG59–AG60 provide related application guidance).	–
Paragraph 37 The resulting entity shall recognize within net assets/equity amounts equal and opposite to the following items: (a) The carrying amounts of the combining operations' assets; (b) The carrying amounts of the combining operations' liabilities; and (c) The carrying amounts of the combining operations' non-controlling interests.	Paragraph 37 The resulting entity shall recognise within net assets/equity the aggregate of: (a) The carrying amounts of the combining operations' assets;^ (b) The carrying amounts of the combining operations' liabilities; and (c) The carrying amounts of the combining operations' non-controlling interests. ^ In this paragraph the term “combining operations” refers to the operations being combined into the resulting entity rather than those that belong to the continuing reporting entity or new reporting entity.	<u>Components of net assets/equity</u> Amended the lead in text to clarify that the aggregate of sub-paragraphs (a)–(c) is recognised in net assets/equity. Added footnote to paragraph 37(a) to clarify which combining operations are being referred to.

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<p>Paragraph 38</p> <p>The resulting entity shall recognize within net assets/equity the corresponding adjustments in respect of:</p> <p>(a) The elimination of transactions between combining operations in accordance with paragraph 22;</p> <p>(b) Adjustments made to the carrying amounts of the identifiable assets and liabilities of the combining operations where required to conform to the resulting entity's accounting policies, in accordance with paragraph 27; and</p> <p>(c) Adjustments made in respect of the exceptions to the recognition and/or measurement principles, in accordance with paragraphs 32–35.</p>	<p>Paragraph 38</p> <p>The resulting entity shall recognise within net assets/equity the corresponding adjustments in respect of:</p> <p>(a) The elimination of transactions between combining operations in accordance with paragraph 22;</p> <p>(b) Adjustments made to the carrying amounts of the assets and liabilities of the combining operations where required to conform to the resulting entity's accounting policies, in accordance with paragraph 27; and</p> <p>(c) Adjustments made in respect of the exceptions to the recognition and/or measurement principles, in accordance with paragraphs 32–35.</p>	<p><u>Removed reference to “identifiable”</u></p> <p>See paragraph 16 for the rationale.</p>
<p>Paragraph 39</p> <p>The resulting entity may present the amounts recognized within net assets/equity in accordance with paragraphs 37 and 38 as either:</p> <p>(a) A single opening balance; or</p> <p>(b) As separate components of net assets/equity.</p>	<p>Paragraph 39</p> <p>The resulting entity may present the amounts recognised within net assets/equity in accordance with paragraphs 37 and 38 as either:</p> <p>(a) A single opening balance; or</p> <p>(b) As separate opening balances of components of net assets/equity, including any components of net assets/equity of the combining operations retained by the resulting entity.</p>	<p><u>Existing reserves</u></p> <p>Amended paragraph 39(b) to clarify that the existing net assets/equity balances, such as reserves of the combining operations, can be retained and shown separately by the resulting entity.</p>
<p>Measurement Period</p>	<p>Measurement Period</p>	
<p>Paragraph 40</p> <p>If the initial accounting for an amalgamation is incomplete by the end of the reporting period in which the amalgamation occurs, the resulting entity shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the resulting entity shall retrospectively adjust the provisional amounts recognized</p>	<p>Paragraph 40</p> <p>If the initial accounting for an amalgamation is incomplete by the end of the reporting period in which the amalgamation occurs, the resulting entity shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the resulting entity shall retrospectively adjust the provisional amounts recognised</p>	<p>–</p>

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<p>at the amalgamation date to reflect new information obtained about facts and circumstances that existed as of the amalgamation date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the resulting entity shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the amalgamation date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the resulting entity receives the information it was seeking about facts and circumstances that existed as of the amalgamation date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the amalgamation date.</p>	<p>at the amalgamation date to reflect new information obtained about facts and circumstances that existed as of the amalgamation date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the resulting entity shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the amalgamation date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the resulting entity receives the information it was seeking about facts and circumstances that existed as of the amalgamation date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the amalgamation date.</p>	
<p>Paragraph 41 The measurement period is the period after the amalgamation date during which the resulting entity may adjust the provisional amounts recognized for an amalgamation. The measurement period provides the resulting entity with a reasonable time to obtain the information necessary to identify and measure the identifiable assets, liabilities and any non-controlling interest in the combining operations as of the amalgamation date in accordance with the requirements of this Standard. The information necessary to identify and measure the identifiable assets, liabilities and any non-controlling interest in the combining operations will generally be available at the amalgamation date. However, this may not be the case where combining operations have previously prepared their financial statements using different accounting policies.</p>	<p>Paragraph 41 The measurement period is the period after the amalgamation date during which the resulting entity may adjust the provisional amounts recognised for an amalgamation. The measurement period provides the resulting entity with a reasonable time to obtain the information necessary to identify and measure the assets, liabilities and any non-controlling interest in the combining operations as of the amalgamation date in accordance with the requirements of this Standard. The information necessary to identify and measure the assets, liabilities and any non-controlling interest in the combining operations will generally be available at the amalgamation date. However, this may not be the case where combining operations have previously prepared their financial statements using different accounting policies</p>	<p>Removed reference to “identifiable” See paragraph 16 for the rationale.</p>

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<p>Paragraph 42</p> <p>The resulting entity recognizes an increase (decrease) in the provisional amount recognized for an identifiable asset (liability) by adjusting components of net assets/equity recognized in accordance with paragraphs 37–38. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability. For example, the resulting entity might have assumed a liability to pay damages related to an accident in one of the combining operation’s facilities, part or all of which are covered by the combining operation’s liability insurance policy. If the resulting entity obtains new information during the measurement period about the carrying amount of that liability, the adjustment to the gain or loss resulting from a change to the provisional amount recognized for the liability would be offset (in whole or in part) by a corresponding adjustment to the gain or loss resulting from a change to the provisional amount recognized for the claim receivable from the insurer.</p>	<p>Paragraph 42</p> <p>The resulting entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by adjusting components of net assets/equity recognised in accordance with paragraphs 37–38. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability. For example, the resulting entity might have assumed a liability to pay damages related to an accident in one of the combining operation’s facilities, part or all of which is covered by the combining operation’s liability insurance policy. If the resulting entity obtains new information during the measurement period about the carrying amount of that liability, the adjustment to the gain or loss resulting from a change to the provisional amount recognised for the liability would be offset (in whole or in part) by a corresponding adjustment to the gain or loss resulting from a change to the provisional amount recognised for the claim receivable from the insurer.</p>	<p><u>Removed reference to “identifiable”</u></p> <p>See paragraph 16 for the rationale.</p>
<p>Paragraph 43</p> <p>During the measurement period, the resulting entity shall recognize adjustments to the provisional amounts as if the accounting for the amalgamation had been completed at the amalgamation date. Thus, the resulting entity shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation or amortization recognized in completing the initial accounting.</p>	<p>Paragraph 43</p> <p>During the measurement period, the resulting entity shall recognise adjustments to the provisional amounts as if the accounting for the amalgamation had been completed at the amalgamation date. Thus, the resulting entity shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation or amortisation recognised in completing the initial accounting.</p>	<p>–</p>
<p>Paragraph 44</p> <p>After the measurement period ends, the resulting entity shall revise the accounting for an amalgamation only to</p>	<p>Paragraph 44</p> <p>After the measurement period ends, the resulting entity shall revise the accounting for an amalgamation only to</p>	<p>–</p>

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correct an error in accordance with IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	correct an error in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	
Amalgamation-Related Costs	Amalgamation-Related Costs	
<p>Paragraph 45</p> <p>Amalgamation-related costs are costs the resulting entity or combining operations incur to effect an amalgamation. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs; and any costs of registering and issuing debt and equity securities. The resulting entity and combining operations shall account for amalgamation-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognized in accordance with IPSAS 28, <i>Financial Instruments: Presentation</i>, and IPSAS 41.</p>	<p>Paragraph 45</p> <p>Amalgamation-related costs are costs the resulting entity or combining operations incur to effect an amalgamation. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs; and any costs of registering and issuing debt and equity securities. The resulting entity and combining operations shall account for amalgamation-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities shall be recognised in accordance with PBE IPSAS 28 <i>Financial Instruments: Presentation</i>, and PBE IPSAS 41.[^]</p> <p>[^] If an entity applies this Standard and has not yet applied PBE IPSAS 41, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9 as appropriate.</p>	<p><u>Financial instruments requirements</u></p> <p>Added footnote for entities that may still be applying PBE IPSAS 29 or have early adopted PBE IFRS 9.</p>
Subsequent Measurement and Accounting	Subsequent Measurement and Accounting	
<p>Paragraph 46</p> <p>In general, a resulting entity shall subsequently measure and account for assets and liabilities received and equity instruments issued in an amalgamation in accordance with other applicable IPSASs for those items, depending on their nature. However, this Standard provides guidance on subsequently measuring and accounting for the following assets received and liabilities assumed or incurred in an amalgamation:</p> <p>(a) Licenses and similar rights previously granted by one combining operation to another combining operation;</p> <p>(b) Transfers, concessionary loans and similar benefits received by a combining operation on the basis of</p>	<p>Paragraph 46</p> <p>In general, a resulting entity shall subsequently measure and account for assets and liabilities received and equity instruments issued in an amalgamation in accordance with other applicable PBE Standards for those items, depending on their nature. However, this Standard provides guidance on subsequently measuring and accounting for the following assets received and liabilities assumed or incurred in an amalgamation:</p> <p>(a) Licenses and similar rights previously granted by one combining operation to another combining operation;</p> <p>(b) Transfers, concessionary loans and similar benefits received by a combining operation on the basis of</p>	<p>–</p>

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<p>criteria that change as a result of an amalgamation; and</p> <p>(c) Income taxes (where not included in the terms of the amalgamation).</p>	<p>criteria that change as a result of an amalgamation; and</p> <p>(c) Income taxes (where not included in the terms of the amalgamation).</p>	
<p><i>Licenses and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation</i></p>	<p><i>Licences and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation</i></p>	
<p>Paragraph 47</p> <p>A license or similar right, previously granted by one combining operation to another combining operation and recognized as an intangible asset shall be amortized over the remaining period of the binding arrangement in which the right was granted, where the right was granted for a finite period. Where the right was granted for an indefinite period, the resulting entity shall test the right for impairment at least annually, and whenever there is an indication that the right may be impaired. A resulting entity that subsequently sells this license or similar right to a third party shall include the carrying amount of the intangible asset in determining the gain or loss on the sale.</p>	<p>Paragraph 47</p> <p>A licence or similar right, previously granted by one combining operation to another combining operation and recognised as an intangible asset shall be amortised over the remaining period of the binding arrangement in which the right was granted, where the right was granted for a finite period. Where the right was granted for an indefinite period, the resulting entity shall test the right for impairment at least annually, and whenever there is an indication that the right may be impaired. A resulting entity that subsequently sells this licence or similar right to a third party shall include the carrying amount of the intangible asset in determining the gain or loss on the sale.</p>	<p>–</p>
<p><i>Transfers, Concessionary Loans and Similar Benefits Received by a Combining Operation on the Basis of Criteria that May Change as a Result of an Amalgamation</i></p>	<p><i>Transfers, Concessionary Loans and Similar Benefits Received by a Combining Operation on the Basis of Criteria that May Change as a Result of an Amalgamation</i></p>	
<p>Paragraph 48</p> <p>A transfer, concessionary loan or similar benefit, previously received by a combining operation on the basis of criteria that change as a result of an amalgamation, shall be reassessed prospectively in accordance with other IPSASs (paragraphs AG61–AG63 provide related application guidance).</p>	<p>Paragraph 48</p> <p>A transfer, concessionary loan or similar benefit, previously received by a combining operation on the basis of criteria that change as a result of an amalgamation, shall be reassessed prospectively in accordance with other PBE Standards (paragraphs AG61–AG63 provide related application guidance).</p>	<p>–</p>

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<i>Income Taxes (Where not Included in the Terms of the Amalgamation)</i>	<i>Income Taxes (Where not Included in the terms of the Amalgamation)</i>	
Paragraph 49 Amalgamations involving public sector entities may result in a tax authority forgiving amounts of tax subsequent to the amalgamation. The resulting entity shall account for the tax forgiven prospectively in accordance with the relevant international or national accounting standard dealing with income taxes.	Paragraph 49 Amalgamations involving public sector entities may result in a tax authority forgiving amounts of tax subsequent to the amalgamation. The resulting entity shall account for the tax forgiven prospectively in accordance with PBE IAS 12.	–
Presentation of Financial Statements	Presentation of Financial Statements	
Paragraph 50 Except where a resulting entity is not a new entity following a public sector combination, the resulting entity's first set of financial statements following the amalgamation shall comprise:	Paragraph 50 If, following a PBE combination the resulting entity is a new reporting entity, the resulting entity's first set of financial statements following the amalgamation shall comprise:	<u>Presentation for new reporting entity</u> Amended the lead in sentence to clarify that it is the new reporting entity.
(a) An opening statement of financial position as of the amalgamation date;	(a) An opening statement of financial position as of the amalgamation date;	–
(b) A statement of financial position as at the reporting date;	(b) A statement of financial position as at the reporting date;	–
(c) A statement of financial performance for the period from the amalgamation date to the reporting date;	(c) A statement of comprehensive revenue and expense for the period from the amalgamation date to the reporting date;	–
(d) A statement of changes in net assets/equity for the period from the amalgamation date to the reporting date;	(d) A statement of changes in net assets/equity for the period from the amalgamation date to the reporting date;	–
(e) A cash flow statement for the period from the amalgamation date to the reporting date;	(e) A cash flow statement for the period from the amalgamation date to the reporting date;	–
(f) If the entity makes publicly available its approved budget, a comparison of budget and actual amounts for the period from the amalgamation date to the reporting date, either as a separate additional	(f) When a public sector entity has published general purpose prospective financial statements for the period from the amalgamation date to the reporting date, the information specified in paragraph 148.1 of	<u>Prospective financial statements</u> Amendments to align with PBE IPSAS 1, paragraph 21(e) on prospective financial statements.

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financial statement or as a budget column in the financial statements; and	PBE IPSAS 1 shall be presented on the face of the financial statements or as a separate statement. When a not-for-profit entity has published general purpose prospective financial statements for the period from the amalgamation date to the reporting date, the information specified in paragraph 148.1 of PBE IPSAS 1 shall be presented on the face of the financial statements, as a separate statement or in the notes; and	
(g) Notes, comprising a summary of significant accounting policies and other explanatory notes.	(g) Notes, comprising a summary of significant accounting policies and other explanatory notes.	–
–	The resulting entity shall not present comparative information on the face of its financial statements for the periods prior to the amalgamation date. The resulting entity is permitted to disclose in the notes comparative information for the combining operations for the periods prior to the amalgamation date, in accordance with paragraph 54(g).	<u>Comparatives for the new reporting entity</u> Added requirements to clarify that a new reporting entity shall not present comparatives but is permitted to disclose the combining operations' comparative information. If the NZASB had permitted comparatives for the new reporting entity it would imply that the operations have always been combined. The NZASB wanted to avoid any doubt about when the combination occurred therefore the Standard does not permit a new reporting entity to present comparatives. IPSAS 40 permits, but does not require, the resulting entity to present the combining operations' comparatives in the first set of financial statements following an amalgamation.
Paragraph 51 Where a resulting entity is not a new entity following a public sector combination, the resulting entity shall disclose:	Paragraph 51 If, following a PBE combination the resulting entity is a continuing reporting entity, the resulting entity shall disclose as of the amalgamation date:	<u>Presentation for continuing reporting entity</u> Amended the lead in sentence to clarify that it is a continuing reporting entity.

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<p>(a) The amounts recognized of each major class of assets and liabilities, and components of net assets/equity from combining operations included in the resulting entity;</p> <p>(b) Any adjustments made to components of net assets/equity where required to conform the accounting policies of the combining operations with those of the resulting entity; and</p> <p>(c) Any adjustments made to eliminate transactions between the combining operations.</p>	<p>(a) The amounts recognised of each major class of assets and liabilities, and components of net assets/equity from combining operations included in the resulting entity;</p> <p>(b) Any adjustments made to components of net assets/equity where required to conform the accounting policies of the combining operations with those of the resulting entity; and</p> <p>(c) Any adjustments made to eliminate transactions between the combining operations.</p>	
<p>–</p>	<p>The resulting entity shall present comparative financial information, in respect of the continuing reporting entity only, for the period prior to the amalgamation date on the face of the financial statements but this information shall not be restated. The resulting entity is permitted to disclose in the notes comparative financial information for the combining operations for the periods prior to the amalgamation date, in accordance with paragraph 54(g).</p>	<p><u>Comparatives for the continuing reporting entity</u> Added requirements to clarify that the resulting entity shall present comparatives on the face of the financial statements for the continuing reporting entity. The NZASB is of the view that the continuing reporting entity's comparatives are useful to readers and that a requirement to present such comparatives would not be onerous because the information would have already been prepared. IPSAS 40 permits, but does not require, the resulting entity to present the combining operations' comparatives in the first set of financial statements following an amalgamation.</p>
<p>Paragraph 52 Subject to the requirements in paragraphs 54 and 56, the resulting entity is permitted but not required to present financial statements for periods prior to the amalgamation date (paragraphs AG64–AG65 provide related application guidance). Where a resulting entity elects to present</p>	<p>Paragraph 52 Subject to the requirements in paragraphs 54 and 56, the resulting entity is permitted but not required to present financial statements for one or more of the combining operations for periods prior to the amalgamation date (paragraphs AG64–AG65 provide related application</p>	<p><u>Comparatives for the combining operations</u> Clarified that the combining operations' prior period information shall be presented and not be restated.</p>

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financial statements for periods prior to the amalgamation date, it shall disclose the information required by paragraph 54(g).	guidance). Where a resulting entity elects to present financial statements for the combining operations for periods prior to the amalgamation date, it shall disclose the information required by paragraph 54(g). The resulting entity shall not restate the combining operations' financial statements, but shall disclose the information on the same basis as previously used in the combining operations' financial statements. Where a resulting entity does not elect to present financial statements for the combining operations for periods prior to the amalgamation date, it shall meet the needs of users of the financial statements in one of the ways outlined in paragraph AG64.	
Disclosures	Disclosures	
Paragraph 53 The resulting entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an amalgamation.	*Paragraph 53 The resulting entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an amalgamation.	–
–	Paragraph RDR 53.1 A Tier 2 entity is required to comply with the disclosures in paragraphs 54–57 that are not asterisked (*) as RDR concessions.	–
Paragraph 54 To meet the objective in paragraph 53, the resulting entity shall disclose the following information for each amalgamation that occurs during the reporting period: (a) The name and a description of each combining operation. (b) The amalgamation date. (c) The primary reasons for the amalgamation including, where applicable, the legal basis for the amalgamation.	Paragraph 54 To meet the objective in paragraph 54, the resulting entity shall disclose the following information for each amalgamation that occurs during the reporting period: (a) The name and a description of each combining operation. (b) The amalgamation date. (c) The primary reasons for the amalgamation including, where applicable, the legal basis for the amalgamation.	–

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<p>(d) The amounts recognized as of the amalgamation date for each major class of assets and liabilities transferred.</p> <p>(e) The adjustments made to the carrying amounts of assets and liabilities recorded by each combining operation as of the amalgamation date:</p> <p>(i) To eliminate the effect of transactions between combining operations in accordance with paragraph 22; and</p> <p>(ii) To conform to the resulting entity's accounting policies in accordance with paragraph 27.</p> <p>(f) An analysis of net assets/equity, including any components that are presented separately, and any significant adjustments such as revaluation surpluses or deficits, recognized in accordance with paragraphs 37–38.</p>	<p>(d) The amounts recognised as of the amalgamation date for each major class of assets and liabilities transferred.</p> <p>(e) The adjustments made to the carrying amounts of assets and liabilities recorded by each combining operation as of the amalgamation date:</p> <p>(i) To eliminate the effect of transactions between combining operations in accordance with paragraph 22; and</p> <p>(ii) To conform to the resulting entity's accounting policies in accordance with paragraph 27.</p> <p>* (f) An analysis of net assets/equity, including any components that are presented separately, and any significant adjustments such as revaluation surpluses or deficits, recognised in accordance with paragraphs 37–38.</p>	
<p>(g) If a resulting entity elects to present financial statements for periods prior to the amalgamation date in accordance with paragraph 52, the resulting entity shall disclose the following information for each combining operation:</p> <p>(i) A statement of financial position as at the end of the prior period(s);</p> <p>(ii) A statement of financial performance for the prior period(s);</p> <p>(iii) A statement of changes in net assets/equity for the prior period(s);</p> <p>(iv) A cash flow statement for the prior period(s); and</p> <p>(v) Notes, comprising a summary of significant accounting policies and other explanatory notes.</p>	<p>(g) If a resulting entity elects to present financial statements for combining operations for periods prior to the amalgamation date in accordance with paragraph 52, the resulting entity shall disclose the following information for each combining operation in the notes:</p> <p>(i) A statement of financial position as at the end of the prior period(s);</p> <p>(ii) A statement of comprehensive revenue and expense for the prior period(s);</p> <p>(iii) A statement of changes in net assets/equity for the prior period(s);</p> <p>(iv) A cash flow statement for the prior period(s); and</p> <p>(v) Notes, comprising a summary of significant accounting policies and other explanatory notes.</p>	<p><u>Prior period financial statements of the combining operations</u></p> <p>Clarified that the prior period information is for the combining operations and shall be provided in the notes.</p>

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<p>The resulting entity shall not restate this information, but shall disclose the information on the same basis as used in the combining operations' financial statements. The resulting entity shall disclose the basis on which this information is presented.</p>	<p>The resulting entity shall not restate this information, but shall disclose the information on the same basis as previously used in the combining operations' financial statements. The resulting entity shall describe the significant differences between the resulting entity's accounting policies and the accounting policies previously applied by the combining operations. If the combining operations' prior period financial statements are not for the reporting period immediately prior to the amalgamation date the resulting entity shall also disclose the information specified in subparagraph (h) below.</p>	<p><u>Prior period financial statements of the combining operations</u></p> <p>Clarified comparatives are not restated and additional information is required if the combining operations' prior period financial statements are not for the reporting period immediately prior to the amalgamation date.</p>
<p>(h) If, at the time the financial statements of the resulting entity are authorized for issue, the last reporting date of any of the combining operations does not immediately precede the amalgamation date, the resulting entity shall disclose the following information:</p> <p>(i) The amounts of revenue and expense, and the surplus or deficit of each combining operation from the last reporting date of the combining operations until the amalgamation date. The amounts of revenue shall be analyzed in a manner appropriate to the entity's operations, in accordance with paragraph 108 of IPSAS 1, <i>Presentation of Financial Statements</i>. The amounts of expense shall be analyzed using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant, in accordance with paragraph 108 of IPSAS 1.</p> <p>(ii) The amounts reported by each combining operation immediately prior to the</p>	<p>(h) If, at the time the financial statements of the resulting entity are authorised for issue, the last reporting date of any of the combining operations does not immediately precede the amalgamation date, the resulting entity shall disclose the following information:</p> <p>(i) The amounts of revenue and expense, and the surplus or deficit of each combining operation from the last reporting date of the combining operations until the amalgamation date. The amounts of revenue shall be analysed in a manner appropriate to the entity's operations, in accordance with paragraph 108 of PBE IPSAS 1. The amounts of expense shall be analysed using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant, in accordance with paragraph 108 of PBE IPSAS 1.</p> <p>(ii) The amounts reported by each combining operation immediately prior to the</p>	<p>–</p>

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<p>amalgamation date for each major class of assets and liabilities.</p> <p>(iii) The amounts reported by each combining operation immediately prior to the amalgamation date in net assets/equity.</p>	<p>amalgamation date for each major class of assets and liabilities.</p> <p>(iii) The amounts reported by each combining operation immediately prior to the amalgamation date in net assets/equity.</p>	
<p>The resulting entity is not required to disclose this information where it has elected to present financial statements for periods prior to the amalgamation date as specified in subparagraph (g) above.</p>	<p>The resulting entity is not required to disclose this information where it has elected to present financial statements of the combining operations for the reporting period ending immediately prior to the amalgamation date as specified in subparagraph (g) above.</p>	<p><u>Prior period information of the combining operations</u> Clarified that the financial statements referred to are those of the combining operations and that the information in subparagraph (h) is not required if the information provided in subparagraph (g) is for the reporting period ending immediately prior to the amalgamation date.</p>
<p>Paragraph 55</p> <p>The resulting entity shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to amalgamations that occurred in the period or previous reporting periods.</p>	<p>*Paragraph 55</p> <p>The resulting entity shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to amalgamations that occurred in the period or previous reporting periods.</p>	<p>–</p>
<p>Paragraph 56</p> <p>To meet the objective in paragraph 55, the resulting entity shall disclose the following information:</p> <p>(a) If the initial accounting for an amalgamation is incomplete (see paragraph 40) for particular assets or liabilities, and the amounts recognized in the financial statements for the amalgamation thus have been determined only provisionally:</p> <p>(i) The reasons why the initial accounting for the amalgamation is incomplete;</p> <p>(ii) The assets or liabilities for which the initial accounting is incomplete; and</p>	<p>Paragraph 56</p> <p>To meet the objective in paragraph 55, the resulting entity shall disclose the following information:</p> <p>* (a) If the initial accounting for an amalgamation is incomplete (see paragraph 40) for particular assets or liabilities, and the amounts recognised in the financial statements for the amalgamation thus have been determined only provisionally:</p> <p>(i) The reasons why the initial accounting for the amalgamation is incomplete;</p> <p>(ii) The assets or liabilities for which the initial accounting is incomplete; and</p>	<p>–</p>

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<p>(iii) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph 43.</p> <p>(b) If amounts of tax due are forgiven as a result of the terms of the amalgamation (see paragraphs 33–34):</p> <p>(i) The amount of tax due that was forgiven; and</p> <p>(ii) Where the resulting entity is the tax authority, details of the adjustment made to tax receivable.</p>	<p>(iii) The nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 43.</p> <p>(b) If amounts of tax due are forgiven as a result of the terms of the amalgamation (see paragraph 33):</p> <p>(i) The amount of tax due that was forgiven; and</p> <p>(ii) Where the resulting entity is the tax authority, details of the adjustment made to tax receivable.</p>	
–	<p>Paragraph RDR 56.1</p> <p>For individually immaterial amalgamations occurring during the reporting period that are material collectively, the Tier 2 resulting entity shall disclose in aggregate the information required by paragraphs 54(d) and 56(b).</p>	–
<p>Paragraph 57</p> <p>If the specific disclosures required by this and other IPSASs do not meet the objectives set out in paragraphs 53 and 55, the resulting entity shall disclose whatever additional information is necessary to meet those objectives.</p>	<p>*Paragraph 57</p> <p>If the specific disclosures required by this and other PBE Standards do not meet the objectives set out in paragraphs 53 and 55, the resulting entity shall disclose whatever additional information is necessary to meet those objectives.</p>	–
<p>Accounting for Acquisitions</p>	<p>Accounting for Acquisitions</p>	
<p>Paragraph 58</p> <p>An acquirer shall account for each acquisition by applying the acquisition method of accounting.</p>	<p>Paragraph 58</p> <p>An acquirer shall account for each acquisition by applying the acquisition method of accounting.</p>	–

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The Acquisition Method of Accounting	The Acquisition Method of Accounting	
Paragraph 59 Applying the acquisition method of accounting requires: (a) Identifying the acquirer; (b) Determining the acquisition date; (c) Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation; and (d) Recognizing and measuring goodwill, a gain or a loss from an acquisition.	Paragraph 59 Applying the acquisition method of accounting requires: (a) Identifying the acquirer; (b) Determining the acquisition date; (c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation; and (d) Recognising and measuring goodwill, or a gain or a loss from an acquisition.	–
Identifying the Acquirer	Identifying the Acquirer	
Paragraph 60 For each acquisition, the party to the combination that gains control of one or more operations shall be identified as the acquirer.	Paragraph 60 For each acquisition, the party to the combination that gains control of one or more operations shall be identified as the acquirer.	–
Paragraph 61 The party to the combination that gains control of one or more operations is identified when determining the classification of the public sector combination in accordance with paragraphs 7, 8 and AG10–AG18.	Paragraph 61 The party to the combination that gains control of one or more operations is identified when determining the classification of the PBE combination in accordance with paragraphs 7, 8 and AG10–AG18.	–
Determining the Acquisition Date	Determining the Acquisition Date	
Paragraph 62 The acquirer shall identify the acquisition date, which is the date on which it obtains control of the acquired operation.	Paragraph 62 The acquirer shall identify the acquisition date, which is the date on which it obtains control of the acquired operation.	–
Paragraph 63 The date on which the acquirer obtains control of the acquired operation is generally the date on which the acquirer legally transfers the consideration and/or acquires the assets and assumes the liabilities of the acquired operation—the closing date. However, the acquirer might	Paragraph 63 The date on which the acquirer obtains control of the acquired operation is generally the date on which the acquirer legally transfers the consideration and/or acquires the assets and assumes the liabilities of the acquired operation—the closing date. However, the acquirer might	–

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<p>obtain control on a date that is either earlier or later than the closing date. For example, the acquisition date precedes the closing date if a written agreement provides that the acquirer obtains control of the acquired operation on a date before the closing date. An acquirer shall consider all pertinent facts and circumstances in identifying the acquisition date.</p>	<p>obtain control on a date that is either earlier or later than the closing date. For example, the acquisition date precedes the closing date if a written agreement provides that the acquirer obtains control of the acquired operation on a date before the closing date. An acquirer shall consider all pertinent facts and circumstances in identifying the acquisition date.</p>	
<p>Recognizing and measuring the Measuring the Identifiable Assets Acquired, the Liabilities Assumed and any Non-Controlling Interest in the Acquired Operation</p>	<p>Recognising and Measuring the Identifiable Assets Acquired, the Liabilities Assumed and any Non-Controlling Interest in the Acquired Operation</p>	
<p><i>Recognition Principle</i></p>	<p><i>Recognition Principle</i></p>	
<p>Paragraph 64 As of the acquisition date, the acquirer shall recognize, separately from any goodwill recognized, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation. Recognition of identifiable assets acquired and liabilities assumed is subject to the conditions specified in paragraphs 64 and 65.</p>	<p>Paragraph 64 As of the acquisition date, the acquirer shall recognise, separately from any goodwill recognised, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation. Recognition of identifiable assets acquired and liabilities assumed is subject to the conditions specified in paragraphs 65 and 66.</p>	<p>–</p>
<p>Recognition Conditions</p>	<p>Recognition Conditions</p>	
<p>Paragraph 65 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> at the acquisition date, and be capable of being measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reporting. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquired operation or to terminate the employment of or relocate an acquired operation’s</p>	<p>Paragraph 65 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the <i>Public Benefit Entities’ Conceptual Framework</i> at the acquisition date, and be capable of being measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reporting. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquired operation or to terminate the employment of or relocate an acquired operation’s employees are not liabilities at the acquisition date.</p>	<p>–</p>

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<p>employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognize those costs as part of applying the acquisition method. Instead, the acquirer recognizes those costs in its post-combination financial statements in accordance with other IPSASs.</p>	<p>Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other PBE Standards.</p>	
<p>Paragraph 66 In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the acquirer and the acquired operation (or its former owners) exchanged in the acquisition transaction rather than the result of separate transactions. The acquirer shall apply the guidance in paragraphs 109–111 to determine which assets acquired or liabilities assumed are part of the exchange for the acquired operation and which, if any, are the result of separate transactions to be accounted for in accordance with their nature and the applicable IPSASs.</p>	<p>Paragraph 66 In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the acquirer and the acquired operation (or its former owners) exchanged in the acquisition transaction rather than the result of separate transactions. The acquirer shall apply the guidance in paragraphs 109–111 to determine which assets acquired or liabilities assumed are part of the exchange for the acquired operation and which, if any, are the result of separate transactions to be accounted for in accordance with their nature and the applicable PBE Standards.</p>	–
<p>Paragraph 67 The acquirer’s application of the recognition principle and conditions may result in recognizing some assets and liabilities that the acquired operation had not previously recognized as assets and liabilities in its financial statements. For example, the acquirer recognizes the acquired identifiable intangible assets, such as a patent or a customer relationship, that the acquired operation did not recognize as assets in its financial statements because it developed them internally and charged the related costs to expense.</p>	<p>Paragraph 67 The acquirer’s application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquired operation had not previously recognised as assets and liabilities in its financial statements. For example, the acquirer recognises the acquired identifiable intangible assets, such as a patent or a customer relationship, that the acquired operation did not recognise as assets in its financial statements because it developed them internally and charged the related costs to expense.</p>	–
<p>Paragraph 68 Paragraphs AG72–AG84 provide guidance on recognizing operating leases and intangible assets. Paragraphs 75–81 specify the types of identifiable assets and liabilities that</p>	<p>Paragraph 68 Paragraphs AG72–AG84 provide guidance on recognising operating leases and intangible assets. Paragraphs 76–82 specify the types of identifiable assets and liabilities that</p>	–

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include items for which this Standard provides limited exceptions to the recognition principle and conditions.	include items for which this Standard provides limited exceptions to the recognition principle and conditions.	
Classifying or Designating Identifiable Assets Acquired and Liabilities Assumed in an Acquisition	Classifying or Designating Identifiable Assets Acquired and Liabilities Assumed in an Acquisition	
<p>Paragraph 69</p> <p>At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to subsequently apply other IPSASs. The acquirer shall make those classifications or designations on the basis of the terms of the binding arrangement (including contractual terms), economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date.</p>	<p>Paragraph 69</p> <p>At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to subsequently apply other PBE Standards. The acquirer shall make those classifications or designations on the basis of the terms of the binding arrangement (including contractual terms), economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date.</p>	–
<p>Paragraph 70</p> <p>In some situations, IPSASs provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to:</p> <ul style="list-style-type: none"> (a) Classification of particular financial assets and liabilities as measured at fair value through surplus or deficit or at amortized cost, or as a financial asset measured at fair value through net assets/equity in accordance with IPSAS 41; (b) Designation of a derivative instrument as a hedging instrument in accordance with IPSAS 41; and (c) Assessment of whether an embedded derivative should be separated from a host contract in accordance with IPSAS 41 (which is a matter of ‘classification’ as this Standard uses that term). 	<p>Paragraph 70</p> <p>In some situations, PBE Standards provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to:</p> <ul style="list-style-type: none"> (a) Classification of particular financial assets and liabilities as measured at fair value through surplus or deficit or at amortised cost, or as a financial asset measured at fair value through other comprehensive revenue and expense in accordance with PBE IPSAS 41;^ (b) Designation of a derivative instrument as a hedging instrument in accordance with PBE IPSAS 41; and (c) Assessment of whether an embedded derivative should be separated from a host contract in accordance with PBE IPSAS 41 (which is a matter of ‘classification’ as this Standard uses that term). 	<p><u>Financial instruments requirements</u></p> <p>Added footnote for entities that may still be applying PBE IPSAS 29 or have early adopted PBE IFRS 9.</p>

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	<p>^ If an entity applies this Standard and has not yet applied PBE IPSAS 41, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9 as appropriate.</p>	
<p>Paragraph 71 This Standard provides two exceptions to the principle in paragraph 69:</p> <p>(b) Classification of a lease arrangement as either an operating lease or a finance lease in accordance with IPSAS 13, <i>Leases</i>; and</p> <p>(c) Classification of a contract as an insurance contract in accordance with the relevant international or national accounting standard dealing with insurance contracts.</p> <p>The acquirer shall classify those binding arrangements on the basis of the terms and other factors at the inception of the binding arrangement (or, if the terms of the binding arrangement have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date).</p>	<p>Paragraph 71 This Standard provides two exceptions to the principle in paragraph 69:</p> <p>(a) Classification of a lease arrangement as either an operating lease or a finance lease in accordance with PBE IPSAS 13 <i>Leases</i>; and</p> <p>(b) Classification of a contract as an insurance contract in accordance with PBE IFRS 4 <i>Insurance Contracts</i>.</p> <p>The acquirer shall classify those binding arrangements on the basis of the terms and other factors at the inception of the binding arrangement (or, if the terms of the binding arrangement have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date).</p>	–
<p><i>Measurement Principle</i></p>	<p><i>Measurement Principle</i></p>	
<p>Paragraph 72 The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.</p>	<p>Paragraph 72 The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.</p>	–
<p>Paragraph 73 For each acquisition, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquired operation that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:</p> <p>(a) Fair value; or</p>	<p>Paragraph 73 For each acquisition, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquired operation that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:</p> <p>(a) Fair value; or</p>	–

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<p>(b) The present ownership instruments' proportionate share in the recognized amounts of the acquired operation's identifiable net assets.</p> <p>All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IPSASs.</p>	<p>(b) The present ownership instruments' proportionate share in the recognised amounts of the acquired operation's identifiable net assets.</p> <p>All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by PBE Standards.</p>	
<p>Paragraph 74</p> <p>Paragraphs 78–84 specify the types of identifiable assets and liabilities that include items for which this Standard provides limited exceptions to the measurement principle.</p>	<p>Paragraph 74</p> <p>Paragraphs 78–84.1 specify the types of identifiable assets and liabilities that include items for which this Standard provides limited exceptions to the measurement principle</p>	<p><u>Measurement principle for acquisitions</u></p> <p>Updated reference to include paragraph 84.1 which is a NZ specific paragraph dealing with assets held for sale.</p>
<p><i>Exceptions to the Recognition or Measurement Principles</i></p>	<p><i>Exceptions to the Recognition or Measurement Principles</i></p>	
<p>Paragraph 75</p> <p>This Standard provides limited exceptions to its recognition and measurement principles. Paragraphs 76–84 specify both the particular items for which exceptions are provided and the nature of those exceptions. The acquirer shall account for those items by applying the requirements in paragraphs 76–84, which will result in some items being:</p> <p>(a) Recognized either by applying recognition conditions in addition to those in paragraphs 65–66 or by applying the requirements of other IPSASs, with results that differ from applying the recognition principle and conditions.</p> <p>(b) Measured at an amount other than their acquisition-date fair values.</p>	<p>Paragraph 75</p> <p>This Standard provides limited exceptions to its recognition and measurement principles. Paragraphs 76–84.1 specify both the particular items for which exceptions are provided and the nature of those exceptions. The acquirer shall account for those items by applying the requirements in paragraphs 76–84.1, which will result in some items being:</p> <p>(a) Recognised either by applying recognition conditions in addition to those in paragraphs 65–66 or by applying the requirements of other PBE Standards, with results that differ from applying the recognition principle and conditions.</p> <p>(b) Measured at an amount other than their acquisition-date fair values.</p>	<p><u>Measurement principle for acquisitions</u></p> <p>Updated reference to include paragraph 84.1 which is a NZ specific paragraph dealing with assets held for sale.</p>

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Exception to the Recognition Principle	Exception to the Recognition Principle	
Contingent Liabilities	Contingent liabilities	
<p>Paragraph 76</p> <p>IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>, defines a contingent liability as:</p> <p>(a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) A present obligation that arises from past events, but is not recognized because:</p> <p>(i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or</p> <p>(ii) The amount of the obligation cannot be measured with sufficient reliability.</p>	<p>Paragraph 76</p> <p>PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, defines a contingent liability as:</p> <p>(a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) A present obligation that arises from past events, but is not recognised because:</p> <p>(i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or</p> <p>(ii) The amount of the obligation cannot be measured with sufficient reliability.</p>	–
<p>Paragraph 77</p> <p>The requirements in IPSAS 19 do not apply in determining which contingent liabilities to recognize as of the acquisition date. Instead, the acquirer shall recognize as of the acquisition date a contingent liability assumed in an acquisition where consideration is transferred if it is a present obligation that arises from past events and its fair value can be measured reliably[^]. Therefore, contrary to IPSAS 19, the acquirer recognizes a contingent liability assumed in an acquisition where consideration is transferred at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph 115 provides guidance on the subsequent accounting for contingent liabilities.</p>	<p>Paragraph 77</p> <p>The requirements in PBE IPSAS 19 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 an acquisition where consideration is transferred if it is a present obligation that arises from past events and its fair value can be measured reliably.[^] Therefore, contrary to PBE IPSAS 19, the acquirer recognises a contingent liability assumed in an acquisition where consideration is transferred at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph 115 provides guidance on the subsequent accounting for contingent liabilities.</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>^ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.</p>	<p>^ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 discusses the transitional approach to the explanation of reliability.</p>	
<p>Exceptions to Both the Recognition and Measurement Principles</p>	<p>Exceptions to Both the Recognition and Measurement Principles</p>	
<p>Income Taxes (Where Included in the Terms of the Acquisition)</p>	<p>Income Taxes</p>	<p><u>Income taxes in acquisitions</u> Removed the text in brackets as paragraphs 79.1 and 79.2 of PBE IPSAS 40 apply whether or not tax is covered in the terms of the acquisition.</p>
<p>Paragraph 78 Acquisitions by a public sector entity may result in a tax authority forgiving amounts of tax due as part of the terms of the acquisition. The acquirer shall not recognize any taxation items that are forgiven as a result of the terms of the acquisition (paragraphs AG85–AG87 provide related application guidance).</p>	<p>Paragraph 78 Acquisitions by a PBE may result in a tax authority forgiving amounts of tax due as part of the terms of the acquisition. The acquirer shall not recognise any taxation items that are forgiven as a result of the terms of the acquisition (paragraphs AG85 and AG87 provide related application guidance).</p>	<p><u>Income taxes in acquisitions</u> Removed reference to paragraph AG86 because this has been deleted in PBE IPSAS 40. Removed paragraph AG86 because it was not necessary and could create confusion.</p>
<p>Paragraph 79 The acquirer shall recognize and measure any remaining taxation items included in or arising from an acquisition in accordance with the relevant international or national accounting standard dealing with income taxes. The acquirer entity shall recognize and measure any remaining revenue from taxation included in or arising from an acquisition in accordance with IPSAS 23.</p>	<p>Paragraph 79 Not used</p>	<p><u>Income taxes in acquisitions</u> Removed paragraph 79 because it was not necessary and could create confusion.</p>
<p>–</p>	<p>Paragraph 79.1 The acquirer shall recognise and measure a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a PBE combination in accordance with PBE IAS 12.</p>	<p><u>Deferred tax in acquisitions</u> Added the income tax requirement from PBE IFRS 3.24.</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
–	<p>Paragraph 79.2</p> <p>The acquirer shall account for the potential tax effects of temporary differences and carryforwards of the acquired operation that exist at the acquisition date or arise as a result of the acquisition in accordance with PBE IAS 12.</p>	<p><u>Income tax in acquisitions</u></p> <p>Added the income tax requirement from PBE IFRS 3.25.</p>
Employee Benefits	Employee Benefits	
<p>Paragraph 80</p> <p>The acquirer shall recognize and measure a liability (or asset, if any) related to the acquired operation’s employee benefit arrangements in accordance with IPSAS 39.</p>	<p>Paragraph 80</p> <p>The acquirer shall recognise and measure a liability (or asset, if any) related to the acquired operation’s employee benefit arrangements in accordance with PBE IPSAS 39.</p>	–
Indemnification Assets	Indemnification Assets	
<p>Paragraph 81</p> <p>The seller in an acquisition may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. For example, the seller may indemnify the acquirer against losses above a specified amount on a liability arising from a particular contingency; in other words, the seller will guarantee that the acquirer’s liability will not exceed a specified amount. As a result, the acquirer obtains an indemnification asset. The acquirer shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectibility considerations are included in the fair value measure and a separate</p>	<p>Paragraph 81</p> <p>The seller in an acquisition may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. For example, the seller may indemnify the acquirer against losses above a specified amount on a liability arising from a particular contingency; in other words, the seller will guarantee that the acquirer’s liability will not exceed a specified amount. 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. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognise the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectibility considerations are included in the fair value measure and a separate</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
valuation allowance is not necessary (paragraph AG88 provides related application guidance).	valuation allowance is not necessary (paragraph AG88 provides related application guidance).	
<p>Paragraph 82</p> <p>In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. For example, an indemnification may relate to a contingent liability that is not recognized at the acquisition date because its fair value is not reliably measurable at that date. Alternatively, an indemnification may relate to an asset or a liability, for example, one that results from an employee benefit, that is measured on a basis other than acquisition-date fair value. In those circumstances, the indemnification asset shall be recognized and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount. Paragraph 116 provides guidance on the subsequent accounting for an indemnification asset.</p>	<p>Paragraph 82</p> <p>In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. For example, an indemnification may relate to a contingent liability that is not recognised at the acquisition date because its fair value is not reliably measurable at that date. Alternatively, an indemnification may relate to an asset or a liability, for example, one that results from an employee benefit, that is measured on a basis other than acquisition-date fair value. In those circumstances, the indemnification asset shall be recognised and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount. Paragraph 116 provides guidance on the subsequent accounting for an indemnification asset.</p>	–
Exceptions to the Measurement Principle	Exceptions to the Measurement Principle	
Reacquired Rights	Reacquired Rights	
<p>Paragraph 83</p> <p>The acquirer shall measure the value of a reacquired right recognized as an intangible asset on the basis of the remaining term of the related binding arrangement regardless of whether market participants would consider potential renewals of binding arrangements when measuring its fair value. Paragraphs AG79–AG80 provide related application guidance.</p>	<p>Paragraph 83</p> <p>The acquirer shall measure the value of a reacquired right recognised as an intangible asset on the basis of the remaining term of the related binding arrangement regardless of whether market participants would consider potential renewals of binding arrangements when measuring its fair value. Paragraphs AG79–AG80 provide related application guidance.</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
Share-Based Payment Transactions	Share-Based Payment Transactions	
<p>Paragraph 84</p> <p>The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquired operation or the replacement of an acquired operation's share-based payment transactions with share-based payment transactions of the acquirer in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	<p>Paragraph 84</p> <p>The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquired operation or the replacement of an acquired operation's share-based payment transactions with share-based payment transactions of the acquirer in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	–
	Assets Held for Sale	
–	<p>Paragraph 84.1</p> <p>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 PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> at fair value less costs to sell in accordance with paragraphs 15–18 of that Standard.</p>	<p><u>Assets held for sale</u></p> <p>Added requirements on assets held for sale from PBE IFRS 3.31.</p>
<p>Recognizing and Measuring Goodwill or a Gain from a Bargain Purchase</p>	<p>Recognising and Measuring Goodwill or a Gain from a Bargain Purchase</p>	
<p>Paragraph 85</p> <p>The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below, subject to the requirements of paragraph 86:</p> <p>(a) The aggregate of:</p> <p>(i) The consideration transferred measured in accordance with this Standard, which generally requires acquisition-date fair value (see paragraph 95);</p> <p>(ii) The amount of any non-controlling interest in the acquired operation measured in accordance with this Standard; and</p>	<p>Paragraph 85</p> <p>The acquirer shall recognise goodwill as of the acquisition date measured as the excess of (a) over (b) below, subject to the requirements of paragraph 86:</p> <p>(a) The aggregate of:</p> <p>(i) The consideration transferred measured in accordance with this Standard, which generally requires acquisition-date fair value (see paragraph 95);</p> <p>(ii) The amount of any non-controlling interest in the acquired operation measured in accordance with this Standard; and</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>(iii) In an acquisition achieved in stages (see paragraphs 99-100), the acquisition-date fair value of the acquirer's previously held equity interest in the acquired operation.</p> <p>(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.</p>	<p>(iii) In an acquisition achieved in stages (see paragraphs 99–100), the acquisition-date fair value of the acquirer's previously held equity interest in the acquired operation.</p> <p>(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.</p>	
<p>Paragraph 86</p> <p>The acquirer shall recognize goodwill only to the extent that the acquisition will result in:</p> <p>(a) The generation of cash inflows (such as the acquisition of a cash-generating operation); and/or</p> <p>(b) A reduction in the net cash outflows of the acquirer.</p> <p>An acquirer shall recognize any further excess of (a) over (b) in paragraph 85 above as a loss in surplus or deficit. Paragraph AG93 provides related application guidance.</p>	<p>Paragraph 86</p> <p>The acquirer shall recognise goodwill only to the extent that:</p> <p>(a) The acquisition will result in the generation of net cash inflows; and</p> <p>(b) The goodwill arises from the acquisition of a cash-generating operation.</p> <p>An acquirer shall recognise any further excess of (a) over (b) in paragraph 85 above as a loss in surplus or deficit. Paragraph AG93 provides related application guidance.</p>	<p><u>Acquiring a non-cash-generating operation</u></p> <p>Amended the requirements to expense goodwill arising on the acquisition of a non-cash-generating operation. IPSAS 40 permits the recognition of goodwill related to the acquisition of a non-cash-generating operation.</p>
<p>Paragraph 87</p> <p>In an acquisition in which the acquirer and the acquired operation (or its former owners) exchange only equity interests, the acquisition-date fair value of the acquired operation's equity interests may be more reliably measurable than the acquisition-date fair value of the acquirer's equity interests. If so, the acquirer shall determine the amount of goodwill by using the acquisition-date fair value of the acquired operation's equity interests instead of the acquisition-date fair value of the equity interests transferred. To determine the amount of goodwill in an acquisition in which no consideration is transferred, the acquirer shall use the acquisition-date fair value of the acquirer's interest in the acquired operation in place of the acquisition-date fair value of the consideration transferred</p>	<p>Paragraph 87</p> <p>In an acquisition in which the acquirer and the acquired operation (or its former owners) exchange only equity interests, the acquisition-date fair value of the acquired operation's equity interests may be more reliably measurable than the acquisition-date fair value of the acquirer's equity interests. If so, the acquirer shall determine the amount of goodwill by using the acquisition-date fair value of the acquired operation's equity interests instead of the acquisition-date fair value of the equity interests transferred. To determine the amount of goodwill in an acquisition in which no consideration is transferred in those situations covered in paragraphs 101 and 102, the acquirer shall use the acquisition-date fair value of the acquirer's interest in the acquired operation in place of the acquisition-date fair value of the consideration transferred</p>	<p><u>Goodwill where not consideration transferred</u></p> <p>Clarified that the recognition of goodwill in an acquisition where no consideration is transferred is limited to situations where achieved through changes in voting rights, by contract alone or similar circumstances.</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
(paragraph 85(a)(i)). Paragraph AG94 provides related application guidance.	(paragraph 85(a)(i)). Paragraph AG94–AG97 provides related application guidance.	
<i>Bargain Purchases</i>	<i>Bargain Purchases</i>	
<p>Paragraph 88</p> <p>Occasionally in a public sector combination classified as an acquisition, an acquirer will make a bargain purchase, which is an acquisition in which the amount in paragraph 85(b) exceeds the aggregate of the amounts specified in paragraph 85(a). If that excess remains after applying the requirements in paragraph 90, the acquirer shall recognize the resulting gain in surplus or deficit on the acquisition date. The gain shall be attributed to the acquirer.</p>	<p>Paragraph 88</p> <p>Occasionally in a PBE combination classified as an acquisition, an acquirer will make a bargain purchase, which is an acquisition in which the amount in paragraph 85(b) exceeds the aggregate of the amounts specified in paragraph 85(a). If that excess remains after applying the requirements in paragraph 90, the acquirer shall recognise the resulting gain in surplus or deficit on the acquisition date. The gain shall be attributed to the acquirer.</p>	–
<p>Paragraph 89</p> <p>A bargain purchase might happen, for example, in an acquisition that is a forced sale in which the seller is acting under economic compulsion. However, the recognition or measurement exceptions for particular items discussed in paragraphs 76–84 may also result in recognizing a gain (or change the amount of a recognized gain) on a bargain purchase.</p>	<p>Paragraph 89</p> <p>A bargain purchase might happen, for example, in an acquisition that is a forced sale in which the seller is acting under economic compulsion. However, the recognition or measurement exceptions for particular items discussed in paragraphs 76–84.1 may also result in recognising a gain (or change the amount of a recognised gain) on a bargain purchase.</p>	<p><u>Bargain purchases</u></p> <p>Updated reference to include paragraph 84.1 which is a NZ specific paragraph dealing with assets held for sale.</p>
<p>Paragraph 90</p> <p>Before recognizing a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognize any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts this Standard requires to be recognized at the acquisition date for all of the following:</p> <p>(a) The identifiable assets acquired and liabilities assumed;</p>	<p>Paragraph 90</p> <p>Before recognising a gain on a bargain purchase, the acquirer shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The acquirer shall then review the procedures used to measure the amounts this Standard requires to be recognised at the acquisition date for all of the following:</p> <p>(a) The identifiable assets acquired and liabilities assumed;</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>(b) The non-controlling interest in the acquired operation, if any;</p> <p>(c) For an acquisition achieved in stages, the acquirer's previously held equity interest in the acquired operation; and</p> <p>(d) The consideration transferred.</p> <p>The objective of the review is to ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date.</p>	<p>(b) The non-controlling interest in the acquired operation, if any;</p> <p>(c) For an acquisition achieved in stages, the acquirer's previously held equity interest in the acquired operation; and</p> <p>(d) The consideration transferred.</p> <p>The objective of the review is to ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date.</p>	
<p>Paragraph 91</p> <p>In the public sector, an entity sometimes obtains control of an operation in a non-exchange transaction in which it transfers consideration that is not approximately equal to the fair value of the acquired operation. Such circumstances include, but are not limited to:</p> <p>(a) Compensated seizures of operations or entities; and</p> <p>(b) The transfer of an operation to the acquirer by a donor for nominal consideration.</p>	<p>Paragraph 91</p> <p>In the public and not-for-profit sectors, an entity sometimes obtains control of an operation in a non-exchange transaction in which it transfers consideration that is not approximately equal to the fair value of the acquired operation. Such circumstances include, but are not limited to:</p> <p>(a) Compensated seizures of operations or entities; and</p> <p>(b) The transfer of an operation to the acquirer by a donor for nominal consideration.</p>	<p><u>Non-exchange transaction</u></p> <p>Changed reference to public and not-for-profit (NFP) sectors.</p>
<p>Paragraph 92</p> <p>Where the economic substance of the public sector combination is that of an acquisition, such non-exchange acquisitions are treated as bargain purchases and accounted for in accordance with paragraphs 88–90.</p>	<p>Paragraph 92</p> <p>Where the economic substance of the PBE combination is that of an acquisition, such non-exchange acquisitions are treated as bargain purchases and accounted for in accordance with paragraphs 88–90.</p>	<p>–</p>
<p><i>A Non-Exchange Acquisition Without the Transfer of Consideration</i></p>	<p><i>A Non-Exchange Acquisition Without the Transfer of Consideration</i></p>	
<p>Paragraph 93</p> <p>In the public sector, an entity sometimes obtains control of an operation in a non-exchange transaction in which it transfers no consideration. Such circumstances include, but are not limited to:</p>	<p>Paragraph 93</p> <p>In the public and not-for-profit sectors, an entity sometimes obtains control of an operation in a non-exchange transaction in which it transfers no consideration. Such circumstances include, but are not limited to:</p>	<p><u>Non-exchange acquisition</u></p> <p>Changed reference to public and NFP sectors.</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>(a) Uncompensated seizures of operations or entities (also known as forced nationalizations).</p> <p>(b) The transfer of an operation to the entity by a donor for no consideration. Such transfers may take the form of a bequest.</p> <p>And</p> <p>(c) The transfer of an operation to the entity where the operation has net liabilities. The entity may accept the transfer of net liabilities to prevent the cessation of the operation. Such transactions are sometimes known as “bailouts”.</p>	<p>(a) Uncompensated seizures of operations or entities (also known as forced nationalisations).</p> <p>(b) The transfer of an operation to the entity by a donor for no consideration. Such transfers may take the form of a bequest.</p> <p>And</p> <p>(c) The transfer of an operation to the entity where the operation has net liabilities. The entity may accept the transfer of net liabilities to prevent the cessation of the operation. Such transactions are sometimes known as “bailouts”.</p>	
<p>Paragraph 94</p> <p>Where the economic substance of the public sector combination is that of an acquisition, the acquirer that obtains control of an acquired operation in a non-exchange transaction in which it transfers no consideration does not recognize goodwill. The acquirer recognizes a gain or a loss in surplus or deficit in accordance with paragraph 86.</p>	<p>Paragraph 94</p> <p>Where the economic substance of the PBE combination is that of an acquisition, the acquirer that obtains control of an acquired operation in a non-exchange transaction in which it transfers no consideration does not recognise goodwill. The acquirer recognises a gain or a loss in surplus or deficit.</p>	<p><u>Non-exchange transaction</u></p> <p>Removed the reference to paragraph 86 because that paragraph provides requirements on the recognition of goodwill. Paragraph 94 does not permit the recognition of goodwill.</p>
<p><i>Consideration Transferred</i></p>	<p><i>Consideration Transferred</i></p>	
<p>Paragraph 95</p> <p>The consideration transferred in an acquisition shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired operation and the equity interests issued by the acquirer. (However, any portion of the acquirer’s share-based payment awards exchanged for awards held by the acquired operation’s employees that is included in consideration transferred in the acquisition shall be measured in accordance with paragraph 84 rather than at fair value.) Examples of potential forms of consideration include cash, other assets, an operation or a controlled entity of the acquirer, contingent consideration, ordinary or</p>	<p>Paragraph 95</p> <p>The consideration transferred in an acquisition shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired operation and the equity interests issued by the acquirer. (However, any portion of the acquirer’s share-based payment awards exchanged for awards held by the acquired operation’s employees that is included in consideration transferred in the acquisition shall be measured in accordance with paragraph 84 rather than at fair value.) Examples of potential forms of consideration include cash, other assets, an operation or a controlled entity of the acquirer, contingent consideration, ordinary or</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
preference equity instruments, options, warrants and member interests of mutual entities.	preference equity instruments, options, warrants and member interests of mutual entities.	
<p>Paragraph 96</p> <p>The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair values at the acquisition date (for example, non-monetary assets or an operation of the acquirer). If so, the acquirer shall remeasure the transferred assets or liabilities to their fair values as of the acquisition date and recognize the resulting gains or losses, if any, in surplus or deficit. However, sometimes the transferred assets or liabilities remain within the combined entity after the acquisition (for example, because the assets or liabilities were transferred to the acquired operation rather than to its former owners), and the acquirer therefore retains control of them. In that situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognize a gain or loss in surplus or deficit on assets or liabilities it controls both before and after the acquisition.</p>	<p>Paragraph 96</p> <p>The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair values at the acquisition date (for example, non-monetary assets or an operation of the acquirer). If so, the acquirer shall remeasure the transferred assets or liabilities to their fair values as of the acquisition date and recognise the resulting gains or losses, if any, in surplus or deficit. However, sometimes the transferred assets or liabilities remain within the combined entity after the acquisition (for example, because the assets or liabilities were transferred to the acquired operation rather than to its former owners), and the acquirer therefore retains control of them. In that situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognise a gain or loss in surplus or deficit on assets or liabilities it controls both before and after the acquisition.</p>	–
Contingent Consideration	Contingent Consideration	
<p>Paragraph 97</p> <p>The consideration the acquirer transfers in exchange for the acquired operation includes any asset or liability resulting from a contingent consideration arrangement (see paragraph 95). The acquirer shall recognize the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquired operation.</p>	<p>Paragraph 97</p> <p>The consideration the acquirer transfers in exchange for the acquired operation includes any asset or liability resulting from a contingent consideration arrangement (see paragraph 95). The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquired operation.</p>	–
<p>Paragraph 98</p> <p>The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as net assets/equity on</p>	<p>Paragraph 98</p> <p>The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as a component of net</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>the basis of the definitions of an equity instrument and a financial liability in paragraph 9 of IPSAS 28. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 117 provides guidance on the subsequent accounting for contingent consideration.</p>	<p>assets/equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 9 of PBE IPSAS 28. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 117 provides guidance on the subsequent accounting for contingent consideration.</p>	
<p>An Acquisition Achieved in Stages</p>	<p>An Acquisition Achieved in Stages</p>	
<p>Paragraph 99 An acquirer sometimes obtains control of an acquired operation in which it held an equity interest immediately before the acquisition date. For example, on 31 December 20X1, Entity A holds a 35 percent non-controlling equity interest in Entity B. On that date, Entity A purchases an additional 40 per cent interest in Entity B, which gives it control of Entity B. This Standard refers to such a transaction as an acquisition achieved in stages, sometimes also referred to as a step acquisition.</p>	<p>Paragraph 99 An acquirer sometimes obtains control of an acquired operation in which it held an equity interest immediately before the acquisition date. For example, on 31 December 20X1, Entity A holds a 35 per cent non-controlling equity interest in Entity B. On that date, Entity A purchases an additional 40 per cent interest in Entity B, which gives it control of Entity B. This Standard refers to such a transaction as an acquisition achieved in stages, sometimes also referred to as a step acquisition.</p>	<p>–</p>
<p>Paragraph 100 In an acquisition achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquired operation at its acquisition-date fair value and recognize the resulting gain or loss, if any, in surplus or deficit or in net assets/equity, as appropriate. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquired operation in net assets/equity. If so, the amount that was recognized in net assets/equity shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.</p>	<p>Paragraph 100 In an acquisition achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquired operation at its acquisition-date fair value and recognise the resulting gain or loss, if any, in surplus or deficit or in other comprehensive revenue and expense, as appropriate. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquired operation in other comprehensive revenue and expense (for example, because the investment was classified as available for sale). If so, the amount that was recognised in other comprehensive revenue and expense shall be recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.</p>	<p><u>An acquisition achieved in stages</u> Added example of investments classified as available for sale to align with PBE IFRS 3.42.</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>Paragraph 100A</p> <p>When a party to a joint arrangement (as defined in IPSAS 37, <i>Joint Arrangements</i>) obtains control of an operation that is a joint operation (as defined in IPSAS 37), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is an acquisition achieved in stages. The acquirer shall therefore apply the requirements for an acquisition achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 100. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.</p>	<p>Paragraph 100A</p> <p>When a party to a joint arrangement (as defined in PBE IPSAS 37 <i>Joint Arrangements</i>) obtains control of an operation that is a joint operation (as defined in PBE IPSAS 37), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is an acquisition achieved in stages. The acquirer shall therefore apply the requirements for an acquisition achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 100. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.</p>	<p>–</p>
<p>Additional Guidance for Applying the Acquisition Method Where an Acquisition is Achieved Through Changes in Voting Rights, by Contract Alone, and Similar Circumstances in Which no Consideration is Transferred</p>	<p>Additional Guidance for Applying the Acquisition Method Where an Acquisition is Achieved Through Changes in Voting Rights, by Contract Alone, and Similar Circumstances in Which no Consideration is Transferred</p>	
<p><i>An Acquisition Achieved Through Changes in Voting Rights, by Contract Alone, and Similar Circumstances not Involving the Transfer of Consideration</i></p>	<p><i>An Acquisition Achieved Through Changes in Voting Rights, by Contract Alone, and Similar Circumstances not Involving the Transfer of Consideration</i></p>	
<p>Paragraph 101</p> <p>An acquirer sometimes obtains control of an acquired operation without transferring consideration. The acquisition method of accounting for an acquisition applies to those public sector combinations. Such circumstances include:</p>	<p>Paragraph 101</p> <p>An acquirer sometimes obtains control of an acquired operation without transferring consideration. The acquisition method of accounting for an acquisition applies to those PBE combinations. Such circumstances include:</p>	<p>–</p>
<p>(a) The acquired operation repurchases a sufficient number of its own shares for an existing investor (the acquirer) to obtain control.</p>	<p>(a) The acquired operation repurchases a sufficient number of its own shares for an existing investor (the acquirer) to obtain control.</p>	<p>–</p>
<p>(b) Minority veto rights lapse that previously kept the acquirer from controlling an acquired operation in which the acquirer held the majority voting rights.</p>	<p>(b) Minority veto rights lapse that previously kept the acquirer from controlling an acquired operation in which the acquirer held the majority voting rights.</p>	<p>–</p>

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<p>(c) The acquirer and acquired operation agree to combine their operations by contract alone. The acquirer transfers no consideration in exchange for control of an acquired operation and holds no quantifiable ownership interests in the acquired operation, either on the acquisition date or previously.</p>	<p>(c) The acquirer and acquired operation agree to combine their operations by contract alone. The acquirer transfers no consideration in exchange for control of an acquired operation and holds no equity interests in the acquired operation, either on the acquisition date or previously.</p>	<p><u>Acquisition without the transfer of consideration</u> Replaced quantifiable ownership interests with equity interests. See the definition of owners for the discussion.</p>
<p>Paragraph 102 In an acquisition achieved by contract alone, the acquirer shall attribute to the owners of the acquired operation the amount of the acquired operation’s net assets recognized in accordance with this Standard. In other words, the quantifiable ownership interests in the acquired operation held by parties other than the acquirer are a non-controlling interest in the acquirer’s post-combination financial statements even if the result is that all of the quantifiable ownership interests in the acquired operation are attributed to the non-controlling interest.</p>	<p>Paragraph 102 In an acquisition achieved by contract alone, the acquirer shall attribute to the owners of the acquired operation the amount of the acquired operation’s net assets recognised in accordance with this Standard. In other words, the equity interests in the acquired operation held by parties other than the acquirer are a non-controlling interest in the acquirer’s post-combination financial statements even if the result is that all of the equity interests in the acquired operation are attributed to the non-controlling interest.</p>	<p><u>Acquisition without the transfer of consideration</u> Replaced quantifiable ownership interests with equity interests. See the definition of owners for the discussion.</p>
<p>Measurement Period</p>	<p>Measurement Period</p>	
<p>Paragraph 103 If the initial accounting for an acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is</p>	<p>Paragraph 103 If the initial accounting for an acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is</p>	<p>–</p>

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<p>obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.</p>	<p>obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.</p>	
<p>Paragraph 104 The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for an acquisition. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure the following as of the acquisition date in accordance with the requirements of this Standard:</p> <ul style="list-style-type: none"> (a) The identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired operation; (b) The consideration transferred for the acquired operation (or the other amount used in measuring goodwill); (c) In an acquisition achieved in stages, the equity interest in the acquired operation previously held by the acquirer; and (d) The resulting goodwill, loss, or gain on a bargain purchase. 	<p>Paragraph 104 The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for an acquisition. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure the following as of the acquisition date in accordance with the requirements of this Standard:</p> <ul style="list-style-type: none"> (a) The identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquired operation; (b) The consideration transferred for the acquired operation (or the other amount used in measuring goodwill); (c) In an acquisition achieved in stages, the equity interest in the acquired operation previously held by the acquirer; and (d) The resulting goodwill, loss, or gain on a bargain purchase. 	<p>–</p>

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<p>Paragraph 105</p> <p>The acquirer shall consider all pertinent factors in determining whether information obtained after the acquisition date should result in an adjustment to the provisional amounts recognized or whether that information results from events that occurred after the acquisition date. Pertinent factors include the date when additional information is obtained and whether the acquirer can identify a reason for a change to provisional amounts. Information that is obtained shortly after the acquisition date is more likely to reflect circumstances that existed at the acquisition date than is information obtained several months later. For example, unless an intervening event that changed its fair value can be identified, the sale of an asset to a third party shortly after the acquisition date for an amount that differs significantly from its provisional fair value measured at that date is likely to indicate an error in the provisional amount.</p>	<p>Paragraph 105</p> <p>The acquirer shall consider all pertinent factors in determining whether information obtained after the acquisition date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the acquisition date. Pertinent factors include the date when additional information is obtained and whether the acquirer can identify a reason for a change to provisional amounts. Information that is obtained shortly after the acquisition date is more likely to reflect circumstances that existed at the acquisition date than is information obtained several months later. For example, unless an intervening event that changed its fair value can be identified, the sale of an asset to a third party shortly after the acquisition date for an amount that differs significantly from its provisional fair value measured at that date is likely to indicate an error in the provisional amount.</p>	<p>–</p>
<p>Paragraph 106</p> <p>The acquirer recognizes an increase (decrease) in the provisional amount recognized for an identifiable asset (liability) by means of a decrease (increase) in goodwill. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability. For example, the acquirer might have assumed a liability to pay damages related to an accident in one of the acquired operation’s facilities, part or all of which are covered by the acquired operation’s liability insurance policy. If the acquirer obtains new information during the measurement period about the acquisition-date fair value of that liability, the adjustment to goodwill resulting from a change to the provisional amount recognized for the liability would be offset (in whole or in</p>	<p>Paragraph 106</p> <p>The acquirer recognises an increase (decrease) in the provisional amount recognised for an identifiable asset (liability) by means of a decrease (increase) in goodwill subject to the requirements for recognition of goodwill in paragraph 86. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability. For example, the acquirer might have assumed a liability to pay damages related to an accident in one of the acquired operation’s facilities, part or all of which is covered by the acquired operation’s liability insurance policy. If the acquirer obtains new information during the measurement period about the acquisition-date fair value of that liability, the adjustment to goodwill resulting from a change to the provisional amount</p>	<p><u>Provisional amounts for assets and liabilities</u></p> <p>Clarified that increases or decreases in goodwill are subject to the requirements for recognition of goodwill in paragraph 86.</p>

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part) by a corresponding adjustment to goodwill resulting from a change to the provisional amount recognized for the claim receivable from the insurer.	recognised for the liability would be offset (in whole or in part) by a corresponding adjustment to goodwill resulting from a change to the provisional amount recognised for the claim receivable from the insurer.	
<p>Paragraph 107</p> <p>During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the acquisition had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.</p>	<p>Paragraph 107</p> <p>During the measurement period, the acquirer shall recognise adjustments to the provisional amounts as if the accounting for the acquisition had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.</p>	–
<p>Paragraph 108</p> <p>After the measurement period ends, the acquirer shall revise the accounting for an acquisition only to correct an error in accordance with IPSAS 3.</p>	<p>Paragraph 108</p> <p>After the measurement period ends, the acquirer shall revise the accounting for an acquisition only to correct an error in accordance with PBE IPSAS 3.</p>	–
Determining what is Part of the Acquisition Transaction	Determining what is Part of the Acquisition Transaction	
<p>Paragraph 109</p> <p>The acquirer and the acquired operation may have a pre-existing relationship or other arrangement before negotiations for the acquisition began, or they may enter into an arrangement during the negotiations that is separate from the acquisition. In either situation, the acquirer shall identify any amounts that are not part of what the acquirer and the acquired operation (or its former owners) exchanged in the acquisition, i.e., amounts that are not part of the exchange for the acquired operation. The acquirer shall recognize as part of applying the acquisition method only the consideration transferred for the acquired operation and the assets acquired and liabilities assumed in the exchange for the acquired</p>	<p>Paragraph 109</p> <p>The acquirer and the acquired operation may have a pre-existing relationship or other arrangement before negotiations for the acquisition began, or they may enter into an arrangement during the negotiations that is separate from the acquisition. In either situation, the acquirer shall identify any amounts that are not part of what the acquirer and the acquired operation (or its former owners) exchanged in the acquisition, i.e., amounts that are not part of the exchange for the acquired operation. The acquirer shall recognise as part of applying the acquisition method only the consideration transferred for the acquired operation and the assets acquired and liabilities assumed in the exchange for the acquired</p>	–

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operation. Separate transactions shall be accounted for in accordance with the relevant IPSASs.	operation. Separate transactions shall be accounted for in accordance with the relevant PBE Standards.	
<p>Paragraph 110</p> <p>A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquired operation (or its former owners) before the acquisition, is likely to be a separate transaction. The following are examples of separate transactions that are not to be included in applying the acquisition method:</p>	<p>Paragraph 110</p> <p>A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquired operation (or its former owners) before the acquisition, is likely to be a separate transaction. The following are examples of separate transactions that are not to be included in applying the acquisition method:</p>	–
(a) A transaction that in effect settles pre-existing relationships between the acquirer and acquired operation;	(a) A transaction that in effect settles pre-existing relationships between the acquirer and acquired operation;	–
(b) A transaction that remunerates employees or former owners of the acquired operation for future services; and	(b) A transaction that remunerates employees or former owners of the acquired operation for future services; and	–
(c) A transaction that reimburses the acquired operation or its former owners for paying the acquirer’s acquisition-related costs.	(c) A transaction that reimburses the acquired operation or its former owners for paying the acquirer’s acquisition-related costs.	–
Paragraphs AG99–AG106 provide related application guidance.	Paragraphs AG99–AG106 provide related application guidance.	–
<i>Acquisition-Related Costs</i>	<i>Acquisition-Related Costs</i>	
<p>Paragraph 111</p> <p>Acquisition-related costs are costs the acquirer incurs to effect an acquisition. Those costs include finder’s fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one</p>	<p>Paragraph 111</p> <p>Acquisition-related costs are costs the acquirer incurs to effect an acquisition. Those costs include finder’s fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are</p>	<p><u>Financial instruments requirements</u></p> <p>Added footnote for entities that may still be applying PBE IPSAS 29 or which may have early adopted PBE IFRS 9.</p>

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exception. The costs to issue debt or equity securities shall be recognized in accordance with IPSAS 28 and IPSAS 41.	received, with one exception. The costs to issue debt or equity securities shall be recognised in accordance with PBE IPSAS 28 and PBE IPSAS 41. [^] [^] If an entity applies this Standard and has not yet applied PBE IPSAS 41, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9 as appropriate.	
Subsequent Measurement and Accounting	Subsequent Measurement and Accounting	
Paragraph 112 In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and equity instruments issued in an acquisition in accordance with other applicable IPSASs for those items, depending on their nature. However, this Standard provides guidance on subsequently measuring and accounting for the following assets acquired, liabilities assumed or incurred and equity instruments issued in an acquisition:	Paragraph 112 In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and equity instruments issued in an acquisition in accordance with other applicable PBE Standards for those items, depending on their nature. However, this Standard provides guidance on subsequently measuring and accounting for the following assets acquired, liabilities assumed or incurred and equity instruments issued in an acquisition:	–
(a) Reacquired rights;	(a) Reacquired rights;	–
(b) Contingent liabilities recognized as of the acquisition date;	(b) Contingent liabilities recognised as of the acquisition date;	–
(c) Indemnification assets;	(c) Indemnification assets; and	–
(d) Contingent consideration; and	(d) Contingent consideration.	–
(e) Income taxes (where not included in the terms of the acquisition).	(e) Income taxes (where not included in the terms of the acquisition).	–
Paragraphs AG107–AG108 provide related application guidance	Paragraphs AG107–AG108 provide related application guidance	–

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<i>Reacquired Rights</i>	<i>Reacquired Rights</i>	
<p>Paragraph 113</p> <p>A reacquired right recognized as an intangible asset shall be amortized over the remaining period of the binding arrangement in which the right was granted, where the right was granted for a finite period. Where the right was granted for an indefinite period, the resulting entity shall test the right for impairment at least annually, and whenever there is an indication that the right may be impaired. An acquirer that subsequently sells a reacquired right to a third party shall include the carrying amount of the intangible asset in determining the gain or loss on the sale.</p>	<p>Paragraph 113</p> <p>A reacquired right recognised as an intangible asset shall be amortised over the remaining period of the binding arrangement in which the right was granted, where the right was granted for a finite period. Where the right was granted for an indefinite period, the resulting entity shall test the right for impairment at least annually, and whenever there is an indication that the right may be impaired. An acquirer that subsequently sells a reacquired right to a third party shall include the carrying amount of the intangible asset in determining the gain or loss on the sale.</p>	–
<i>Transfers, Concessionary Loans and Similar Benefits Received by an Acquirer or Acquired Operation on the Basis of Criteria that may Change as a Result of an Acquisition</i>	<i>Transfers, Concessionary Loans and Similar Benefits Received by an Acquirer or Acquired Operation on the Basis of Criteria that may Change as a Result of an Acquisition</i>	
<p>Paragraph 114</p> <p>A transfer, concessionary loan or similar benefit, previously received by an acquirer or an acquired operation on the basis of criteria that change as a result of an acquisition, shall be reassessed prospectively in accordance with other IPSASs (paragraphs AG109–AG111 provide related application guidance).</p>	<p>Paragraph 114</p> <p>A transfer, concessionary loan or similar benefit, previously received by an acquirer or an acquired operation on the basis of criteria that change as a result of an acquisition, shall be reassessed prospectively in accordance with other PBE Standards (paragraphs AG109–AG111 provide related application guidance).</p>	–
<i>Contingent Liabilities</i>	<i>Contingent Liabilities</i>	
<p>Paragraph 115</p> <p>After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognized in an acquisition at the higher of:</p> <p>(a) The amount that would be recognized in accordance with IPSAS 19; and</p>	<p>Paragraph 115</p> <p>After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a business combination at the higher of:</p> <p>(a) The amount that would be recognised in accordance with PBE IPSAS 19; and</p>	<p><u>Financial instruments requirements</u></p> <p>Added footnote for entities that may still be applying PBE IPSAS 29 or which may have early adopted PBE IFRS 9.</p>

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<p>(b) The amount initially recognized less, if appropriate, cumulative amortization recognized in accordance with IPSAS 9, <i>Revenue from Exchange Transactions</i>. This requirement does not apply to contracts accounted for in accordance with IPSAS 41.</p>	<p>(b) The amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with PBE IPSAS 9 <i>Revenue from Exchange Transactions</i>. This requirement does not apply to contracts accounted for in accordance with PBE IPSAS 41.[^] [^] If an entity applies this Standard and has not yet applied PBE IPSAS 41, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9 as appropriate.</p>	
<i>Indemnification assets</i>	<i>Indemnification assets</i>	
<p>Paragraph 116 At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognized at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management’s assessment of the collectibility of the indemnification asset. The acquirer shall derecognize the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.</p>	<p>Paragraph 116 At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management’s assessment of the collectibility of the indemnification asset. The acquirer shall derecognise the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.</p>	–
<i>Contingent Consideration</i>	<i>Contingent Consideration</i>	
<p>Paragraph 117 Some changes in the fair value of contingent consideration that the acquirer recognizes after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 103-107. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not</p>	<p>Paragraph 117 Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 103–107. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not</p>	–

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measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:	measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:	
(a) Contingent consideration classified as a component of net assets/equity shall not be remeasured and its subsequent settlement shall be accounted for within net assets/equity.	(a) Contingent consideration classified as a component of net assets/equity shall not be remeasured and its subsequent settlement shall be accounted for within net assets/equity.	–
<p>(b) Other contingent consideration that:</p> <p>(i) Is within the scope of IPSAS 41 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in surplus or deficit in accordance with IPSAS 41.</p> <p>(ii) Is not within the scope of IPSAS 41 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in surplus or deficit.</p>	<p>(b) Other contingent consideration that:</p> <p>(i) Is within the scope of PBE IPSAS 41[^] shall be measured at fair value at each reporting date, and changes in fair value shall be recognised in surplus or deficit in accordance with PBE IPSAS 41.</p> <p>(ii) Is not within the scope of PBE IPSAS 41 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in surplus or deficit.</p> <p>[^] If an entity applies this Standard and has not yet applied PBE IPSAS 41, the references to PBE IPSAS 41 in this paragraph shall be read as references to PBE IPSAS 29 or PBE IFRS 9 as appropriate.</p>	<p><u>Financial instruments requirements</u></p> <p>Added footnote for entities that may still be applying PBE IPSAS 29 or which may have early adopted PBE IFRS 9.</p>
<i>Income Taxes (Where not Included in the Terms of the Acquisition)</i>	<i>Income Taxes (Where not Included in the Terms of the Acquisition)</i>	
<p>Paragraph 118</p> <p>Acquisitions involving public sector entities may result in a tax authority forgiving amounts of tax subsequent to the acquisition. The acquirer shall account for the tax forgiven prospectively in accordance with the relevant international or national accounting standard dealing with income taxes.</p>	<p>Paragraph 118</p> <p>Acquisitions involving public benefit entities in the public sector may result in a tax authority forgiving amounts of tax subsequent to the acquisition. The acquirer shall account for the tax forgiven prospectively in accordance with PBE IAS 12.</p>	–

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Disclosures	Disclosures	
Paragraph 119 The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an acquisition that occurs either: (a) During the current reporting period; or (b) After the end of the reporting period but before the financial statements are authorized for issue.	*Paragraph 119 The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and effect of an acquisition that occurs either: (a) During the current reporting period; or (b) After the end of the reporting period but before the financial statements are authorised for issue.	–
–	Paragraph RDR 119.1 A Tier 2 entity is required to comply with the disclosures in paragraphs 120–124 that are not asterisked (*) as RDR concessions.	–
Paragraph 120 To meet the objective in paragraph 119, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period: (a) The name and a description of the acquired operation.	Paragraph 120 To meet the objective in paragraph 119, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period: (a) The name and a description of the acquired operation.	–
(b) The acquisition date.	(b) The acquisition date.	–
(c) The percentage of voting equity interests or equivalent acquired.	(c) The percentage of voting equity interests or equivalent acquired.	–
(d) The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquired operation including, where applicable, the legal basis for the acquisition.	*(d) The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquired operation including, where applicable, the legal basis for the acquisition.	–
(e) A qualitative description of the factors that make up the goodwill recognized, such as expected synergies from combining the operations of the acquired operation and the acquirer, intangible assets that do not qualify for separate recognition or other factors.	*(e) A qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquired operation and the acquirer, intangible assets that do not qualify for separate recognition, or other factors.	–

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<p>(f) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:</p> <ul style="list-style-type: none"> (i) Cash; (ii) Other tangible or intangible assets, including an operation or controlled entity of the acquirer; (iii) Liabilities incurred, for example, a liability for contingent consideration; and (iv) Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests. 	<p>(f) The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class or consideration, such as:</p> <ul style="list-style-type: none"> (i) Cash; (ii) Other tangible or intangible assets, including an operation or controlled entity of the acquirer; (iii) Liabilities incurred, for example, a liability for contingent consideration; and (iv) Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests. 	<p>–</p>
<p>(g) For contingent consideration arrangements and indemnification assets:</p> <ul style="list-style-type: none"> (i) The amount recognized as of the acquisition date; (ii) A description of the arrangement and the basis for determining the amount of the payment; and (iii) An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact. 	<p>(g) For contingent consideration arrangements and indemnification assets:</p> <ul style="list-style-type: none"> (i) The amount recognised as of the acquisition date; (ii) A description of the arrangement and the basis for determining the amount of the payment; and * (iii) An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact. 	<p>–</p>
<p>(h) For acquired receivables:</p> <ul style="list-style-type: none"> (i) The fair value of the receivables; (ii) The gross amounts receivable in accordance with a binding arrangement; and (iii) The best estimate at the acquisition date of the cash flows in accordance with a binding arrangement not expected to be collected. 	<p>* (h) For acquired receivables</p> <ul style="list-style-type: none"> (i) The fair value of the receivables; (ii) The gross amounts receivable in accordance with a binding arrangement; and (iii) The best estimate at the acquisition date of the cash flows in accordance with a binding arrangement not expected to be collected. 	<p>–</p>

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The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.	The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.	
(i) The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed.	(i) The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed.	–
<p>(j) For each contingent liability recognized in accordance with paragraph 77, the information required in paragraph 98 of IPSAS 19. If a contingent liability is not recognized because its fair value cannot be measured reliably, the acquirer shall disclose:</p> <p>(i) The information required by paragraph 100 of IPSAS 19; and</p> <p>(ii) The reasons why the liability cannot be measured reliably.</p>	<p>(j) For each contingent liability recognised in accordance with paragraph 77, the information required in paragraph 98 of PBE IPSAS 19. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:</p> <p>* (i) The information required by paragraph 100 of PBE IPSAS 19; and</p> <p>* (ii) The reasons why the liability cannot be measured reliably.</p>	–
(k) The total amount of goodwill that is expected to be deductible for tax purposes.	*(k) The total amount of goodwill that is expected to be deductible for tax purposes.	–
<p>(l) For transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the acquisition in accordance with paragraph 109:</p> <p>(i) A description of each transaction;</p> <p>(ii) How the acquirer accounted for each transaction;</p> <p>(iii) The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized; and</p> <p>(iv) If the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.</p>	<p>*(l) For transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the acquisition in accordance with paragraph 109:</p> <p>(i) A description of each transaction;</p> <p>(ii) How the acquirer accounted for each transaction;</p> <p>(iii) The amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and</p> <p>(iv) If the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.</p>	–
(m) The disclosure of separately recognized transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those	*(m) The disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those	–

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<p>costs recognized as an expense and the line item or items in the statement of financial performance in which those expenses are recognized. The amount of any issue costs not recognized as an expense and how they were recognized shall also be disclosed.</p>	<p>costs recognised as an expense and the line item or items in the statement of comprehensive revenue and expense in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed.</p>	
<p>(n) In an acquisition in which a loss is recognized in surplus or deficit (see paragraph 86):</p> <p>(i) The amount of the loss recognized in accordance with paragraph 86 and the line item in the statement of financial performance in which the loss is recognized; and</p> <p>(ii) A description of the reasons why the transaction resulted in a loss.</p>	<p>(n) In an acquisition in which a loss is recognised in surplus or deficit (see paragraph 86):</p> <p>(i) The amount of the loss recognised in accordance with paragraph 86 and the line item in the statement of comprehensive revenue and expense in which the loss is recognised; and</p> <p>* (ii) A description of the reasons why the transaction resulted in a loss.</p>	<p>–</p>
<p>(o) In a bargain purchase (see paragraphs 88–90):</p> <p>(i) The amount of any gain recognized in accordance with paragraph 88 and the line item in the statement of financial performance in which the gain is recognized; and</p> <p>(ii) A description of the reasons why the transaction resulted in a gain.</p>	<p>(o) In a bargain purchase (see paragraphs 88–90):</p> <p>(i) The amount of any gain recognised in accordance with paragraph 88 and the line item in the statement of comprehensive revenue and expense in which the gain is recognised; and</p> <p>* (ii) A description of the reasons why the transaction resulted in a gain.</p>	<p>–</p>
<p>(p) For each acquisition in which the acquirer holds less than 100 percent of the quantifiable ownership interests or equivalent in the acquired operation at the acquisition date:</p> <p>(i) The amount of the non-controlling interest in the acquired operation recognized at the acquisition date and the measurement basis for that amount; and</p> <p>(ii) For each non-controlling interest in an acquired operation measured at fair value, the valuation technique(s) and significant inputs used to measure that value.</p>	<p>(p) For each acquisition in which the acquirer holds less than 100 per cent of the equity interests or equivalent in the acquired operation at the acquisition date:</p> <p>(i) The amount of the non-controlling interest in the acquired operation recognised at the acquisition date and the measurement basis for that amount; and</p> <p>(ii) For each non-controlling interest in an acquired operation measured at fair value, the valuation technique(s) and significant inputs used for determining that value.</p>	<p>Replaced quantifiable ownership interests with equity interests.</p>

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<p>(q) In an acquisition achieved in stages:</p> <p>(i) The acquisition-date fair value of the equity interest in the acquired operation held by the acquirer immediately before the acquisition date; and</p> <p>(ii) The amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquired operation held by the acquirer before the acquisition (see paragraph 100) and the line item in the statement of financial performance in which that gain or loss is recognized.</p>	<p>(q) In an acquisition achieved in stages:</p> <p>(i) The acquisition-date fair value of the equity interest in the acquired operation held by the acquirer immediately before the acquisition date; and</p> <p>(ii) The amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquired operation held by the acquirer before the acquisition (see paragraph 100) and the line item in the statement of comprehensive revenue and expense in which that gain or loss is recognised.</p>	<p>–</p>
<p>(r) The following information:</p> <p>(i) The amounts of revenue and expense, and the surplus or deficit of the acquired operation since the acquisition date included in the consolidated statement of financial performance for the reporting period; and</p> <p>(ii) The revenue and expense, and the surplus or deficit of the combined entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period.</p>	<p>* (r) The following information:</p> <p>(i) The amounts of revenue and surplus or deficit of the acquired operation since the acquisition date included in the consolidated statement of comprehensive revenue and expense for the reporting period; and</p> <p>(ii) The revenue and surplus or deficit of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.</p>	<p>–</p>
<p>If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Standard uses the term ‘impracticable’ with the same meaning as in IPSAS 3.</p>	<p>If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Standard uses the term ‘impracticable’ with the same meaning as in PBE IPSAS 3.</p>	<p>–</p>
<p>–</p>	<p>Paragraph RDR 120.1 A Tier 2 entity is not required to make the disclosures required by paragraph 120(j)(i) and (ii) if a contingent</p>	<p>–</p>

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	liability is not recognised in accordance with paragraph 77 because its fair value cannot be measured reliably.	
<p>Paragraph 121</p> <p>For individually immaterial acquisitions occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph 120(e)–(r).</p>	<p>*Paragraph 121</p> <p>For individually immaterial acquisitions occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph 120(e)–(r).</p>	–
–	<p>Paragraph RDR 121.1</p> <p>For individually immaterial acquisitions occurring during the reporting period that are material collectively, a Tier 2 acquirer shall disclose in aggregate the information required by paragraphs 120(f), 120(g), 120(i), 120(n)(i), 120(o)(i), 120(p)(i), 120(q) and the first sentence of paragraph 120(j).</p>	–
<p>Paragraph 122</p> <p>If the acquisition date of an acquisition is after the end of the reporting period but before the financial statements are authorized for issue, the acquirer shall disclose the information required by paragraph 120 unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorized for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.</p>	<p>*Paragraph 122</p> <p>If the acquisition date of an acquisition is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph 120 unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.</p>	–
<p>Paragraph 123</p> <p>The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to acquisitions that occurred in the period or previous reporting periods.</p>	<p>*Paragraph 123</p> <p>The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to acquisitions that occurred in the period or previous reporting periods.</p>	–

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<p>Paragraph 124</p> <p>To meet the objective in paragraph 123, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:</p>	<p>Paragraph 124</p> <p>To meet the objective in paragraph 123, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:</p>	<p>–</p>
<p>(a) If the initial accounting for an acquisition is incomplete (see paragraph 103) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally:</p> <ul style="list-style-type: none"> (i) The reasons why the initial accounting for the acquisition is incomplete; (ii) The assets, liabilities, quantifiable ownership interests (or equivalent) or items of consideration for which the initial accounting is incomplete; and (iii) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph 107. 	<p>* (a) If the initial accounting for an acquisition is incomplete (see paragraph 103) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the acquisition thus have been determined only provisionally:</p> <ul style="list-style-type: none"> (i) The reasons why the initial accounting for the acquisition is incomplete; (ii) The assets, liabilities, equity interests (or equivalent) or items of consideration for which the initial accounting is incomplete; and (iii) The nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 107. 	<p>–</p>
<p>(b) For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:</p> <ul style="list-style-type: none"> (i) Any changes in the recognized amounts, including any differences arising upon settlement; (ii) Any changes in the range of outcomes (undiscounted) and the reasons for those changes; and 	<p>* (b) For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:</p> <ul style="list-style-type: none"> (i) Any changes in the recognised amounts, including any differences arising upon settlement; (ii) Any changes in the range of outcomes (undiscounted) and the reasons for those changes; and 	<p>–</p>

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(iii) The valuation techniques and key model inputs used to measure contingent consideration.	(iii) The valuation techniques and key model inputs used to measure contingent consideration.	
(c) For contingent liabilities recognized in an acquisition, the acquirer shall disclose the information required by paragraphs 97 and 98 of IPSAS 19 for each class of provision.	<p>* (c) For contingent liabilities recognised in an acquisition, the acquirer shall disclose the information required by paragraphs 97 and 98 of PBE IPSAS 19 for each class of provision.[^]</p> <p>[^] See PBE IPSAS 19 paragraph 97 for disclosure concessions for Tier 2 entities.</p>	–
<p>(d) A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:</p> <p>(i) The gross amount and accumulated impairment losses at the beginning of the reporting period.</p> <p>(ii) Additional goodwill recognized during the reporting period.</p> <p>(iii) Adjustments resulting from the subsequent recognition of amounts during the reporting period in accordance with the relevant international or national accounting standard dealing with income taxes.</p> <p>(iv) Goodwill derecognized during the reporting period.</p> <p>(v) Impairment losses recognised during the reporting period in accordance with IPSAS 26, <i>Impairment of Cash-Generating Assets</i>. (IPSAS 26 requires disclosure of information about the recoverable amounts and impairment of goodwill in addition to this requirement.)</p>	<p>(d) A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:</p> <p>(i) The gross amount and accumulated impairment losses at the beginning of the reporting period.</p> <p>(ii) Additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with PBE IFRS 5.</p> <p>(iii) Adjustments resulting from the subsequent recognition of amounts during the reporting period in accordance with PBE IAS 12.</p> <p>(iv) Goodwill included in a disposal group classified as held for sale in accordance with PBE IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale.</p> <p>(v) Impairment losses recognised during the reporting period in accordance with PBE IPSAS 26. (PBE IPSAS 26 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.)</p>	<p><u>Reconciliation of goodwill</u></p> <p>Amended subparagraphs d(ii)–(iv) to align with PBE IFRS 3.B67(d)(ii)–(iv) to acknowledge the requirements in PBE IFRS 5 and PBE IAS 12.</p>

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<ul style="list-style-type: none"> (vi) Net exchange rate differences arising during the reporting period in accordance with IPSAS 4, <i>The Effects of Changes in Foreign Exchange Rates</i>. (vii) Any other changes in the carrying amount during the reporting period. (viii) The gross amount and accumulated impairment losses at the end of the reporting period. 	<ul style="list-style-type: none"> (vi) Net exchange rate differences arising during the reporting period in accordance with PBE IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i>. (vii) Any other changes in the carrying amount during the reporting period. (viii) The gross amount and accumulated impairment losses at the end of the reporting period. 	
<p>(e) The amount and an explanation of any gain or loss recognised in the current reporting period that both:</p> <ul style="list-style-type: none"> (i) Relates to the identifiable assets acquired or liabilities assumed in an acquisition that was effected in the current or previous reporting period; and (ii) Is of such size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements. <p>And</p>	<p>* (e) The amount and an explanation of any gain or loss recognised in the current reporting period that both:</p> <ul style="list-style-type: none"> (i) Relates to the identifiable assets acquired or liabilities assumed in an acquisition that was effected in the current or previous reporting period; and (ii) Is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements. <p>And</p>	–
<p>(f) If the amounts of tax due are forgiven as a result of the terms of the acquisition (see paragraphs 78-79):</p> <ul style="list-style-type: none"> (i) The amount of tax due that was forgiven; and (ii) Where the acquirer is the tax authority, details of the adjustment made to tax receivable. 	<p>(f) If amounts of tax due are forgiven as a result of the terms of the acquisition (see paragraphs 78–79):</p> <ul style="list-style-type: none"> (i) The amount of tax due that was forgiven; and (ii) Where the acquirer is the tax authority, details of the adjustment made to tax receivable. 	–
–	<p>Paragraph RDR 124.1</p> <p>A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 124(d) for prior periods.</p>	–

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<p>Paragraph 125</p> <p>If the specific disclosures required by this and other IPSASs do not meet the objectives set out in paragraphs 119 and 123, the acquirer shall disclose whatever additional information is necessary to meet those objectives.</p>	<p>*Paragraph 125</p> <p>If the specific disclosures required by this and other PBE Standards do not meet the objectives set out in paragraphs 119 and 123, the acquirer shall disclose whatever additional information is necessary to meet those objectives.</p>	<p>–</p>
<p>Effective Date and Transition</p>	<p>Effective Date and Transition</p>	
<p>Effective Date</p>	<p>Effective Date</p>	
<p>Paragraph 126</p> <p>This standard shall be applied prospectively to public sector combinations for which the amalgamation date or acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies this Standard before January 1, 2019, it shall disclose that fact.</p>	<p>Paragraph 126</p> <p>Not used</p>	<p><u>Effective date</u></p> <p>NZ specific effective date paragraph – see paragraph 126.1.</p>
<p>Paragraph 126A</p> <p>Paragraphs 25, 45, 70, 111, 115, 117 and AG88 were amended by IPSAS 41, issued in August 2018. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2022. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2022 it shall disclose that fact and apply IPSAS 41 at the same time.</p>	<p>Paragraph 126A</p> <p>Not used</p>	<p><u>Issue of IPSAS 41</u></p> <p>Not required. PBE IPSAS 41 was issued before PBE IPSAS 40 and the text of PBE IPSAS 40 reflects the requirements of PBE IPSAS 41.</p>
<p>Paragraph 126B</p> <p>Paragraph 100A was added by <i>Improvements to IPSAS, 2018</i>, issued in October 2018. An entity shall apply this amendment to public sector combinations for which the acquisition date is on or after the beginning of the first annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. If</p>	<p>Paragraph 126B</p> <p>Not used</p>	<p><u>Issue of Improvements to IPSAS, 2018</u></p> <p>Not required. PBE IPSAS 40 already includes the amendments included in <i>Improvements to IPSAS, 2018</i>.</p>

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an entity applies this amendment for a period beginning before January 1, 2019, it shall disclose that fact.		
–	Paragraphs 126.1 A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 January 2021. Earlier application is permitted. If a public benefit entity applies this Standard for a period beginning before 1 January 2021, it shall disclose that fact.	<u>Effective date</u> NZ specific effective date paragraph. As with IPSAS 40, early application is permitted. See also paragraphs 134.1 and 134.2 .
Transition	Transition	
Paragraph 127 Assets and liabilities that arose from public sector combinations whose acquisition dates or amalgamation dates preceded the application of this Standard shall not be adjusted upon application of this Standard.	Paragraph 127 Not used	<u>Transition</u> NZ specific transition provisions have been added to PBE FRS 47 to permit first-time adopters of PBE Standards to retrospectively apply PBE IPSAS 40 to prior amalgamations. This is consistent with the existing requirements in PBE FRS 47 for prior acquisitions.
Paragraph 128 Contingent consideration balances arising from acquisitions whose acquisition dates preceded the date when an entity first applied this Standard shall not be adjusted upon first application of this Standard. Paragraphs 129–132 shall be applied in the subsequent accounting for those balances. Paragraphs 129–132 shall not apply to the accounting for contingent consideration balances arising from acquisition with acquisition dates on or after the date when the entity first applied this Standard. In paragraphs 129-132 acquisitions refers exclusively to acquisitions whose acquisition date preceded the application of this Standard.	Paragraph 128 Not used	See paragraph 127 for the rationale.
Paragraph 129 If the acquisition agreement provides for an adjustment to the cost of the acquisition contingent on future events, the acquirer shall include the amount of that adjustment in the	Paragraph 129 Not used	See paragraph 127 for the rationale.

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cost of the acquisition at the acquisition date if the adjustment is probable and can be measured reliably.		
<p>Paragraph 130</p> <p>An acquisition agreement may allow for adjustments to the cost of the acquisition that are contingent on one or more future events. The adjustment might, for example, be contingent on a specified level of profit being maintained or achieved in future periods, or on the market price of the instruments issued being maintained. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the acquisition without impairing the reliability of the information, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the acquisition shall be adjusted accordingly.</p>	<p>Paragraph 130</p> <p>Not used</p>	<p>See paragraph 127 for the rationale.</p>
<p>Paragraph 131</p> <p>However, when an acquisition agreement provides for such an adjustment, that adjustment is not included in the cost of the acquisition at the time of initially accounting for the acquisition if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the acquisition.</p>	<p>Paragraph 131</p> <p>Not used</p>	<p>See paragraph 127 for the rationale.</p>
<p>Paragraph 132</p> <p>In some circumstances, the acquirer may be required to make a subsequent payment to the seller as compensation for a reduction in the value of the assets given, equity instruments issued or liabilities incurred or assumed by the acquirer in exchange for control of the acquired operation. This is the case, for example, when the acquirer guarantees the market price of equity or debt instruments issued as part of the cost of the acquisition and is required to issue</p>	<p>Paragraph 132</p> <p>Not used</p>	<p>See paragraph 127 for the rationale.</p>

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<p>additional equity or debt instruments to restore the originally determined cost. In such cases, no increase in the cost of the acquisition is recognized. In the case of equity instruments, the fair value of the additional payments is offset by an equal reduction in the value attributed to instruments initially issued. In the case of debt instruments, the additional payment is regarded as a reduction in the premium or an increase in the discount on the initial issue.</p>		
<p>Paragraph 133 An entity, such as a mutual entity, that has not yet applied this Standard and had one or more public sector combinations that were accounted for using the purchase method (which involves the amortization of goodwill) shall apply the transition provisions in paragraphs AG114-AG115.</p>	<p>Paragraph 133 Not used</p>	<p>See paragraph 127 for the rationale.</p>
<p><i>Income taxes</i> Paragraph 134 For public sector combinations in which the acquisition date or amalgamation date was before this Standard is applied, the acquirer or resulting entity shall apply the requirements of the relevant international or national accounting standard dealing with income taxes prospectively. From the date when this Standard is applied, the acquirer or resulting entity shall recognize any changes required by the relevant international or national accounting standard dealing with income taxes as an adjustment to surplus or deficit (or, if required by the relevant international or national accounting standard dealing with income taxes, outside surplus or deficit).</p>	<p>Paragraph 134 Not used</p>	<p>See paragraph 127 for the rationale.</p>

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–	Paragraph 134.1 Except as provided in paragraph 134.3, this Standard shall be applied prospectively to PBE combinations for which the amalgamation date or acquisition date is on or after 1 January 2021.	<u>Prospective application</u> Consistent with paragraph 126 of IPSAS 40 prospective application is required. Limited retrospective application is permitted by first-time adopters of PBE Standards – see paragraph 134.2.
–	Paragraph 134.2 Except as provided in paragraph 134.3, an entity shall not restate PBE combinations that occurred from any date before the effective date in paragraph 126.1.	<u>Comparatives</u> Clarified prior combinations are not restated.
	<i>Limited Retrospective Application</i>	
–	Paragraph 134.2 An entity is permitted to apply the requirements of this Standard to PBE combinations that occurred before the effective date in paragraph 126.1, provided that on first-time application of this Standard it is also a first-time adopter of PBE Standards and has adopted PBE FRS 47 <i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS</i> .	<u>Retrospective application</u> Permits application of the Standard to prior combinations provided the entity is also a first-time adopter of PBE Standards.
	Withdrawal and Replacement of PBE IFRS 3 (2014)	
–	Paragraph 134.4 This Standard supersedes PBE IFRS 3 <i>Business Combinations</i> (2014). PBE IFRS 3 remains applicable until PBE IPSAS 40 is applied or becomes effective, whichever is earlier.	<u>Current combination standard</u> Paragraph added to address the withdrawal of PBE IFRS 3.
Application Guidance	Application Guidance	
Definitions (see paragraph 5)	Definitions (see paragraph 5)	
Paragraph AG1 Paragraph 5 of this Standard defines a resulting entity as “the entity that is the result of two or more operations combining in an amalgamation.” A resulting entity is not initially a party to the public sector combination. A	Paragraph AG1 Not used.	<u>Resulting entity description</u> PBE IPSAS 40 clarifies when a new reporting entity and continuing reporting entity can arise from an amalgamation. AG1 repeated the amended paragraph 18 of PBE IPSAS 40.

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<p>resulting entity may have the legal form of a new entity, or may retain the legal identity of one of the combining operations. However, a resulting entity usually has the economic substance of a new entity. In a combination in which one party to the combination gains control of one or more operations, and in which the economic substance is that of an amalgamation, the nature of the combination is usually that the resulting entity has the substance of a new entity.</p>		
<p>Identifying a Public Sector Combination (see paragraph 6)</p>	<p>Identifying a PBE Combination (see paragraph 6)</p>	
<p>Paragraph AG2 Paragraph 5 of this Standard defines a public sector combination as “the bringing together of separate operations into one public sector entity”. The reference to one public sector entity may be to a single entity or to an economic entity. Some public sector reorganisations may involve more than one public sector combination. The circumstances in which a public sector combination might occur include: (a) By mutual agreement; and (b) By compulsion (for example by legislation).</p>	<p>Paragraph AG2 Paragraph 5 defines a PBE combination as “the bringing together of separate operations into one public benefit entity.” The reference to one public benefit entity may be to a single entity or to an economic entity. Some public sector or not-for-profit sector reorganisations may involve more than one entity combination. The circumstances in which a PBE combination might occur include: (a) By mutual agreement; and (b) By compulsion (for example by legislation).</p>	<p>–</p>
<p>Paragraph AG3 Paragraph 5 of this Standard defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity’s objectives, by providing goods and/or services.”</p>	<p>Paragraph AG3 Paragraph 5 defines an operation as “an integrated set of activities and related assets and/or liabilities that is capable of being conducted and managed for the purpose of achieving an entity’s objectives, by providing goods and/or services.”</p>	<p>–</p>
<p>Paragraph AG4 An operation consists of inputs and processes applied to those inputs that have the ability to create outputs. Although operations usually have outputs, outputs are not required for an integrated set of activities and related assets and/or liabilities to qualify as an operation. For the</p>	<p>Paragraph AG4 An operation consists of inputs and processes applied to those inputs that have the ability to create outputs. Although operations usually have outputs, outputs are not required for an integrated set of activities and related assets and/or liabilities to qualify as an operation. For the</p>	<p>–</p>

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purposes of this standard, the three elements of an operation are defined as follows:	purposes of this standard, the three elements of an operation are defined as follows:	
(a) Input: Any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it.	(a) Input: Any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it. Examples include non-current assets (including intangible assets or rights to use non-current assets), intellectual property, the ability to obtain access to necessary materials or rights and employees.	<u>Examples of input</u> Added examples of inputs from PBE IFRS 3.B7.
(b) Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.	(b) Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs. Examples include strategic management processes, operational processes and resource management processes. These processes typically are documented, but an organised workforce having the necessary skills and experience following rules and conventions may provide the necessary processes that are capable of being applied to inputs to create outputs. (Accounting, billing, payroll and other administrative systems typically are not processes used to create outputs.)	<u>Examples of process</u> Added examples of processes from PBE IFRS 3.B7.
(c) Output: The result of inputs and processes applied to those inputs that provide, or have the ability to provide, goods and/or services.	(c) Output: The result of inputs and processes applied to those inputs that provide, or have the ability to provide a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Outputs may also be in the form of goods and services for community or social benefit.	<u>Description of output</u> Aligned the description of an output with PBE IFRS 3.B7.
The definitions of an input and an output differ from those in RPG 3, <i>Reporting Service Performance Information</i> . This is because RPG 3 focuses on recipients who are external to	Not used	<u>RPG 3</u> RPG 3 does not form part of the PBE suite of Standards.

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the entity; an operation may have recipients who are internal to an entity.		
<p>Paragraph AG5</p> <p>To be capable of being conducted and managed for the purposes defined, an integrated set of activities and assets and/or liabilities requires two essential elements – inputs and processes applied to those inputs, which together are or will be used to create outputs. However, an operation need not include all of the inputs or processes that the transferor used in operating that operation if the entity that receives the operation or operations is capable of continuing to produce outputs, for example, by integrating the operation with their own inputs and processes.</p>	<p>Paragraph AG5</p> <p>To be capable of being conducted and managed for the purposes defined, an integrated set of activities and assets and/or liabilities requires two essential elements—inputs and processes applied to those inputs, which together are or will be used to create outputs. However, an operation need not include all of the inputs or processes that the transferor used in operating that operation if the entity that receives the operation or operations is capable of continuing to produce outputs, for example, by integrating the operation with its own inputs and processes.</p>	–
<p>Paragraph AG6</p> <p>The nature of the elements of an operation varies by sector and by the structure of an entity’s operations (activities), including the entity’s stage of development. Established operations often have many different types of inputs, processes and outputs, whereas new operations often have few inputs and processes and sometimes only a single output (product). Nearly all operations also have liabilities, but an operation need not have liabilities.</p>	<p>Paragraph AG6</p> <p>The nature of the elements of an operation varies by sector and by the structure of an entity’s operations (activities), including the entity’s stage of development. Established operations often have many different types of inputs, processes and outputs, whereas new operations often have few inputs and processes and sometimes only a single output (product). Nearly all operations also have liabilities, but an operation need not have liabilities.</p>	–
<p>Paragraph AG7</p> <p>An integrated set of activities and assets and/or liabilities in the development stage might not have outputs. In these cases, the entity that receives the operation should consider other factors to determine whether the set is an operation. Those factors include, but are not limited to, whether the set:</p>	<p>Paragraph AG7</p> <p>An integrated set of activities and assets and/or liabilities in the development stage might not have outputs. In these cases, the entity that receives the operation should consider other factors to determine whether the set is an operation. Those factors include, but are not limited to, whether the set:</p>	–
(a) Has begun planned principal activities;	(a) Has begun planned principal activities;	–
(b) Has employees, intellectual property and other inputs and processes that could be applied to those inputs;	(b) Has employees, intellectual property and other inputs and processes that could be applied to those inputs;	–

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(c) Is pursuing a plan to produce outputs; and	(c) Is pursuing a plan to produce outputs; and	–
(d) Will be able to obtain access to service recipients that will receive the outputs.	(d) Will be able to obtain access to service recipients that will receive the outputs.	–
Not all of those factors need to be present for a particular integrated set of activities and assets and/or liabilities in the development stage to qualify as an operation.	Not all of those factors need to be present for a particular integrated set of activities and assets and/or liabilities in the development stage to qualify as an operation.	–
<p>Paragraph AG8</p> <p>Determining whether a particular set of activities and assets and/or liabilities is an operation should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity. Thus, in evaluating whether a particular set is an operation, it is not relevant whether a transferor operated the set as an operation or whether the acquirer intends to operate the set as an operation.</p>	<p>Paragraph AG8</p> <p>Determining whether a particular set of activities and assets and/or liabilities is an operation should be based on whether the integrated set is capable of being conducted and managed as an operation by another entity. Thus, in evaluating whether a particular set is an operation, it is not relevant whether a transferor operated the set as an operation or whether the acquirer intends to operate the set as an operation.</p>	–
<p>Paragraph AG9</p> <p>In the absence of evidence to the contrary, a particular set of activities and assets and/or liabilities in which goodwill is present shall be presumed to be an operation. However, an operation need not have goodwill.</p>	<p>Paragraph AG9</p> <p>In the absence of evidence to the contrary, a particular set of activities and assets and/or liabilities in which goodwill is present shall be presumed to be an operation. However, an operation need not have goodwill.</p>	–
<p>Classification of Public Sector Combinations (see paragraphs 7–14)</p>	<p>Classification of PBE Combinations (see paragraphs 7–14)</p>	
<p><i>Assessment of Control (see paragraphs 7–8)</i></p>	<p><i>Assessment of Control (see paragraphs 7–8)</i></p>	
<p>Paragraph AG10</p> <p>Where a party to a public sector combination gain controls of one or more operations as a result of that combination, the combination is classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. If no party to the combination gains control, the combination is classified as an amalgamation. In making this assessment the first step is to determine whether one of the entities that existed prior to the public</p>	<p>Paragraph AG10</p> <p>Where a party to a PBE combination gains control of one or more operations as a result of that combination, the combination is classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. If no party to the combination gains control, the combination is classified as an amalgamation. In making this assessment the first step is to determine whether one of the entities that existed prior to the PBE combination has</p>	–

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<p>sector combination has gained control of one or more operations. Because this determination is made by reference to the entities that existed prior to the public sector combination, it differs from the assessment of control made in accordance with IPSAS 35, <i>Consolidated Financial Statements</i>, where the assessment of control is made by reference to the entities that exist after a public sector combination has taken place.</p>	<p>gained control of one or more operations. Because this determination is made by reference to the entities that existed prior to the PBE combination, it differs from the assessment of control made in accordance with PBE IPSAS 35 <i>Consolidated Financial Statements</i>, where the assessment of control is made by reference to the entities that exist after a PBE combination has taken place.</p>	
<p>Paragraph AG11</p> <p>In determining whether one party to a public sector combination gains control of one or more operations as a result of the combination, an entity applies the principles and guidance in IPSAS 35. In applying the principles and guidance, references to “an entity controls” are read as “an entity gains control of” and references to “another entity” are read as “an operation”. For example, in determining whether one party to a public sector combination gains control of one or more operations as a result of the combination for the purposes of this Standard, paragraph 20 of IPSAS 35 should be read as follows (amended text is shown in italics):</p> <p>Thus, an entity <i>gains control of an operation</i> if and only if the entity <i>gains</i> all the following:</p> <ul style="list-style-type: none"> (a) Power over the operation (see paragraphs 23–29); (b) Exposure, or rights, to variable benefits from its involvement with the operation (see paragraphs 30–34); and (c) The ability to use its power over the operation to affect the nature or amount of the benefits from its involvement with the operation (see paragraphs 35–37). 	<p>Paragraph AG11</p> <p>In determining whether one party to a PBE combination gains control of one or more operations as a result of the combination, an entity applies the principles and guidance in PBE IPSAS 35. In applying the principles and guidance, references to “an entity controls” are read as “an entity gains control of” and references to “another entity” are read as “an operation”. For example, in determining whether one party to a PBE combination gains control of one or more operations as a result of the combination for the purposes of this Standard, paragraph 20 of PBE IPSAS 35 should be read as follows (amended text is shown in italics):</p> <p>Thus, an entity <i>gains control of an operation</i> if and only if the entity <i>gains</i> all the following:</p> <ul style="list-style-type: none"> (a) Power over the operation (see paragraphs 23–29); (b) Exposure, or rights, to variable benefits from its involvement with the operation (see paragraphs 30–34); and (c) The ability to use its power over the operation to affect the nature or amount of the benefits from its involvement with the operation (see paragraphs 35–37). 	<p>–</p>

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<p>Paragraph AG12</p> <p>In applying the principles and guidance in IPSAS 35, an entity has regard to paragraphs AG13–AG18.</p>	<p>Paragraph AG12</p> <p>In applying the principles and guidance in PBE IPSAS 35, an entity has regard to paragraphs AG13–AG18.</p>	–
<p>Paragraph AG13</p> <p>A public sector combination effected primarily by the transfer of consideration (i.e., by transferring cash or other assets or by incurring liabilities) usually results in one entity gaining control of one or more operations.</p>	<p>Paragraph AG13</p> <p>A PBE combination effected primarily by the transfer of consideration (i.e., by transferring cash or other assets or by incurring liabilities) usually results in one entity gaining control of one or more operations.</p>	–
<p>Paragraph AG14</p> <p>A public sector combination effected primarily by exchanging equity interests usually results in one entity gaining control of one or more operations. Combinations involving an exchange of equity interests usually results in one entity having sufficient voting rights to gain control of one or more operations. This may occur without the entity having a majority of the voting rights where the entity has a large minority voting interest and no other owner or organized group of owners has a significant voting interest.</p>	<p>Paragraph AG14</p> <p>A PBE combination effected primarily by exchanging equity interests usually results in one entity gaining control of one or more operations. Combinations involving an exchange of equity interests usually results in one entity having sufficient voting rights to gain control of one or more operations. This may occur without the entity having a majority of the voting rights where the entity has a large minority voting interest and no other owner or organised group of owners has a significant voting interest. Other pertinent facts and circumstances shall also be considered in assessing whether one entity (and, if so, which entity) has gained control of one or more operations, including:</p>	<p><u>Identifying an acquirer</u></p> <p>Added guidance on whether one entity has gained control of another entity. Based on PBE IFRS 3.B15(c) and (d).</p>
–	<p>(a) The composition of the governing body of the combined operation – The entity that gains control is usually the combining operation whose owners have the ability to elect a majority of the members of the governing body of the combined operations.</p>	–
–	<p>(b) The composition of the senior management of the combined operation – The entity that gains control is usually the combining operation whose (former) management dominates the management of the combined operations.</p>	–

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<p>Paragraph AG15</p> <p>A public sector combination involving the issuance of equity interests may give rise to a reverse acquisition (see paragraphs AG66–AG71). An entity considers this possibility in determining whether one party to a public sector combination gains control of operations.</p>	<p>Paragraph AG15</p> <p>A PBE combination involving the issuance of equity interests may give rise to a reverse acquisition (see paragraphs AG66–AG71). An entity considers this possibility in determining whether one party to a PBE combination gains control of operations.</p>	<p>–</p>
<p>Paragraph AG16</p> <p>In a public sector combination involving more than two entities, the party to the public sector combination that initiates the combination (if any) is more likely to gain control of operations than the other parties to the combination.</p>	<p>Paragraph AG16</p> <p>In a PBE combination involving more than two entities, the party to the PBE combination that initiates the combination (if any) is more likely to gain control of operations than the other parties to the combination.</p>	<p>–</p>
<p>Paragraph AG17</p> <p>In a public sector combination in which a new entity is formed to effect the combination, that entity may gain control of operations only where the entity exists prior to the combination taking place. Where this new entity does not exist prior to the combination taking place, an entity considers whether one of the parties to the combination that existed prior to the combination taking place gains control of operations.</p>	<p>Paragraph AG17</p> <p>In a PBE combination in which a new entity is formed to effect the combination, that new entity may gain control of operations only where the following conditions are satisfied:</p> <ul style="list-style-type: none"> (a) It exists prior to the combination taking place; and (b) The combination was not effected by that new entity issuing equity interests. <p>Where these conditions are not satisfied, an entity considers other pertinent facts and circumstances (see paragraph AG14) in deciding whether one of the other parties to the combination that existed prior to the combination taking place gains control of operations.</p>	<p><u>Identifying an acquirer</u></p> <p>Clarified that the “new” entity formed may have gained control.</p> <p>Clarified the requirements for classifying a PBE combination.</p> <p>Added reference to paragraph AG14 to help in deciding which party to the combination has gained control.</p>
<p>–</p>	<p>Paragraph AG17.1</p> <p>A PBE combination in which operations not under common control voluntarily agree to combine could be classified as either an amalgamation or an acquisition. The operations could combine to improve services to their recipients or to reduce operating costs. In this type of combination, if the combining operations are uniting rather than one party gaining control of the other party, this could be classified as</p>	<p><u>Voluntary combinations not under common control</u></p> <p>Added guidance on voluntary combinations not under common control.</p>

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	an amalgamation. This type of combination is more frequent in the not-for-profit sector than the public sector.	
<p>Paragraph AG18</p> <p>If the application of this guidance identifies one party to the combination as gaining control of one or more operations, the combination is classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. An entity considers the guidance in paragraphs 9–14 and AG19–AG50 to determine whether the economic substance of the combination is that of an amalgamation. If the application of the guidance does not identify one party to the combination as gaining control of one or more operations, the combination shall be classified as an amalgamation.</p>	<p>Paragraph AG18</p> <p>If the application of this guidance identifies one party to the combination as gaining control of one or more operations, the combination is classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. An entity considers the guidance in paragraphs 9–14 and AG19–AG50 to determine whether the economic substance of the combination is that of an amalgamation. If the application of the guidance does not identify one party to the combination as gaining control of one or more operations, the combination shall be classified as an amalgamation.</p>	–
<p><i>Assessment of the Classification of a Public Sector Combination (see paragraphs 9–14)</i></p>	<p><i>Assessment of the Classification of a PBE Combination (see paragraphs 9–14)</i></p>	
<p>Paragraph AG19</p> <p>If one party to a public sector combination gains control of one or more operations as a result of the combination, the combination shall be classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. In assessing whether the economic substance of the combination is that of an amalgamation, an entity considers the economic substance of the public sector combination and the indicators in paragraphs 12–14. A combination that does not have the economic substance of an amalgamation shall be classified as an acquisition. In making this assessment, an entity considers the following guidance.</p>	<p>Paragraph AG19</p> <p>If one party to a PBE combination gains control of one or more operations as a result of the combination, the combination shall be classified as either an amalgamation or an acquisition, depending on the economic substance of the combination. In assessing whether the economic substance of the combination is that of an amalgamation, an entity considers the economic substance of the PBE combination and the indicators in paragraphs 12–14. A combination that does not have the economic substance of an amalgamation shall be classified as an acquisition. In making this assessment, an entity considers the following guidance.</p>	–
<p>Economic Substance (see paragraph 9)</p>	<p>Economic Substance (see paragraph 9)</p>	
<p>Paragraph AG20</p> <p>Usually, an analysis of the indicators in paragraphs 12–13, individually or on combination, will produce a conclusive</p>	<p>Paragraph AG20</p> <p>Usually, an analysis of the indicators in paragraphs 12–13, individually or on combination, will produce a conclusive</p>	–

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result and provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation. A combination does not need to satisfy both of these indicators to be classified as an amalgamation.	result and provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation. A combination does not need to satisfy both of these indicators to be classified as an amalgamation.	
Paragraph AG21 Where consideration of the indicators in paragraphs 12–13 produces inconclusive results or does not provide sufficient evidence to clearly determine the economic substance of the combination, an entity considers the additional matters in paragraph 14.	Paragraph AG21 Where consideration of the indicators in paragraphs 12–13 produces inconclusive results or does not provide sufficient evidence to clearly determine the economic substance of the combination, an entity considers the additional matters in paragraph 14.	–
Paragraph AG22 The economic substance of an amalgamation is usually that a new entity is formed, irrespective of the legal form of the resulting entity. This applies equally to a combination in which one party to the combination gains control of one or more operations. If the economic substance of a public sector combination is that one of the parties to the combination continues to exist, this may provide evidence that the economic substance of the combination is that of an acquisition. In combinations of operations under common control, the fact that the ultimate controlling entity controls the operations both before and after the combination reduces the significance of this factor.	Paragraph AG22 Not used	<u>Economic substance of combination</u> Removed paragraph AG22 because PBE IPSAS 40 has clarified when a new reporting entity and continuing reporting entity can arise from an amalgamation.
Paragraph AG23 An amalgamation involves the integration of the operations that are part of the public sector combination. In other words, an amalgamation does not give rise to a controlling entity/controlled entity relationship between parties to a combination. If, following the combination, any of the operations operate as controlled entities of a party to the combination, this may provide evidence that the economic substance of the combination is that of an acquisition.	Paragraph AG23 An amalgamation involves the integration of the operations that are part of the PBE combination. Generally, an amalgamation does not give rise to a controlling entity/controlled entity relationship between parties to a combination. If, following the combination, any of the operations operate as controlled entities of a party to the combination, this may provide evidence that the economic substance of the combination is that of an acquisition.	<u>Economic substance of combination</u> Changed the assertion in the second sentence to acknowledge that there can be exceptions. Clarified that there might be circumstances in which there are controlling entity/controlled entity relationships after an amalgamation and added an example to illustrate this.

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	<p>However, there could be circumstances where a controlling entity/controlled entity relationship between parties to a combination remains after the combination. For example, there could be legal, tax or administrative reasons for leaving the existing operations of the combining entities within their respective existing legal entity structure, which could entail establishing a controlled entity/controlling entity structure as part of the combination, but that outcome does not necessarily mean that the economic substance of the combination is an acquisition.</p>	
<p>Paragraph AG24 An acquisition is usually a mutual agreement between two or more parties, and usually has commercial substance. However, in the public sector, a party to the combination may be able to impose a public sector combination on the other party to the combination. Where this results in the entity gaining access to economic benefits or service potential that are similar to those that could have been obtained by mutual agreement, it is probable that the economic substance of the public sector combination is that of an acquisition. For example, a central government may centralize a service for which it had been providing funding, by requiring local government entities to transfer operations to the central government in order to achieve economies of scale. Where the entity does not gain access to economic benefits or service potential that are similar to those that could have been obtained in a voluntary transaction, it is probable that the economic substance of the public sector combination is that of an amalgamation.</p>	<p>Paragraph AG24 An acquisition is usually a mutual agreement between two or more parties, and usually has commercial substance. However, it is possible for an acquisition to occur without mutual agreement (for example, a forced nationalisation).</p>	<p><u>Economic substance of combination</u> Removed the discussion about types of benefits or service potential obtained because this does not affect the classification of the combination. This comment also applies to paragraphs IE19, IE29, IE45 and IE59.</p>
<p>Paragraph AG25 Where, after consideration of the indicators and the nature of the public sector combination, there is insufficient evidence that the public sector combination has the</p>	<p>Paragraph AG25 Not used.</p>	<p><u>Economic substance of combination</u> Removed paragraph because it repeats matters already covered in paragraph AG21.</p>

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economic substance of an amalgamation, the combination shall be classified as an acquisition.		
Indicators Relating to Consideration (see paragraph 12)	Indicator Relating to Consideration (see paragraph 12)	
<p>Paragraph AG26</p> <p>Amalgamations usually do not involve the payment of consideration to compensate a seller for giving up their entitlement to the net assets of an operation. By contrast, acquisitions usually involve an exchange of consideration between those gaining control of the operations and those losing control of the operations.</p>	<p>Paragraph AG26</p> <p>Amalgamations usually do not involve the payment of consideration to compensate a seller for giving up its entitlements to the net assets of an operation. By contrast, acquisitions usually involve an exchange of consideration between those gaining control of the operations and those losing control of the operations.</p>	–
<p>Paragraph AG27</p> <p>The payment of consideration that is intended to compensate those with an entitlement to the net assets of the transferred operation for giving up that entitlement provides evidence that the economic substance of the public sector combination is an acquisition. In such cases, the combination is classified as an acquisition.</p>	<p>Paragraph AG27</p> <p>However, there may be a number of reasons why consideration is either paid or not paid. In assessing the impact of consideration on the classification of a combination as an acquisition or an amalgamation, it is necessary to consider those reasons.</p>	<p><u>Indicator relating to consideration</u></p> <p>The changes to paragraph 12 led to the reordering of the guidance in paragraphs AG27–AG30.</p>
<p>Paragraph AG28</p> <p>The payment of consideration that is not intended to compensate the seller for giving up their entitlement to the net assets of an operation, but is, for example, intended to reimburse them for costs incurred in effecting the public sector combination, may provide evidence that the economic substance of the combination is that of an amalgamation.</p>	<p>Paragraph AG28</p> <p>The payment of consideration to compensate those with an entitlement to the net assets of the transferred operation for giving up that entitlement provides evidence that the economic substance of the PBE combination is an acquisition. In such cases, the combination is classified as an acquisition. If consideration is paid for reasons other than to compensate the seller for giving up its entitlement to the net assets of an operation, (for example, to reimburse the seller for costs incurred in effecting the PBE combination), this may provide evidence that the economic substance of the combination is that of an amalgamation.</p>	<p><u>Indicator relating to consideration</u></p> <p>The changes to paragraph 12 led to the reordering of the guidance in paragraphs AG27–AG30.</p>
<p>Paragraph AG29</p> <p>Acquisitions may occur without an exchange of consideration, for example where an individual bequeaths an operation to a government entity. Consequently, the</p>	<p>Paragraph AG29</p> <p>The absence of consideration does not in itself provide evidence of the economic substance of the PBE combination. Acquisitions may occur without an exchange</p>	<p><u>Indicator relating to consideration</u></p>

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<p>absence of consideration does not in itself provide evidence of the economic substance of the public sector combination. In assessing consideration, an entity also considers the reasons why consideration was either paid or not paid.</p>	<p>of consideration. If those with an entitlement to the net assets of an operation have voluntarily given up their entitlement in order to donate the net assets of the operation to an unrelated entity (for example, an individual bequeaths an operation to a government entity) this would suggest that the combination is an acquisition. If those with an entitlement to the net assets of an operation have their entitlement extinguished through compulsion (for example, in an uncompensated seizure by a public sector entity), this would suggest that the combination is an acquisition.</p>	<p>The changes to paragraph 12 led to the reordering of the guidance in paragraphs AG27–AG30.</p>
<p>Paragraph AG30 Where a public sector combination does not include the payment of consideration, an entity considers the reasons why no consideration has been paid. If the former owner has given up their entitlement to the net assets of an operation, or has had their entitlement extinguished through compulsion (for example, in an uncompensated seizure), there may be evidence that the combination is an acquisition.</p>	<p>Paragraph AG30 In contrast, if there was no compensation paid because the combining operations are under common control and hence no compensation is necessary, this would suggest that the combination is an amalgamation. Similarly, in a combination that occurs as part of a local government reorganisation, the payment of compensation may not be necessary because the citizens served by the combining operations will continue to be served by the combined operations, which would suggest that the combination is an amalgamation.</p>	<p><u>Indicator relating to consideration</u> The changes to paragraph 12 led to the reordering of the guidance in paragraphs AG27–AG30. Changed the example.</p>
<p>Paragraph AG31 Where a public sector combination does not include the payment of consideration because there is no party with an entitlement to the net assets of an operation, the economic substance of the combination will usually be that of an amalgamation. An acquisition involves a transfer of an operation from its former owner to its new owner. If there is no party with an entitlement to the net assets of an operation, there is no former owner, and the combination is usually not an acquisition. This scenario will only arise where a complete entity is being transferred; where an individual operation is being transferred, the entity transferring the operation will be the former owner and will</p>	<p>Paragraph AG31 Not used</p>	<p><u>Indicator relating to consideration</u> Omitted this guidance because it relates to paragraph 12(c), which is not included in PBE IPSAS 40.</p>

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<p>be entitled to the net assets of the operation. Examples of entities where there will be no former owner(s) include municipalities and some not-for-profit organizations.</p>		
<p>Indicators Relating to the Decision-Making Process (see paragraph 13)</p>	<p>Indicators Relating to the Decision-Making Process (see paragraph 13)</p>	
<p>Paragraph AG32 An acquisition usually requires the voluntary participation of all the parties to the combination. Consequently, where a public sector combination is imposed by a third party without any party to the combination being involved in the decision-making process, this may provide evidence that the economic substance of the combination is an amalgamation.</p>	<p>Paragraph AG32 An acquisition usually requires the voluntary participation of all the parties to the combination. Consequently, where a PBE combination is imposed by a third party without any party to the combination being involved in the decision-making process, this may provide evidence that the economic substance of the combination is an amalgamation.</p>	<p>–</p>
<p>Paragraph AG33 In other circumstances, the parties to the public sector combination will be able to influence the terms of the combination to different degrees even when the combination is imposed by a third party. As the degree of influence the parties to the combination have increases, particularly the influence of the party that gains control of one or more operations, it becomes less likely that a conclusion regarding the economic substance of the combination can be drawn.</p>	<p>Paragraph AG33 In other circumstances, the parties to the PBE combination will be able to influence the terms of the combination to different degrees even when the combination is imposed by a third party. As the degree of influence the parties to the combination have increases, particularly the influence of the party that gains control of one or more operations, it becomes less likely that a conclusion regarding the economic substance of the combination can be drawn.</p>	<p>–</p>
<p>Paragraph AG34 For example, the parties to the combination may be directed to combine by a regulator, but the regulator allows the parties to determine the terms of the combination. The economic substance of this public sector combination is likely to be determined by the terms of the combination agreed by the parties rather than by the decision of the regulator that the parties must combine.</p>	<p>Paragraph AG34 For example, the parties to the combination may be directed to combine by a regulator, but the regulator allows the parties to determine the terms of the combination. The economic substance of this PBE combination is likely to be determined by the terms of the combination agreed by the parties rather than by the decision of the regulator that the parties must combine.</p>	<p>–</p>

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<p>Paragraph AG35</p> <p>Where the party to the public sector combination that gains control of one or more operations is able to impose the combination on the other party, this does not provide evidence that the economic substance of the combination is that of an amalgamation. For example, a government may decide to nationalize a private sector entity, contrary to the wishes of the shareholders. The fact that the government (a party to the combination) is able to impose the nationalization, for example through legislation, does not provide evidence that the economic substance of the combination is an amalgamation. Where the party to the combination that gains control of one or more operations is able to impose the combination on the other party, this provides evidence that the economic substance of the combination is that of an acquisition.</p>	<p>Paragraph AG35</p> <p>Where the party to the PBE combination that gains control of one or more operations is able to impose the combination on the other party, this does not provide evidence that the economic substance of the combination is that of an amalgamation. For example, a government may decide to nationalise a private sector entity, contrary to the wishes of the shareholders. The fact that the government (a party to the combination) is able to impose the nationalisation, for example through legislation, does not provide evidence that the economic substance of the combination is an amalgamation. Where the party to the combination that gains control of one or more operations is able to impose the combination on the other party, this provides evidence that the economic substance of the combination is that of an acquisition.</p>	<p>–</p>
<p>Paragraph AG36</p> <p>Where a public sector combination is subject to approval by each party's citizens through referenda, this may provide evidence that the economic substance of the combination is that of an amalgamation. Such a requirement provides evidence that the parties to the combination do not have freedom to voluntarily effect the combination and that the ultimate decision as to whether the combination takes place is taken by third parties. However, it is possible for citizens to approve, through referenda, a combination whose terms are those of an acquisition.</p>	<p>Paragraph AG36</p> <p>Where a PBE combination is subject to approval by each party's citizens through referenda, this may provide evidence that the economic substance of the combination is that of an amalgamation. Such a requirement provides evidence that the parties to the combination do not have freedom to voluntarily effect the combination and that the ultimate decision as to whether the combination takes place is taken by third parties. However, it is possible for citizens to approve, through referenda, a combination whose terms are those of an acquisition.</p>	<p>–</p>
<p>Paragraph AG37</p> <p>Where a public sector combination takes place between two parties that are under common control, this may provide evidence that the economic substance of the combination is that of an amalgamation. Public sector combinations under common control are often instigated by and on behalf of the controlling entity, and the</p>	<p>Paragraph AG37</p> <p>Where a PBE combination takes place between two parties that are under common control, this may provide evidence that the economic substance of the combination is that of an amalgamation. PBE combinations under common control are often instigated by and on behalf of the controlling entity, and the controlling entity will often</p>	<p>–</p>

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<p>controlling entity will often determine the terms of the combination. For example, a government may decide to combine two ministries for administrative or political reasons, and specify the terms of the combination. In such circumstances, the ultimate decision as to whether the combination takes place, and the terms of the combination, are determined by the controlling entity. This provides evidence that the economic substance of the combination is an amalgamation.</p>	<p>determine the terms of the combination. For example, a government may decide to combine two ministries for administrative or political reasons, and specify the terms of the combination. In such circumstances, the ultimate decision as to whether the combination takes place, and the terms of the combination, are determined by the controlling entity. This provides evidence that the economic substance of the combination is an amalgamation.</p>	
<p>Paragraph AG38 In some circumstances, two operations under common control may agree to combine voluntarily. However, this decision will usually be subject to the approval of the controlling entity, whether this approval is given explicitly or not. Where the approval of the controlling entity is required, this provides evidence that the ultimate decision as to whether the combination takes place, and the terms of the combination, are determined by the controlling entity. Consequently, this provides evidence that the economic substance of the combination is that of an amalgamation.</p>	<p>Paragraph AG38 In some circumstances, two operations under common control may agree to combine voluntarily. However, this decision will usually be subject to the approval of the controlling entity, whether this approval is given explicitly or not. Where the approval of the controlling entity is required, this provides evidence that the ultimate decision as to whether the combination takes place, and the terms of the combination, are determined by the controlling entity. Consequently, this provides evidence that the economic substance of the combination is that of an amalgamation.</p>	<p>–</p>
<p>Paragraph AG39 Only where there is no evidence that the controlling entity is involved in the public sector combination, either by instigating the combination, determining the terms of the combination, or approving (whether explicitly or implicitly) the combination, will there be no evidence that the economic substance of the combination is that of an amalgamation. In such circumstances, the entity considers all other factors in determining the classification of the public sector combination.</p>	<p>Paragraph AG39 Only where there is no evidence that the controlling entity is involved in the PBE combination, either by instigating the combination, determining the terms of the combination, or approving (whether explicitly or implicitly) the combination, will there be no evidence that the economic substance of the combination is that of an amalgamation. In such circumstances, the entity considers all other factors in determining the classification of the PBE combination.</p>	<p>–</p>

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Additional Matters to be Considered where the Indicators Relating to Consideration and the Decision-Making Process do not Provide Sufficient Evidence to Determine whether the Economic Substance of the Combination is that of an Amalgamation (see paragraph 14)	Additional Matters to be Considered where the Indicators Relating to Consideration and the Decision-Making Process do not Provide Sufficient Evidence to Determine whether the Economic Substance of the Combination is that of an Amalgamation (see paragraph 14)	
<p>Paragraph AG40</p> <p>Where an analysis of the indicators relating to consideration and the decision-making process produces inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation, an entity considers which classification and resulting accounting treatment would provide information that:</p> <p>(a) Best meets the objectives of financial reporting; and</p> <p>(b) Best satisfies the qualitative characteristics (QCs).</p>	<p>Paragraph AG40</p> <p>Where an analysis of the indicators relating to consideration and the decision-making process produces inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation, an entity considers which classification and resulting accounting treatment would provide information that:</p> <p>(a) Best meets the objectives of financial reporting; and</p> <p>(b) Best satisfies the qualitative characteristics (QCs).</p>	–
<p>Paragraph AG41</p> <p>An analysis of the indicators relating to consideration and the decision-making process will usually produce a conclusive result and provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation. This is because the indicators relating to consideration and the decision-making process will provide evidence of the economic substance of a public sector combination in all but exceptional circumstances. As a result, where it is clear that the indicators have been met, the additional matters set out in paragraph 14 are not considered in determining the classification.</p>	<p>Paragraph AG41</p> <p>An analysis of the indicators relating to consideration and the decision-making process will usually produce a conclusive result and provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation. This is because the indicators relating to consideration and the decision-making process will provide evidence of the economic substance of a PBE combination in all but exceptional circumstances. As a result, where it is clear that the indicators have been met, the additional matters set out in paragraph 14 are not considered in determining the classification.</p>	–
<p>Paragraph AG42</p> <p>Where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the</p>	<p>Paragraph AG42</p> <p>Where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the</p>	–

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<p>combination is that of an amalgamation, an entity considers which classification would provide information that best meets the objectives of financial reporting. The determination of whether a public sector combination is classified as an acquisition or an amalgamation can significantly affect the financial reporting of the combination. Consequently, it is important to consider the information each method provides and the principal users of that information.</p>	<p>combination is that of an amalgamation, an entity considers which classification would provide information that best meets the objectives of financial reporting. The determination of whether a PBE combination is classified as an acquisition or an amalgamation can significantly affect the financial reporting of the combination. Consequently, it is important to consider the information each method provides and the principal users of that information.</p>	
<p>Paragraph AG43 The modified pooling of interests method views the combination from the perspective of each of the combining operations and their owners or constituents who are uniting their interests in the resulting entity. Using the modified pooling of interests method of accounting, the combining operations measure the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date. Such information may assist users in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods. However, this comparability may be reduced where adjustments to achieve consistent accounting policies are required. It does not include information about the market's expectation of the value of the future cash flows associated with assets and liabilities, other than assets and liabilities recorded at fair value prior to the date of the amalgamation.</p>	<p>Paragraph AG43 The modified pooling of interests method views the combination from the perspective of each of the combining operations and their owners or constituents who are uniting their interests in the resulting entity. Using the modified pooling of interests method of accounting, the combining operations measure the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date. Such information may assist users in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods. However, this comparability may be reduced where adjustments to achieve consistent accounting policies are required.</p>	<p><u>Basis of reported values of amalgamations</u> Deleted the sentence about future cash flows associated with assets and liabilities as other considerations tend to be more important in the public sector and NFP sector context. Also deleted the similar sentence in paragraph AG44 and in the table of paragraph AG45.</p>
<p>Paragraph AG44 The acquisition method views a combination from the perspective of the acquirer—the entity that gains control of the other operations. The acquirer purchases or otherwise gains control over net assets and recognizes in its financial</p>	<p>Paragraph AG44 The acquisition method views a combination from the perspective of the acquirer—the entity that gains control of the other operations. The acquirer purchases or otherwise gains control over net assets and recognises in its financial</p>	<p><u>Basis of reported values of acquisitions</u> Added “where paid” in the third sentence because there could be acquisitions for no consideration. Deleted the sentence about future cash flows associated with assets and</p>

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<p>statements the assets acquired and liabilities assumed, including those not previously recognized by the acquired operation. Such information assists users of the financial statements in assessing the initial investments made and the subsequent performance of those investments and comparing them with the performance of other entities based on the investment made by the acquirer. It also includes information about the market's expectation of the value of the future cash flows associated with those assets and liabilities. While it revalues the assets and liabilities of the acquired operation, it does not affect the valuation of assets and liabilities held by the acquirer prior to the acquisition. Further, depending on the relationship between the amounts in paragraph 85(a) and 85(b) and other factors (for example, a bargain purchase), it may result in the immediate recognition of a gain or loss through surplus or deficit.</p>	<p>statements the assets acquired and liabilities assumed, including those not previously recognised by the acquired operation. Such information assists users of the financial statements in assessing the initial investments made, where paid, and the subsequent performance of those investments and comparing them with the performance of other entities based on the investment made by the acquirer. While it revalues the assets and liabilities of the acquired operation, it does not affect the valuation of assets and liabilities held by the acquirer prior to the acquisition. Further, depending on the relationship between the amounts in paragraph 85(a) and 85(b) and other factors (for example, a bargain purchase), it may result in the immediate recognition of a gain or loss through surplus or deficit.</p>	<p>liabilities as other considerations tend to be more important in the public sector and NFP sector context.</p>
<p>Paragraph AG45 The information provided by each approach is summarized in the following table. [The table, Table 2 is at the end of this document.]</p>	<p>Paragraph AG45 The information provided by each approach is summarised in the following table. [The table, Table 2 is at the end of this document.]</p>	<p>See Table 2 for the notes on differences.</p>
<p>Paragraph AG46 Consideration of which classification would provide information that best meets the objectives of financial reporting provides evidence of the economic substance of the public sector combination where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation.</p>	<p>Paragraph AG46 Consideration of which classification would provide information that best meets the objectives of financial reporting provides evidence of the economic substance of the PBE combination where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation.</p>	<p>–</p>
<p>Paragraph AG47 Where an analysis of the indicators relating to consideration and the decision-making process provides</p>	<p>Paragraph AG47 Where an analysis of the indicators relating to consideration and the decision-making process provides</p>	<p>–</p>

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<p>inconclusive results or does not provide sufficient evidence to determine the classification of the combination, an entity considers which classification would provide information that best satisfies the QCs of relevance, faithful representation, understandability, timeliness, comparability and verifiability. In making this assessment, an entity also considers the constraints on information included in general purpose financial reports, which are materiality, cost-benefit and the balance between the QCs.</p>	<p>inconclusive results or does not provide sufficient evidence to determine the classification of the combination, an entity considers which classification would provide information that best satisfies the QCs of relevance, faithful representation, understandability, timeliness, comparability and verifiability. In making this assessment, an entity also considers the constraints on information included in general purpose financial reports, which are materiality, cost-benefit and the balance between the QCs.</p>	
<p>Paragraph AG48</p> <p>When considering the classification of a public sector combination, some QCs will be more significant than others. For example, timeliness will be less significant than understandability when considering whether a combination is an amalgamation or an acquisition.</p>	<p>Paragraph AG48</p> <p>When considering the classification of a PBE combination, some QCs will be more significant than others. For example, timeliness will be less significant than understandability when considering whether a combination is an amalgamation or an acquisition.</p>	<p>–</p>
<p>Paragraph AG49</p> <p>An entity considers the QCs and the constraints on information from the perspective of the users of the financial statements. This will include consideration of the following questions; this list is not exhaustive.</p> <p>(a) Which classification most faithfully represents the economic substance of the public sector combination, which may be different from its legal form? Does that classification faithfully represent an entity’s financial performance and financial position?</p> <p>(b) Which classification will help users understand the nature of the public sector combination? For example, in an amalgamation, any difference between the total recognized assets and total recognized liabilities is recognized in net assets/equity, whereas in an acquisition, the acquirer recognizes goodwill, or a gain or loss in the reporting period. Which approach best</p>	<p>Paragraph AG49</p> <p>An entity considers the QCs and the constraints on information from the perspective of the users of the financial statements. This will include consideration of the following questions; this list is not exhaustive.</p> <p>(a) Which classification most faithfully represents the economic substance of the PBE combination, which may be different from its legal form? Does that classification faithfully represent an entity’s financial performance and financial position?</p> <p>(b) Which classification will help users understand the nature of the PBE combination? For example, in an amalgamation, any difference between the total recognised assets and total recognised liabilities is recognised in net assets/equity, whereas in an acquisition, the acquirer recognises goodwill, or a gain or loss in the reporting period. Which approach best</p>	<p>–</p>

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<p>helps the user to understand the nature of the combination?</p> <p>(c) Users' needs are best served when the information provided in respect of a transaction is comparable. How are similar public sector combinations classified?</p>	<p>helps the user to understand the nature of the combination?</p> <p>(c) Users' needs are best served when the information provided in respect of a transaction is comparable. How are similar PBE combinations classified?</p>	
<p>Paragraph AG50</p> <p>Consideration of which classification would provide information that best meets the QCs provides evidence of the economic substance of the public sector combination where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation.</p>	<p>Paragraph AG50</p> <p>Consideration of which classification would provide information that best meets the QCs provides evidence of the economic substance of the PBE combination where an analysis of the indicators relating to consideration and the decision-making process provides inconclusive results or does not provide sufficient evidence to determine whether the economic substance of the combination is that of an amalgamation.</p>	-
<p>Accounting for Amalgamations</p>	<p>Accounting for Amalgamations</p>	
<p>-</p>	<p><i>Combining Operations that Have not Previously Applied PBE Standards (see paragraph 20.1)</i></p>	
<p>-</p>	<p>Paragraph AG50.1</p> <p>Where the resulting entity is a continuing reporting entity and has previously applied PBE Standards prior to the amalgamation but one or more of the combining operations have not previously applied PBE Standards prior to the amalgamation, the resulting entity shall:</p> <p>(a) Prepare an opening statement of financial position as at the amalgamation date (this shall be the date of transition to PBE Standards) in accordance with paragraphs 10–23 of PBE FRS 47 <i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS</i> for each of the combining operations that have not previously applied PBE Standards; and</p> <p>(b) Use the same accounting policies for those combining operations as are already being applied by the</p>	<p><u>Applying the modified pooling of interests method</u></p> <p>Added guidance for combining operations that have not previously applied PBE Standards.</p>

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	<p>continuing reporting entity. However , the resulting entity may early adopt new or amending PBE Standards that have been issued but are not yet effective.</p> <p>After preparing the combining operations' statements of financial position the resulting entity shall then apply the requirements in paragraphs 21–35.</p>	
–	<p>Paragraph AG50.2</p> <p>Where the resulting entity is a new reporting entity and one or more of the combining operations have not previously applied PBE Standards prior to the amalgamation, the resulting entity shall:</p> <p>(a) Apply XRB A1 <i>Application of the Accounting Standards Framework</i> to determine the appropriate tier of reporting for the resulting entity. It shall not apply the requirements for moving between tiers in XRB A1 as it was not in existence as a reporting entity prior to the amalgamation;</p> <p>(b) Prepare an opening statement of financial position as at the amalgamation date (this shall be the date of transition to PBE Standards) in accordance with paragraphs 10–23 of PBE FRS 47 for each of the combining operations that have not previously applied PBE Standards; and</p> <p>(c) Use the same accounting policies as were previously used by those combining operations that have previously applied PBE Standards. However , the resulting entity may early adopt new or amending PBE Standards that have been issued but are not yet effective.</p> <p>After preparing the combining operations' statements of financial position the resulting entity shall then apply the requirements in paragraphs 21–35.</p>	<p><u>Applying the modified pooling of interests method</u></p> <p>Added guidance for combining operations that have not previously applied PBE Standards.</p> <p>Added a diagram of the scenarios for entities applying different suites of standards prior to the amalgamation. The diagram is not included in this document.</p>

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	Diagram of the scenarios for entities applying different suites of standards prior to the amalgamation [not replicated in this document].	
<i>Eliminating Transactions Between the Combining Operations (see paragraph 22)</i>	<i>Eliminating Transactions Between the Combining Operations (see paragraph 22)</i>	
<p>Paragraph AG51</p> <p>A resulting entity eliminates the effects of all transactions between the combining operations. For many transactions, elimination will take place automatically. For example, one combining operation provided services for a fee to another combining operation prior to the amalgamation date. The revenue of the combining operation that provided the services is reflected in that combining operation's accumulated surplus or deficit at the amalgamation date. The expense of the combining operation receiving the services is reflected in that combining operation's accumulated surplus or deficit at the amalgamation date. The resulting entity will recognize both amounts in net assets/equity.</p>	<p>Paragraph AG51</p> <p>A resulting entity eliminates the effects of all transactions between the combining operations. For many transactions, elimination will take place automatically. For example, one combining operation provided services for a fee to another combining operation prior to the amalgamation date. The revenue of the combining operation that provided the services is reflected in that combining operation's accumulated comprehensive revenue and expense at the amalgamation date. The expense of the combining operation receiving the services is reflected in that combining operation's accumulated comprehensive revenue and expense at the amalgamation date. The resulting entity will recognise both amounts in net assets/equity.</p>	–
<p>Paragraph AG52</p> <p>Elimination may not take place automatically where one combining operation has recognized an asset, and another combining operation has recognized a corresponding liability as a result of the transaction between two combining operations. The resulting entity eliminates both the asset and the liability, and recognizes any difference between the asset and liability in net assets/equity.</p>	<p>Paragraph AG52</p> <p>Elimination may not take place automatically where one combining operation has recognised an asset, and another combining operation has recognised a corresponding liability as a result of the transaction between two combining operations. The resulting entity eliminates both the asset and the liability, and recognises any difference between the asset and liability in net assets/equity.</p>	–
<i>Carrying Amounts to be Used (see paragraphs 26–27)</i>	<i>Carrying Amounts to be Used (see paragraphs 26–27)</i>	
<p>Paragraph AG53</p> <p>Where a combining operation has previously been acquired in an acquisition (i.e., it was previously an acquired operation), the carrying amounts of the combining</p>	<p>Paragraph AG53</p> <p>Where a combining operation has previously been acquired in an acquisition (i.e., it was previously an acquired operation), the carrying amounts of the combining</p>	–

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<p>operation's assets and liabilities in its separate financial statements may be different to the carrying amounts of those assets and liabilities in the controlling entity's financial statements. In an acquisition, the controlling entity would measure the combining operation's assets and liabilities at their fair value. However, where the combining operation (i.e., the previously acquired operation) continues to prepare separate financial statements, it would use its previous carrying amounts. The fair value measurements in the financial statements of the controlling entity are not pushed down to the combining operation.</p>	<p>operation's assets and liabilities in its separate financial statements may be different to the carrying amounts of those assets and liabilities in the controlling entity's financial statements. In an acquisition, the controlling entity would measure the combining operation's assets and liabilities at their fair value. However, where the combining operation (i.e., the previously acquired operation) continues to prepare separate financial statements, it would use its previous carrying amounts. The fair value measurements in the financial statements of the controlling entity are not pushed down to the combining operation.</p>	
<p>Paragraph AG54 To meet the requirements in paragraphs 26–27, a resulting entity measures the identifiable assets and liabilities of the combining operations at their carrying amounts in the financial statements of the combining operations as of the amalgamation date, subject to the requirement to adjust the carrying amounts to conform to the resulting entity's accounting policies. The resulting entity does not measure the assets and liabilities at the carrying amounts in the financial statements of the controlling entity.</p>	<p>Paragraph AG54 To meet the requirements in paragraphs 26–27, a resulting entity measures the identifiable assets and liabilities of the combining operations at their carrying amounts in the financial statements of the combining operations as of the amalgamation date, subject to the requirement to adjust the carrying amounts to conform to the resulting entity's accounting policies. The resulting entity does not measure the assets and liabilities at the carrying amounts in the financial statements of the controlling entity (unless the controlling entity is one of the combining operations).</p>	<p><u>Carrying amounts to be used</u> Added text to the last sentence to clarify that the fair value measurements in the financial statements of the controlling entity should not be pushed down to the combining operations <i>unless the controlling entity is one of the combining operations</i>.</p>
<p>–</p>	<p><i>Accounting Policies to be Used (see paragraph 28)</i></p>	
<p>–</p>	<p>Paragraph AG54.1 Where the resulting entity is a new reporting entity and the combining operations have applied different accounting policies for similar transactions and events, the resulting entity shall select the accounting policies that result in the financial statements providing the most relevant and faithfully representative information, subject to the requirements in paragraphs 31–35. If a resulting entity has transactions, other events or conditions that differ in substance from those previously occurring, that did not previously occur, or that were previously immaterial, it shall</p>	<p><u>Accounting policies to be used</u> Added guidance to clarify the accounting policies to be used by a new reporting entity.</p>

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	select or develop accounting policies in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	
–	<p>Paragraph AG54.1</p> <p>Where the resulting entity is a continuing reporting entity, it shall continue to apply its previous accounting policies to transactions and events, subject to the requirements in paragraphs 31–35. There are some limited circumstances in which a resulting entity that is a continuing reporting entity may need to apply PBE IPSAS 3 in preparing its first set of financial statements following the amalgamation. These include:</p> <ul style="list-style-type: none"> (a) The identification of a prior period error, in which case PBE IPSAS 3 (paragraphs 46–54) applies; or (b) The resulting entity voluntarily changes an accounting policy, including the selection of a different option permitted under PBE Standards, in which case PBE IPSAS 3 (paragraphs 17–34) applies; or (c) The resulting entity will have transactions, other events or conditions that differ in substance from those previously occurring, that did not previously occur, or that were previously immaterial, in which case PBE IPSAS 3 (paragraphs 9–15) applies. 	<p><u>Accounting policies to be used</u></p> <p>Added guidance to clarify the accounting policies to be used by a continuing reporting entity.</p>
<i>Licenses and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation (see paragraph 32)</i>	<i>Licences and Similar Rights Previously Granted by One Combining Operation to Another Combining Operation (see paragraph 32)</i>	
<p>Paragraph AG55</p> <p>As part of an amalgamation, a resulting entity may receive a license or similar right that had previously been granted by one combining operation to another combining operation to use one or more of the grantor’s recognized or unrecognized assets. Examples of such rights include a right to use the acquirer’s technology under a technology</p>	<p>Paragraph AG55</p> <p>As part of an amalgamation, a resulting entity may receive a licence or similar right that had previously been granted by one combining operation to another combining operation to use one or more of the grantor’s recognised or unrecognised assets. Examples of such rights include a right to use the acquirer’s technology under a technology</p>	–

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<p>licensing agreement. The resulting entity recognizes this license or similar right as an identifiable intangible asset, and measures the intangible asset at its carrying amount in the financial statements of the combining operation as of the amalgamation date. Because the license or similar right has previously been part of a binding arrangement, the license satisfies both the separability and binding arrangement criteria in IPSAS 31, <i>Intangible Assets</i>. Paragraph 47 provides guidance on the subsequent accounting for a license or similar right previously granted by one combining operation to another combining operation.</p>	<p>licensing agreement. The resulting entity recognises this licence or similar right as an identifiable intangible asset, and measures the intangible asset at its carrying amount in the financial statements of the combining operation as of the amalgamation date. Because the licence or similar right has previously been part of a binding arrangement, the licence satisfies both the separability and binding arrangement criteria in PBE IPSAS 31 <i>Intangible Assets</i>. Paragraph 47 provides guidance on the subsequent accounting for a licence or similar right previously granted by one combining operation to another combining operation.</p>	
<p>Paragraph AG56 The resulting entity assesses both the license or similar right previously granted by one combining operation to another combining operation, and the underlying asset (where the underlying asset is a recognized asset) for impairment in accordance with IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and/or IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, at the amalgamation date.</p>	<p>Paragraph AG56 The resulting entity assesses both the licence or similar right previously granted by one combining operation to another combining operation, and the underlying asset (where the underlying asset is a recognised asset) for impairment in accordance with PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and/or PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at the amalgamation date.</p>	–
<p><i>Forgiveness of Amounts of Tax Due in an Amalgamation (Where Included in the Terms of the Amalgamation) (see paragraphs 33–34)</i></p>	<p><i>Forgiveness of Amounts of Tax Due in an Amalgamation (Where Included in the Terms of the Amalgamation) (see paragraph 33)</i></p>	
<p>Paragraph AG57 The resulting entity shall not recognize any amounts in respect of a combining operation’s tax due where these amounts have been forgiven by a tax authority as part of the terms of the amalgamation. Where tax forgiveness occurs subsequent to an amalgamation, the resulting entity applies the requirements in paragraph 49. In applying the modified pooling of interests method of accounting, the resulting entity shall treat those amounts included in the terms of the amalgamation as having been derecognized</p>	<p>Paragraph AG57 The resulting entity shall not recognise any amounts in respect of a combining operation’s tax due where these amounts have been forgiven by a tax authority as part of the terms of the amalgamation. Where tax forgiveness occurs subsequent to an amalgamation, the resulting entity applies the requirements in paragraph 49. In applying the modified pooling of interests method of accounting, the resulting entity shall treat those amounts included in the terms of the amalgamation as having been derecognised</p>	–

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prior to the amalgamation. The resulting entity shall account for a combining operation's tax due that has not been forgiven by a tax authority in accordance with the relevant international or national accounting standard dealing with income taxes.	prior to the amalgamation. The resulting entity shall account for a combining operation's tax due that has not been forgiven by a tax authority in accordance with PBE IAS 12.	
<p>Paragraph AG58</p> <p>Where, as a result of the amalgamation, the resulting entity becomes the tax authority, it shall derecognize any tax receivable relating to the combining operation's tax due that has been forgiven in accordance with IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>.</p>	<p>Paragraph AG58</p> <p>Not used.</p>	<p><u>Income tax in amalgamations</u></p> <p>Removed this guidance because it was not necessary and could create confusion.</p>
<i>Recognition of Goodwill (see paragraph 36)</i>	<i>Recognition of Goodwill (see paragraph 36)</i>	
<p>Paragraph AG59</p> <p>Amalgamations do not give rise to goodwill, and consequently a resulting entity does not recognize goodwill arising from an amalgamation. Paragraphs 37–38 specify the treatment of the net assets/equity arising as a result of the amalgamation.</p>	<p>Paragraph AG59</p> <p>Amalgamations do not give rise to goodwill, and consequently a resulting entity does not recognise goodwill arising from an amalgamation. Paragraphs 37–38 specify the treatment of the net assets/equity arising as a result of the amalgamation.</p>	–
<p>Paragraph AG60</p> <p>Where a combining operation has previously recognized goodwill as a result of a previous acquisition, the resulting entity recognizes this goodwill in its opening statement of financial position.</p>	<p>Paragraph AG60</p> <p>Where a combining operation has previously recognised goodwill as a result of a previous acquisition, the resulting entity recognises this goodwill in its opening statement of financial position.</p>	–
<i>Subsequent Measurement of Transfers, Concessionary Loans and Similar Benefits Received by a Combining Operation on the Basis of Criteria that May Change as a Result of an Amalgamation (see paragraph 48)</i>	<i>Subsequent Measurement of Transfers, Concessionary Loans and Similar Benefits Received by a Combining Operation on the Basis of Criteria that May Change as a Result of an Amalgamation (see paragraph 48)</i>	
<p>Paragraph AG61</p> <p>Prior to an amalgamation taking place, a combining operation may receive a transfer from a third party, based on specified criteria. For example, a national government</p>	<p>Paragraph AG61</p> <p>Prior to an amalgamation taking place, a combining operation may receive a transfer from a third party, based on specified criteria. For example, a national government</p>	–

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<p>may provide grants to those municipalities where the average household income is below a threshold. An amalgamation of two municipalities may involve one municipality which met the criteria and received the grant, and one municipality which did not meet the criteria and which did not receive the grant. Following the amalgamation, the average household income of the new, combined municipality will either be above or below the threshold, which may cause the grantor to reassess the amount of grant given.</p>	<p>may provide grants to those municipalities where the average household income is below a threshold. An amalgamation of two municipalities may involve one municipality which met the criteria and received the grant, and one municipality which did not meet the criteria and which did not receive the grant. Following the amalgamation, the average household income of the new, combined municipality will either be above or below the threshold, which may cause the grantor to reassess the amount of grant given.</p>	
<p>Paragraph AG62 The resulting entity shall not account for any revisions to the grant amount as part of the amalgamation, but shall account for any revisions at the point the grantor makes its intentions known in accordance with other IPSASs.</p>	<p>Paragraph AG62 The resulting entity shall not account for any revisions to the grant amount as part of the amalgamation, but shall account for any revisions at the point the grantor makes its intentions known in accordance with other PBE Standards.</p>	–
<p>Paragraph AG63 Similar circumstances may arise in respect of concessionary loans and other benefits. The resulting entity shall not account for any revisions to those transactions as part of the amalgamation, but shall account for any revisions at the point the grantor makes its intentions known in accordance with other IPSASs.</p>	<p>Paragraph AG63 Similar circumstances may arise in respect of concessionary loans and other benefits. The resulting entity shall not account for any revisions to those transactions as part of the amalgamation, but shall account for any revisions at the point the grantor makes its intentions known in accordance with other PBE Standards.</p>	–
<p><i>Amalgamations Occurring During a Reporting Period (see paragraphs 50–52)</i></p>	<p><i>Amalgamations Occurring During a Reporting Period (see paragraphs 50–52)</i></p>	
<p>Paragraph AG64 To meet the requirements of paragraphs 50–52, the resulting entity is not required to present financial statements for periods prior to the amalgamation date, although it may elect to do so by making the disclosures specified in paragraph 54(g). Where the resulting entity does not elect to present financial statements for periods prior to the amalgamation date, it meets the needs of the</p>	<p>Paragraph AG64 To meet the requirements of paragraphs 50–52, the resulting entity is not required to present financial statements of the combining operations for periods prior to the amalgamation date, although it may elect to do so by making the disclosures specified in paragraph 54(g). Where the resulting entity does not elect to present financial statements of the combining operations for periods prior to the amalgamation date, it meets the needs of the users of</p>	<p><u>Presentation of combining operations</u> Added reference to combining operations to be consistent with the changes to paragraph 52. Reworded the subpoints for a better flow from the lead in sentence.</p>

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<p>users of its financial statements for information about the combining operations prior to the amalgamation by:</p> <p>(a) Where financial statements have been issued on behalf of the combining operations for a reporting period ending immediately prior to the amalgamation date (which may be a partial period), directing the users of its financial statements to the financial statements issued on behalf of the combining operations.</p> <p>(b) Where no financial statements have been issued on behalf of the combining operations for a reporting period ending immediately prior to the amalgamation date (which may be a partial period), making the disclosures required by paragraph 54(h).</p>	<p>its financial statements for information about the combining operations prior to the amalgamation in one of two ways:</p> <p>(a) Directing the users of its financial statements to the financial statements issued on behalf of each of the combining operations. This is appropriate where financial statements have been issued on behalf of the combining operations for a reporting period ending immediately prior to the amalgamation date (which may be a partial period).</p> <p>(b) Making the disclosures required by paragraph 54(h) in respect of each of the combining operations. This is appropriate where no financial statements have been issued on behalf of the combining operations for a reporting period ending immediately prior to the amalgamation date (which may be a partial period).</p>	
<p>Paragraph AG65</p> <p>To satisfy the requirements of a regulator, it may be necessary for the combining operations and/or the resulting entity to present or disclose information in addition to that required by this Standard.</p>	<p>Paragraph AG65</p> <p>To satisfy the requirements of a regulator, it may be necessary for the combining operations and/or the resulting entity to present or disclose information in addition to that required by this Standard.</p>	–
<p>Accounting for Acquisitions</p>	<p>Accounting for Acquisitions</p>	
<p><i>Reverse Acquisitions</i></p>	<p><i>Reverse Acquisitions</i></p>	
<p>Paragraph AG66</p> <p>A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquired operation for accounting purposes on the basis of the guidance in paragraphs AG10–AG18. The entity whose equity interests are acquired (the legal acquired operation) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a public sector entity wants to become a listed entity but</p>	<p>Paragraph AG66</p> <p>A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquired operation for accounting purposes on the basis of the guidance in paragraphs AG10–AG18. The entity whose equity interests are acquired (the legal acquired operation) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when an unlisted entity wants to become a listed entity but does not</p>	<p><u>Reverse acquisitions</u></p> <p>Replaced “public sector entity” with “unlisted entity” to allow for application by both NFPs and public sector entities.</p>

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<p>does not want to register its equity shares. To accomplish that, the public sector entity will arrange for a listed entity to acquire its equity interests in exchange for the equity interests of the listed entity. In this example, the listed entity is the legal acquirer because it issued its equity interests, and the public sector entity is the legal acquired operation because its equity interests were acquired. However, application of the guidance in paragraphs AG10–AG18 results in identifying:</p> <p>(a) The listed entity as the acquired operation for accounting purposes (the accounting acquired operation)—i.e., the listed entity does not gain control of one or more operations; and</p> <p>(b) The public sector entity as the acquirer for accounting purposes (the accounting acquirer)—i.e., the public sector entity does gain control of one or more operations.</p> <p>The accounting acquired operation must meet the definition of an operation for the transaction to be accounted for as a reverse acquisition, and all of the recognition and measurement principles in this Standard, including the requirement to recognize goodwill, apply.</p>	<p>want to register its equity shares. To accomplish that, the unlisted entity will arrange for a listed entity to acquire its equity interests in exchange for the equity interests of the listed entity. In this example, the listed entity is the legal acquirer because it issued its equity interests, and the unlisted entity is the legal acquired operation because its equity interests were acquired. However, application of the guidance in paragraphs AG10–AG18 results in identifying:</p> <p>(a) The listed entity as the acquired operation for accounting purposes (the accounting acquired operation)—i.e., the listed entity does not gain control of one or more operations; and</p> <p>(b) The unlisted entity as the acquirer for accounting purposes (the accounting acquirer)—i.e., the unlisted entity does gain control of one or more operations.</p> <p>The accounting acquired operation must meet the definition of an operation for the transaction to be accounted for as a reverse acquisition, and all of the recognition and measurement principles in this Standard, including the requirement to recognize goodwill, apply.</p>	
Measuring the Consideration Transferred	Measuring the Consideration Transferred	
<p>Paragraph AG67</p> <p>In a reverse acquisition, the accounting acquirer usually issues no consideration for the acquired operation. Instead, the accounting acquired operation usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquired operation is based on the number of equity interests the legal controlled entity would have had to issue to give the owners of the legal controlling entity the same percentage equity interest in</p>	<p>Paragraph AG67</p> <p>In a reverse acquisition, the accounting acquirer usually issues no consideration for the acquired operation. Instead, the accounting acquired operation usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquired operation is based on the number of equity interests the legal controlled entity would have had to issue to give the owners of the legal controlling entity the same percentage equity interest in</p>	–

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the combined entity that results from the reverse acquisition. The fair value of the number of equity interests calculated in that way can be used as the fair value of consideration transferred in exchange for the acquired operation.	the combined entity that results from the reverse acquisition. The fair value of the number of equity interests calculated in that way can be used as the fair value of consideration transferred in exchange for the acquired operation.	
Preparation and Presentation of the Consolidated Financial Statements	Preparation and Presentation of the Consolidated Financial Statements	
<p>Paragraph AG68</p> <p>Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal controlling entity (accounting acquired operation) but described in the notes as a continuation of the financial statements of the legal controlled entity (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquired operation. That adjustment is required to reflect the capital of the legal controlling entity (the accounting acquired operation). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal controlling entity (accounting acquired operation).</p>	<p>Paragraph AG68</p> <p>Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal controlling entity (accounting acquired operation) but described in the notes as a continuation of the financial statements of the legal controlled entity (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquired operation. That adjustment is required to reflect the capital of the legal controlling entity (the accounting acquired operation). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal controlling entity (accounting acquired operation).</p>	–
<p>Paragraph AG69</p> <p>Because the consolidated financial statements represent the continuation of the financial statements of the legal controlled entity except for its capital structure, the consolidated financial statements reflect:</p>	<p>Paragraph AG69</p> <p>Because the consolidated financial statements represent the continuation of the financial statements of the legal controlled entity except for its capital structure, the consolidated financial statements reflect:</p>	–
(a) The assets and liabilities of the legal controlled entity (the accounting acquirer) recognized and measured at their pre-combination carrying amounts.	(a) The assets and liabilities of the legal controlled entity (the accounting acquirer) recognised and measured at their pre-combination carrying amounts.	–
(b) The assets and liabilities of the legal controlling entity (the accounting acquired operation) recognized and measured in accordance with this Standard.	(b) The assets and liabilities of the legal controlling entity (the accounting acquired operation) recognised and measured in accordance with this Standard.	–

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(c) The accumulated surplus or deficit and other equity balances of the legal controlled entity (accounting acquirer) before the acquisition.	(c) The accumulated comprehensive revenue and expense and other equity balances of the legal controlled entity (accounting acquirer) before the acquisition.	–
(d) The amount recognized as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal controlled entity (the accounting acquirer) outstanding immediately before the acquisition to the fair value of the legal controlling entity (accounting acquired operation). However, the equity structure (i.e., the number and type of equity interests issued) reflects the equity structure of the legal controlling entity (the accounting acquired operation), including the equity interests the legal controlling entity issued to effect the acquisition. Accordingly, the equity structure of the legal controlled entity (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal controlling entity (the accounting acquired operation) issued in the reverse acquisition.	(d) The amount recognised as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal controlled entity (the accounting acquirer) outstanding immediately before the acquisition to the fair value of the legal controlling entity (accounting acquired operation). However, the equity structure (i.e., the number and type of equity interests issued) reflects the equity structure of the legal controlling entity (the accounting acquired operation), including the equity interests the legal controlling entity issued to effect the acquisition. Accordingly, the equity structure of the legal controlled entity (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal controlling entity (the accounting acquired operation) issued in the reverse acquisition.	–
(e) The non-controlling interest's proportionate share of the legal controlled entity's (accounting acquirer's) pre-acquisition carrying amounts of retained earnings and other equity interests as discussed in paragraphs AG70 and AG71.	(e) The non-controlling interest's proportionate share of the legal controlled entity's (accounting acquirer's) pre-acquisition carrying amounts of accumulated comprehensive revenue and expense and other equity interests as discussed in paragraphs AG70 and AG71.	–

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Non-Controlling Interest	Non-Controlling Interest	
<p>Paragraph AG70</p> <p>In a reverse acquisition, some of the owners of the legal acquired operation (the accounting acquirer) might not exchange their equity interests for equity interests of the legal controlling entity (the accounting acquired operation). Those owners are treated as a non-controlling interest in the consolidated financial statements after the reverse acquisition. That is because the owners of the legal acquired operation that do not exchange their equity interests for equity interests of the legal acquirer have an interest in only the results and net assets of the legal acquired operation—not in the results and net assets of the combined entity. Conversely, even though the legal acquirer is the acquired operation for accounting purposes, the owners of the legal acquirer have an interest in the results and net assets of the combined entity.</p>	<p>Paragraph AG70</p> <p>In a reverse acquisition, some of the owners of the legal acquired operation (the accounting acquirer) might not exchange their equity interests for equity interests of the legal controlling entity (the accounting acquired operation). Those owners are treated as a non-controlling interest in the consolidated financial statements after the reverse acquisition. That is because the owners of the legal acquired operation that do not exchange their equity interests for equity interests of the legal acquirer have an interest in only the results and net assets of the legal acquired operation—not in the results and net assets of the combined entity. Conversely, even though the legal acquirer is the acquired operation for accounting purposes, the owners of the legal acquirer have an interest in the results and net assets of the combined entity.</p>	–
<p>Paragraph AG71</p> <p>The assets and liabilities of the legal acquired operation are measured and recognized in the consolidated financial statements at their pre-combination carrying amounts (see paragraph AG69(a)). Therefore, in a reverse acquisition the non-controlling interest reflects the non-controlling shareholders' proportionate interest in the pre-acquisition carrying amounts of the legal acquired operation's net assets even if the non-controlling interests in other acquisitions are measured at their fair value at the acquisition date.</p>	<p>Paragraph AG71</p> <p>The assets and liabilities of the legal acquired operation are measured and recognised in the consolidated financial statements at their pre-combination carrying amounts (see paragraph AG69(a)) Therefore, in a reverse acquisition the non-controlling interest reflects the non-controlling shareholders' proportionate interest in the pre-acquisition carrying amounts of the legal acquired operation's net assets even if the non-controlling interests in other acquisitions are measured at their fair value at the acquisition date.</p>	–

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<i>Recognizing Particular Assets Acquired and Liabilities Assumed in an Acquisition (see paragraphs 64–68)</i>	<i>Recognising Particular Assets Acquired and Liabilities Assumed in an Acquisition (see paragraphs 64–68)</i>	
Operating Leases	Operating Leases	
<p>Paragraph AG72</p> <p>The acquirer shall recognize no assets or liabilities related to an operating lease in which the acquired operation is the lessee except as required by paragraphs AG73–AG74.</p>	<p>Paragraph AG72</p> <p>The acquirer shall recognise no assets or liabilities related to an operating lease in which the acquired operation is the lessee except as required by paragraphs AG73–AG74.</p>	–
<p>Paragraph AG73</p> <p>The acquirer shall determine whether the terms of each operating lease in which the acquired operation is the lessee are favorable or unfavorable. The acquirer shall recognize an intangible asset if the terms of an operating lease are favorable relative to market terms and a liability if the terms are unfavorable relative to market terms. Paragraph AG89 provides guidance on measuring the acquisition-date fair value of assets subject to operating leases in which the acquired operation is the lessor.</p>	<p>Paragraph AG73</p> <p>The acquirer shall determine whether the terms of each operating lease in which the acquired operation is the lessee are favourable or unfavourable. The acquirer shall recognise an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms. Paragraph AG89 provides guidance on measuring the acquisition-date fair value of assets subject to operating leases in which the acquired operation is the lessor.</p>	–
<p>Paragraph AG74</p> <p>An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants’ willingness to pay a price for the lease even if it is at market terms. For example, a lease of gates at an airport or of retail space in a prime shopping area might provide entry into a market or other future economic benefits or service potential that qualify as identifiable intangible assets, for example, as a relationship with users of a service. In that situation, the acquirer shall recognize the associated identifiable intangible asset(s) in accordance with paragraph AG75.</p>	<p>Paragraph AG74</p> <p>An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants’ willingness to pay a price for the lease even if it is at market terms. For example, a lease of gates at an airport or of retail space in a prime shopping area might provide entry into a market or other future economic benefits or service potential that qualify as identifiable intangible assets, for example, as a relationship with users of a service. In that situation, the acquirer shall recognise the associated identifiable intangible asset(s) in accordance with paragraph AG75.</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
Intangible Assets	Intangible Assets	
<p>Paragraph AG75</p> <p>The acquirer shall recognize, separately from goodwill, the identifiable intangible assets acquired in an acquisition. An intangible asset is identifiable if it meets either the separability criterion or the binding arrangement criterion.</p>	<p>Paragraph AG75</p> <p>The acquirer shall recognise, separately from goodwill, the identifiable intangible assets acquired in an acquisition. An intangible asset is identifiable if it meets either the separability criterion or the binding arrangement criterion.</p>	–
<p>Paragraph AG76</p> <p>An intangible asset that meets the binding arrangement criterion is identifiable even if the asset is not transferable or separable from the acquired operation or from other rights and obligations. For example:</p>	<p>Paragraph AG76</p> <p>An intangible asset that meets the binding arrangement criterion is identifiable even if the asset is not transferable or separable from the acquired operation or from other rights and obligations. For example:</p>	–
<p>(a) An acquired operation leases a facility under an operating lease that has terms that are favorable relative to market terms. The lease terms explicitly prohibit transfer of the lease (through either sale or sublease). The amount by which the lease terms are favorable compared with the terms of current market transactions for the same or similar items is an intangible asset that meets the binding arrangement criterion for recognition separately from goodwill, even though the acquirer cannot sell or otherwise transfer the lease arrangement.</p>	<p>(a) An acquired operation leases a facility under an operating lease that has terms that are favourable relative to market terms. The lease terms explicitly prohibit transfer of the lease (through either sale or sublease). The amount by which the lease terms are favourable compared with the terms of current market transactions for the same or similar items is an intangible asset that meets the binding arrangement criterion for recognition separately from goodwill, even though the acquirer cannot sell or otherwise transfer the lease arrangement.</p>	–
<p>(b) An acquired operation owns and operates a nuclear power plant. The license to operate that power plant is an intangible asset that meets the binding arrangement criterion for recognition separately from goodwill, even if the acquirer cannot sell or transfer it separately from the acquired power plant. An acquirer may recognize the fair value of the operating license and the fair value of the power plant as a single asset for financial reporting purposes if the useful lives of those assets are similar.</p>	<p>(b) An acquired operation owns and operates a nuclear power plant. The licence to operate that power plant is an intangible asset that meets the binding arrangement criterion for recognition separately from goodwill, even if the acquirer cannot sell or transfer it separately from the acquired power plant. An acquirer may recognise the fair value of the operating licence and the fair value of the power plant as a single asset for financial reporting purposes if the useful lives of those assets are similar.</p>	–

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<p>(c) An acquired operation owns a technology patent. It has licensed that patent to others for their exclusive use outside the domestic market, receiving a specified percentage of future foreign revenue in exchange. Both the technology patent and the related license agreement meet the binding arrangement criterion for recognition separately from goodwill even if selling or exchanging the patent and the related license agreement separately from one another would not be practical.</p>	<p>(c) An acquired operation owns a technology patent. It has licensed that patent to others for their exclusive use outside the domestic market, receiving a specified percentage of future foreign revenue in exchange. Both the technology patent and the related licence agreement meet the binding arrangement criterion for recognition separately from goodwill even if selling or exchanging the patent and the related licence agreement separately from one another would not be practical.</p>	<p>–</p>
<p>Paragraph AG77</p> <p>The separability criterion means that an acquired intangible asset is capable of being separated or divided from the acquired operation and sold, transferred, licensed, rented or exchanged, either individually or together with a related binding arrangement, identifiable asset or liability. An intangible asset that the acquirer would be able to sell, license or otherwise exchange for something else of value meets the separability criterion even if the acquirer does not intend to sell, license or otherwise exchange it. An acquired intangible asset meets the separability criterion if there is evidence of exchange transactions for that type of asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the acquirer is involved in them. For example, lists of users of a service are frequently licensed and thus meet the separability criterion. Even if an acquired operation believes its lists of users of a service have characteristics different from other lists of users of a service, the fact that lists of users of a service are frequently licensed generally means that the acquired list of users of a service meets the separability criterion. However, a list of users of a service acquired in an acquisition would not meet the separability criterion if the terms of confidentiality or other agreements prohibit an entity from</p>	<p>Paragraph AG77</p> <p>The separability criterion means that an acquired intangible asset is capable of being separated or divided from the acquired operation and sold, transferred, licensed, rented or exchanged, either individually or together with a related binding arrangement, identifiable asset or liability. An intangible asset that the acquirer would be able to sell, license or otherwise exchange for something else of value meets the separability criterion even if the acquirer does not intend to sell, license or otherwise exchange it. An acquired intangible asset meets the separability criterion if there is evidence of exchange transactions for that type of asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the acquirer is involved in them. For example, lists of users of a service are frequently licensed and thus meet the separability criterion. Even if an acquired operation believes its lists of users of a service have characteristics different from other lists of users of a service, the fact that lists of users of a service are frequently licensed generally means that the acquired list of users of a service meets the separability criterion. However, a list of users of a service acquired in an acquisition would not meet the separability criterion if the terms of confidentiality or other agreements prohibit an entity from</p>	<p>–</p>

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selling, leasing or otherwise exchanging information about its users of a service.	selling, leasing or otherwise exchanging information about its users of a service.	
<p>Paragraph AG78</p> <p>An intangible asset that is not individually separable from the acquired operation or combined entity meets the separability criterion if it is separable in combination with a related binding arrangement, identifiable asset or liability. For example, an acquired operation owns a registered trademark and documented but unpatented technical expertise used to manufacture the trademarked product. To transfer ownership of a trademark, the owner is also required to transfer everything else necessary for the new owner to produce a product or service indistinguishable from that produced by the former owner. Because the unpatented technical expertise must be separated from the acquired operation or combined entity and sold if the related trademark is sold, it meets the separability criterion.</p>	<p>Paragraph AG78</p> <p>An intangible asset that is not individually separable from the acquired operation or combined entity meets the separability criterion if it is separable in combination with a related binding arrangement, identifiable asset or liability. For example, an acquired operation owns a registered trademark and documented but unpatented technical expertise used to manufacture the trademarked product. To transfer ownership of a trademark, the owner is also required to transfer everything else necessary for the new owner to produce a product or service indistinguishable from that produced by the former owner. Because the unpatented technical expertise must be separated from the acquired operation or combined entity and sold if the related trademark is sold, it meets the separability criterion.</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
Reacquired Rights	Reacquired Rights	
<p>Paragraph AG79</p> <p>As part of an acquisition, an acquirer may reacquire a right that it had previously granted to the acquired operation to use one or more of the acquirer's recognized or unrecognized assets. Examples of such rights include a right to use the acquirer's technology under a technology licensing agreement. A reacquired right is an identifiable intangible asset that the acquirer recognizes separately from goodwill or a gain from a bargain purchase. Paragraph 83 provides guidance on measuring a reacquired right and paragraph 113 provides guidance on the subsequent accounting for a reacquired right.</p>	<p>Paragraph AG79</p> <p>As part of an acquisition, an acquirer may reacquire a right that it had previously granted to the acquired operation to use one or more of the acquirer's recognised or unrecognised assets. Examples of such rights include a right to use the acquirer's trade name under a network or partner agreement or a right to use the acquirer's technology under a technology licensing agreement. A reacquired right is an identifiable intangible asset that the acquirer recognises separately from goodwill or a gain from a bargain purchase. Paragraph 83 provides guidance on measuring a reacquired right and paragraph 113 provides guidance on the subsequent accounting for a reacquired right.</p>	<p><u>Reacquired rights</u></p> <p>Added an example of the acquirer's trade name (under a network and partner agreement) to broadly align with PBE IFRS 3.B35.</p>
<p>Paragraph AG80</p> <p>If the terms of the binding arrangement giving rise to a reacquired right are favorable or unfavorable relative to the terms of current market transactions for the same or similar items, the acquirer shall recognize a settlement gain or loss. Paragraph AG100 provides guidance for measuring that settlement gain or loss.</p>	<p>Paragraph AG80</p> <p>If the terms of the binding arrangement giving rise to a reacquired right are favourable or unfavourable relative to the terms of current market transactions for the same or similar items, the acquirer shall recognise a settlement gain or loss. Paragraph AG100 provides guidance for measuring that settlement gain or loss.</p>	<p>–</p>
Assembled Workforce and Other Items that are not Identifiable	Assembled Workforce and Other Items that are not Identifiable	
<p>Paragraph AG81</p> <p>The acquirer subsumes into goodwill the value of an acquired intangible asset that is not identifiable as of the acquisition date. For example, an acquirer may attribute value to the existence of an assembled workforce, which is an existing collection of employees that permits the acquirer to continue to operate an acquired operation from the acquisition date. An assembled workforce does not represent the intellectual capital of the skilled workforce—</p>	<p>Paragraph AG81</p> <p>The acquirer subsumes into goodwill the value of an acquired intangible asset that is not identifiable as of the acquisition date. For example, an acquirer may attribute value to the existence of an assembled workforce, which is an existing collection of employees that permits the acquirer to continue to operate an acquired operation from the acquisition date. An assembled workforce does not represent the intellectual capital of the skilled workforce—</p>	<p>–</p>

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<p>the (often specialized) knowledge and experience that employees of an acquired operation bring to their jobs. Because the assembled workforce is not an identifiable asset to be recognized separately from goodwill or a gain from a bargain purchase, any value attributed to it is subsumed into goodwill or a gain from a bargain purchase.</p>	<p>the (often specialised) knowledge and experience that employees of an acquired operation bring to their jobs. Because the assembled workforce is not an identifiable asset to be recognised separately from goodwill or a gain from a bargain purchase, any value attributed to it is subsumed into goodwill or a gain from a bargain purchase.</p>	
<p>Paragraph AG82 The acquirer also subsumes into goodwill or a gain from a bargain purchase any value attributed to items that do not qualify as assets at the acquisition date. For example, the acquirer might attribute value to potential binding arrangements the acquired operation is negotiating with prospective new customers at the acquisition date. Because those potential binding arrangements are not themselves assets at the acquisition date, the acquirer does not recognize them separately from goodwill or a gain from a bargain purchase. The acquirer should not subsequently reclassify the value of those binding arrangements from goodwill for events that occur after the acquisition date. However, the acquirer should assess the facts and circumstances surrounding events occurring shortly after the acquisition to determine whether a separately recognizable intangible asset existed at the acquisition date.</p>	<p>Paragraph AG82 The acquirer also subsumes into goodwill or a gain from a bargain purchase any value attributed to items that do not qualify as assets at the acquisition date. For example, the acquirer might attribute value to potential binding arrangements the acquired operation is negotiating with prospective new customers at the acquisition date. Because those potential binding arrangements are not themselves assets at the acquisition date, the acquirer does not recognise them separately from goodwill or a gain from a bargain purchase. The acquirer should not subsequently reclassify the value of those binding arrangements from goodwill for events that occur after the acquisition date. However, the acquirer should assess the facts and circumstances surrounding events occurring shortly after the acquisition to determine whether a separately recognisable intangible asset existed at the acquisition date.</p>	<p>–</p>
<p>Paragraph AG83 After initial recognition, an acquirer accounts for intangible assets acquired in an acquisition in accordance with the provisions of IPSAS 31. However, as described in paragraph 6 of IPSAS 31, the accounting for some acquired intangible assets after initial recognition is prescribed by other IPSASs.</p>	<p>Paragraph AG83 After initial recognition, an acquirer accounts for intangible assets acquired in an acquisition in accordance with the provisions of PBE IPSAS 31. However, as described in paragraph 6 of PBE IPSAS 31, the accounting for some acquired intangible assets after initial recognition is prescribed by other PBE Standards.</p>	<p>–</p>

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<p>Paragraph AG84</p> <p>The identifiability criteria determine whether an intangible asset is recognized separately from goodwill. However, the criteria neither provide guidance for measuring the fair value of an intangible asset nor restrict the assumptions used in measuring the fair value of an intangible asset. For example, the acquirer would take into account the assumptions that market participants would use when pricing the intangible asset, such as expectations of future renewals of binding arrangements, in measuring fair value. It is not necessary for the renewals themselves to meet the identifiability criteria. (However, see paragraph 83, which establishes an exception to the fair value measurement principle for reacquired rights recognized in an acquisition.) Paragraphs 39D and 39E of IPSAS 31 provide guidance for determining whether intangible assets should be combined into a single unit of account with other intangible or tangible assets.</p>	<p>Paragraph AG84</p> <p>The identifiability criteria determine whether an intangible asset is recognised separately from goodwill. However, the criteria neither provide guidance for measuring the fair value of an intangible asset nor restrict the assumptions used in measuring the fair value of an intangible asset. For example, the acquirer would take into account the assumptions that market participants would use when pricing the intangible asset, such as expectations of future renewals of binding arrangements, in measuring fair value. It is not necessary for the renewals themselves to meet the identifiability criteria. (However, see paragraph 83, which establishes an exception to the fair value measurement principle for reacquired rights recognised in an acquisition.) Paragraphs 39D and 39E of PBE IPSAS 31 provide guidance for determining whether intangible assets should be combined into a single unit of account with other intangible or tangible assets.</p>	<p>–</p>
<p><i>Forgiveness of Amounts of Tax Due on Acquisition (Where Included in the Terms of the Acquisition) (see paragraphs 78–79)</i></p>	<p><i>Forgiveness of Amounts of Tax Due on Acquisition (see paragraphs 78–79.2)</i></p>	<p><u>Tax in acquisitions</u></p> <p>Removed the text in brackets as the new paragraphs 79.1 and 79.2 apply whether or not tax is covered in the terms of the acquisition.</p>
<p>Paragraph AG85</p> <p>The acquirer shall not recognize any amounts in respect of an acquired operation’s tax due where these amounts have been forgiven by a tax authority as part of the terms of the acquisition. Where tax forgiveness occurs subsequent to an acquisition, the resulting entity applies the requirements in paragraph 118. The acquirer shall account for an acquired operation’s tax due that has not been forgiven by a tax authority in accordance with the relevant international or national accounting standard dealing with income taxes.</p>	<p>Paragraph AG85</p> <p>The acquirer shall not recognise any amounts in respect of an acquired operation’s tax due where these amounts have been forgiven by a tax authority as part of the terms of the acquisition. Where tax forgiveness occurs subsequent to an acquisition, the resulting entity applies the requirements in paragraph 118. The acquirer shall account for an acquired operation’s tax due that has not been forgiven by a tax authority in accordance with PBE IAS 12.</p>	

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>Paragraph AG86</p> <p>If the acquirer is itself the tax authority, it shall derecognize any tax receivable relating to the acquired operation's tax due that has been forgiven in accordance with IPSAS 23.</p>	<p>Paragraph AG86</p> <p>Not used.</p>	<p><u>Tax forgiven in acquisition</u></p> <p>Removed paragraph AG86 because it was not necessary and could create confusion.</p>
<p>Paragraph AG87</p> <p>If, as a consequence of the terms of an acquisition, a tax authority forgives an amount of the acquirer's tax due, the acquirer shall derecognize those amounts in accordance with the relevant international or national accounting standard dealing with income taxes.</p>	<p>Paragraph AG87</p> <p>If, as a consequence of the terms of an acquisition, a tax authority forgives an amount of the acquirer's tax due, the acquirer shall derecognise those amounts in accordance with PBE IAS 12.</p>	<p>–</p>
<p><i>Measuring the Fair Value of Particular Identifiable Assets and a Non-Controlling Interest in an Acquired Operation in an Acquisition (see paragraphs 72–73)</i></p>	<p><i>Measuring the Fair Value of Particular Identifiable Assets and a Non-Controlling Interest in an Acquired Operation in an Acquisition (see paragraphs 72–73)</i></p>	
<p>Assets with Uncertain Cash Flows (Valuation Allowances)</p>	<p>Assets with Uncertain Cash Flows (Valuation Allowances)</p>	
<p>Paragraph AG88</p> <p>The acquirer shall not recognize a separate valuation allowance as of the acquisition date for assets acquired in an acquisition that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure. For example, because this Standard requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values in accounting for an acquisition, the acquirer does not recognize a separate valuation allowance for the cash flows of the binding arrangement that are deemed to be uncollectible at that date or a loss allowance for expected credit losses.</p>	<p>Paragraph AG88</p> <p>The acquirer shall not recognise a separate valuation allowance as of the acquisition date for assets acquired in an acquisition that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure. For example, because this Standard requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values in accounting for an acquisition, the acquirer does not recognise a separate valuation allowance for the cash flows of the binding arrangement that are deemed to be uncollectible at that date or a loss allowance for expected credit losses.[^]</p> <p>[^] If an entity that applies this Standard is still applying PBE IPSAS 29, this paragraph should be read as follows:</p> <p>The acquirer shall not recognise a separate valuation allowance as of the acquisition date for assets acquired in an acquisition that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure. For example, because this Standard requires the acquirer</p>	<p><u>Financial instruments valuation</u></p> <p>Added a footnote for entities still applying PBE IPSAS 29.</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
	to measure acquired receivables, including loans, at their acquisition-date fair values in accounting for an acquisition, the acquirer does not recognise a separate valuation allowance for the cash flows of the binding arrangement that are deemed to be uncollectible at that date.	
Assets Subject to Operating Leases in Which the Acquired Operation is the Lessor	Assets Subject to Operating Leases in Which the Acquired Operation is the Lessor	
<p>Paragraph AG89</p> <p>In measuring the acquisition-date fair value of an asset such as a building that is subject to an operating lease in which the acquired operation is the lessor, the acquirer shall take into account the terms of the lease. In other words, the acquirer does not recognize a separate asset or liability if the terms of an operating lease are either favorable or unfavorable when compared with market terms as paragraph AG73 requires for leases in which the acquired operation is the lessee.</p>	<p>Paragraph AG89</p> <p>In measuring the acquisition-date fair value of an asset such as a building that is subject to an operating lease in which the acquired operation is the lessor, the acquirer shall take into account the terms of the lease. In other words, the acquirer does not recognise a separate asset or liability if the terms of an operating lease are either favourable or unfavourable when compared with market terms as paragraph AG73 requires for leases in which the acquired operation is the lessee.</p>	–
Assets that the Acquirer Intends not to use or to use in a Way that is Different from the Way Other Market Participants Would use them	Assets that the Acquirer Intends not to use or to use in a Way that is Different from the Way Other Market Participants Would use them	
<p>Paragraph AG90</p> <p>To protect its competitive position, or for security or other reasons, the acquirer may intend not to use an acquired non-financial asset actively, or it may not intend to use the asset according to its highest and best use. For example, that might be the case for an acquired research and development intangible asset that the acquirer plans to use defensively by preventing others from using it. Nevertheless, the acquirer shall measure the fair value of the non-financial asset assuming its highest and best use by market participants in accordance with the appropriate valuation premise, both initially and when measuring fair value less costs of disposal for subsequent impairment testing.</p>	<p>Paragraph AG90</p> <p>To protect its competitive position, or for security or other reasons, the acquirer may intend not to use an acquired non-financial asset actively, or it may not intend to use the asset according to its highest and best use. For example, that might be the case for an acquired research and development intangible asset that the acquirer plans to use defensively by preventing others from using it. Nevertheless, the acquirer shall measure the fair value of the non-financial asset assuming its highest and best use by market participants in accordance with the appropriate valuation premise, both initially and when measuring fair value less costs of disposal for subsequent impairment testing.</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
Non-Controlling Interest in an Acquired Operation	Non-Controlling Interest in an Acquired Operation	
<p>Paragraph AG91</p> <p>This Standard allows the acquirer to measure a non-controlling interest in the acquired operation at its fair value at the acquisition date. Sometimes an acquirer will be able to measure the acquisition-date fair value of a non-controlling interest on the basis of a quoted price in an active market for the equity shares (i.e., those not held by the acquirer). In other situations, however, a quoted price in an active market for the equity shares will not be available. In those situations, the acquirer would measure the fair value of the non-controlling interest using other valuation techniques.</p>	<p>Paragraph AG91</p> <p>This Standard allows the acquirer to measure a non-controlling interest in the acquired operation at its fair value at the acquisition date. Sometimes an acquirer will be able to measure the acquisition-date fair value of a non-controlling interest on the basis of a quoted price in an active market for the equity shares (i.e., those not held by the acquirer). In other situations, however, a quoted price in an active market for the equity shares will not be available. In those situations, the acquirer would measure the fair value of the non-controlling interest using other valuation techniques.</p>	–
<p>Paragraph AG92</p> <p>The fair values of the acquirer’s interest in the acquired operation and the non-controlling interest on a per-share basis might differ. The main difference is likely to be the inclusion of a control premium in the per-share fair value of the acquirer’s interest in the acquired operation or, conversely, the inclusion of a discount for lack of control (also referred to as a non-controlling interest discount) in the per-share fair value of the non-controlling interest if market participants would take into account such a premium or discount when pricing the non-controlling interest.</p>	<p>Paragraph AG92</p> <p>The fair values of the acquirer’s interest in the acquired operation and the non-controlling interest on a per-share basis might differ. The main difference is likely to be the inclusion of a control premium in the per-share fair value of the acquirer’s interest in the acquired operation or, conversely, the inclusion of a discount for lack of control (also referred to as a non-controlling interest discount) in the per-share fair value of the non-controlling interest if market participants would take into account such a premium or discount when pricing the non-controlling interest.</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<i>Measuring Goodwill or Gain from a Bargain Purchase in an Acquisition (see paragraphs 85–98)</i>	<i>Measuring Goodwill or Gain from a Bargain Purchase in an Acquisition (see paragraphs 85–98)</i>	
Relationship Between Goodwill and Cash Flows (see paragraph 86)	Relationship Between Goodwill and Cash Flows (see paragraph 86)	
<p>Paragraph AG93</p> <p>The acquirer shall recognize goodwill only to the extent that the acquirer estimates there will be favorable changes to its net cash flows, either from increased cash inflows or decreased cash outflows. An acquirer shall not recognize goodwill related to service potential other than cash flows.</p>	<p>Paragraph AG93</p> <p>The acquirer shall recognise goodwill only to the extent that the acquirer estimates there will be favourable changes to its net cash flows, either from increased cash inflows or decreased cash outflows, and the goodwill relates to the acquisition of a cash-generating operation. An acquirer shall not recognise goodwill related to service potential other than cash flows nor goodwill related to the acquisition of a non-cash-generating operation.</p>	<p><u>Acquiring non-cash generating operation</u></p> <p>Removed the requirements to recognise goodwill acquired in an acquisition of a non-cash-generating operation. PBE IPSAS 40 requires goodwill acquired in an acquisition of a non-cash-generating operation to be recognised in surplus or deficit.</p>
Measuring the Acquisition Date Fair Value of the Acquirer’s Interest in the Acquired Operation using Valuation Techniques (see paragraph 87)	Measuring the Acquisition Date Fair Value of the Acquirer’s Interest in the Acquired Operation using Valuation Techniques (see paragraph 87)	
<p>Paragraph AG94</p> <p>In an acquisition achieved without the transfer of consideration, the acquirer must substitute the acquisition-date fair value of its interest in the acquired operation for the acquisition-date fair value of the consideration transferred to measure goodwill, a loss or a gain on a bargain purchase (see paragraphs 85–87).</p>	<p>Paragraph AG94</p> <p>In an acquisition achieved without the transfer of consideration, the acquirer must substitute the acquisition-date fair value of its interest in the acquired operation for the acquisition-date fair value of the consideration transferred to measure goodwill, a loss or a gain on a bargain purchase (see paragraphs 85–87).</p>	–
Special Considerations in Applying the Acquisition Method to Combinations of Mutual Entities (Application of paragraph 87)	Special Considerations in Applying the Acquisition Method to Combinations of Mutual Entities (Application of paragraph 87)	
<p>Paragraph AG95</p> <p>When two mutual entities combine, the fair value of the equity or member interests in the acquired operation (or the fair value of the acquired operation) may be more reliably measurable than the fair value of the member interests transferred by the acquirer. In that situation,</p>	<p>Paragraph AG95</p> <p>When two mutual entities combine, the fair value of the equity or member interests in the acquired operation (or the fair value of the acquired operation) may be more reliably measurable than the fair value of the member interests transferred by the acquirer. In that situation,</p>	–

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<p>paragraph 87 requires the acquirer to determine the amount of goodwill by using the acquisition-date fair value of the acquired operation's equity interests instead of the acquisition-date fair value of the acquirer's equity interests transferred as consideration. In addition, the acquirer in a combination of mutual entities shall recognize the acquired operation's net assets as a direct addition to capital or equity in its statement of financial position, not as an addition to accumulated surplus or deficit, which is consistent with the way in which other types of entities apply the acquisition method.</p>	<p>paragraph 87 requires the acquirer to determine the amount of goodwill by using the acquisition-date fair value of the acquired operation's equity interests instead of the acquisition-date fair value of the acquirer's equity interests transferred as consideration. In addition, the acquirer in a combination of mutual entities shall recognise the acquired operation's net assets as a direct addition to capital or equity in its statement of financial position, not as an addition to accumulated comprehensive revenue and expense, which is consistent with the way in which other types of entities apply the acquisition method.</p>	
<p>Paragraph AG96 Although they are similar in many ways to other entities, mutual entities have distinct characteristics that arise primarily because their members are both customers and owners. Members of mutual entities generally expect to receive benefits for their membership, often in the form of reduced fees charged for goods and services or patronage dividends. The portion of patronage dividends allocated to each member is often based on the amount of business the member did with the mutual entity during the year.</p>	<p>Paragraph AG96 Although they are similar in many ways to other entities, mutual entities have distinct characteristics that arise primarily because their members are both customers and owners. Members of mutual entities generally expect to receive benefits for their membership, often in the form of reduced fees charged for goods and services or patronage dividends. The portion of patronage dividends allocated to each member is often based on the amount of business the member did with the mutual entity during the year.</p>	<p>–</p>
<p>Paragraph AG97 A fair value measurement of a mutual entity should include the assumptions that market participants would make about future member benefits as well as any other relevant assumptions market participants would make about the mutual entity. For example, a present value technique may be used to measure the fair value of a mutual entity. The cash flows used as inputs to the model should be based on the expected cash flows of the mutual entity, which are likely to reflect reductions for member benefits, such as reduced fees charged for goods and services.</p>	<p>Paragraph AG97 A fair value measurement of a mutual entity should include the assumptions that market participants would make about future member benefits as well as any other relevant assumptions market participants would make about the mutual entity. For example, a present value technique may be used to measure the fair value of a mutual entity. The cash flows used as inputs to the model should be based on the expected cash flows of the mutual entity, which are likely to reflect reductions for member benefits, such as reduced fees charged for goods and services.</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
<i>Determining what is Part of the Acquisition Transaction (see paragraphs 109-111)</i>	<i>Determining what is Part of the Acquisition Transaction (see paragraphs 109-111)</i>	
<p>Paragraph AG98</p> <p>The acquirer should consider the following factors, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of the exchange for the acquired operation or whether the transaction is separate from the acquisition:</p> <p>(a) The reasons for the transaction. Understanding the reasons why the parties to the acquisition (the acquirer and the acquired operation and their owners, directors and managers—and their agents) entered into a particular transaction or arrangement may provide insight into whether it is part of the consideration transferred and the assets acquired or liabilities assumed. For example, if a transaction is arranged primarily for the benefit of the acquirer or the combined entity rather than primarily for the benefit of the acquired operation or its former owners before the combination, that portion of the transaction price paid (and any related assets or liabilities) is less likely to be part of the exchange for the acquired operation. Accordingly, the acquirer would account for that portion separately from the acquisition.</p>	<p>Paragraph AG98</p> <p>The acquirer should consider the following factors, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of the exchange for the acquired operation or whether the transaction is separate from the acquisition:</p> <p>(a) The reasons for the transaction. Understanding the reasons why the parties to the acquisition (the acquirer and the acquired operation and their owners, directors and managers—and their agents) entered into a particular transaction or arrangement may provide insight into whether it is part of the consideration transferred and the assets acquired or liabilities assumed. For example, if a transaction is arranged primarily for the benefit of the acquirer or the combined entity rather than primarily for the benefit of the acquired operation or its former owners before the combination, that portion of the transaction price paid (and any related assets or liabilities) is less likely to be part of the exchange for the acquired operation. Accordingly, the acquirer would account for that portion separately from the acquisition.</p>	–
<p>(b) Who initiated the transaction. Understanding who initiated the transaction may also provide insight into whether it is part of the exchange for the acquired operation. For example, a transaction or other event that is initiated by the acquirer may be entered into for the purpose of providing future economic benefits to the acquirer or combined entity with little or no benefit received by the acquired operation or its former owners before the combination. On the other</p>	<p>(b) Who initiated the transaction. Understanding who initiated the transaction may also provide insight into whether it is part of the exchange for the acquired operation. For example, a transaction or other event that is initiated by the acquirer may be entered into for the purpose of providing future economic benefits to the acquirer or combined entity with little or no benefit received by the acquired operation or its former owners before the combination. On the other</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>hand, a transaction or arrangement initiated by the acquired operation or its former owners is less likely to be for the benefit of the acquirer or the combined entity and more likely to be part of the acquisition transaction.</p>	<p>hand, a transaction or arrangement initiated by the acquired operation or its former owners is less likely to be for the benefit of the acquirer or the combined entity and more likely to be part of the acquisition transaction.</p>	
<p>(c) The timing of the transaction. The timing of the transaction may also provide insight into whether it is part of the exchange for the acquired operation. For example, a transaction between the acquirer and the acquired operation that takes place during the negotiations of the terms of an acquisition may have been entered into in contemplation of the acquisition to provide future economic benefits to the acquirer or the combined entity. If so, the acquired operation or its former owners before the acquisition are likely to receive little or no benefit from the transaction except for benefits they receive as part of the combined entity.</p>	<p>(c) The timing of the transaction. The timing of the transaction may also provide insight into whether it is part of the exchange for the acquired operation. For example, a transaction between the acquirer and the acquired operation that takes place during the negotiations of the terms of an acquisition may have been entered into in contemplation of the acquisition to provide future economic benefits to the acquirer or the combined entity. If so, the acquired operation or its former owners before the acquisition are likely to receive little or no benefit from the transaction except for benefits they receive as part of the combined entity.</p>	–
<p>Effective Settlement of a Pre-Existing Relationship Between the Acquirer and Acquired Operation in an Acquisition (see paragraph 110(a))</p>	<p>Effective Settlement of a Pre-Existing Relationship Between the Acquirer and Acquired Operation in an Acquisition (see paragraph 110(a))</p>	
<p>Paragraph AG99 The acquirer and acquired operation may have a relationship that existed before they contemplated the acquisition, referred to here as a ‘pre-existing relationship’. A pre-existing relationship between the acquirer and acquired operation may arise from a binding arrangement (for example, vendor and customer or licensor and licensee) or may arise outside of a binding arrangement (for example, plaintiff and defendant).</p>	<p>Paragraph AG99 The acquirer and acquired operation may have a relationship that existed before they contemplated the acquisition, referred to here as a ‘pre-existing relationship’. A pre-existing relationship between the acquirer and acquired operation may arise from a binding arrangement (for example, vendor and customer or licensor and licensee) or may arise outside of a binding arrangement (for example, plaintiff and defendant).</p>	–
<p>Paragraph AG100 If the acquisition in effect settles a pre-existing relationship, the acquirer recognizes a gain or loss, measured as follows:</p>	<p>Paragraph AG100 If the acquisition in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>(a) For a pre-existing relationship arising outside of a binding arrangement (such as a lawsuit), fair value.</p> <p>(b) For a pre-existing relationship arising from a binding arrangement, the lesser of (i) and (ii):</p> <p>(i) The amount by which the binding arrangement is favorable or unfavorable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. (An unfavorable binding arrangement is a binding arrangement that is unfavorable in terms of current market terms. It is not necessarily an onerous binding arrangement in which the unavoidable costs of meeting the obligations under the binding arrangement exceed the economic benefits expected to be received under it.)</p> <p>(ii) The amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the binding arrangement is unfavorable.</p> <p>If (ii) is less than (i), the difference is included as part of the acquisition accounting.</p> <p>The amount of gain or loss recognized may depend in part on whether the acquirer had previously recognized a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.</p>	<p>(a) For a pre-existing relationship arising outside of a binding arrangement (such as a lawsuit), fair value.</p> <p>(b) For a pre-existing relationship arising from a binding arrangement, the lesser of (i) and (ii):</p> <p>(i) The amount by which the binding arrangement is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. (An unfavourable binding arrangement is a binding arrangement that is unfavourable in terms of current market terms. It is not necessarily an onerous binding arrangement in which the unavoidable costs of meeting the obligations under the binding arrangement exceed the economic benefits expected to be received under it.)</p> <p>(ii) The amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the binding arrangement is unfavourable.</p> <p>If (ii) is less than (i), the difference is included as part of the acquisition accounting.</p> <p>The amount of gain or loss recognised may depend in part on whether the acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.</p>	
<p>Paragraph AG101</p> <p>A pre-existing relationship may be a binding arrangement that the acquirer recognizes as a reacquired right. If the binding arrangement includes terms that are favorable or unfavorable when compared with pricing for current market transactions for the same or similar items, the acquirer recognizes, separately from the acquisition, a gain</p>	<p>Paragraph AG101</p> <p>A pre-existing relationship may be a binding arrangement that the acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the acquirer recognises, separately from the acquisition, a gain</p>	-

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or loss for the effective settlement of the binding arrangement, measured in accordance with paragraph AG100.	or loss for the effective settlement of the binding arrangement, measured in accordance with paragraph AG100.	
Arrangements for Contingent Payments to Employees or Selling Shareholders (see paragraph 110(b))	Arrangements for Contingent Payments to Employees or Selling Shareholders (application of paragraph 110(b))	
<p>Paragraph AG102</p> <p>Whether arrangements for contingent payments to employees or selling shareholders are contingent consideration in the acquisition or are separate transactions depends on the nature of the arrangements. Understanding the reasons why the acquisition agreement includes a provision for contingent payments, who initiated the arrangement and when the parties entered into the arrangement may be helpful in assessing the nature of the arrangement.</p>	<p>Paragraph AG102</p> <p>Whether arrangements for contingent payments to employees or selling shareholders are contingent consideration in the acquisition or are separate transactions depends on the nature of the arrangements. Understanding the reasons why the acquisition agreement includes a provision for contingent payments, who initiated the arrangement and when the parties entered into the arrangement may be helpful in assessing the nature of the arrangement.</p>	–
<p>Paragraph AG103</p> <p>If it is not clear whether an arrangement for payments to employees or selling shareholders is part of the exchange for the acquired operation or is a transaction separate from the acquisition, the acquirer should consider the following indicators:</p>	<p>Paragraph AG103</p> <p>If it is not clear whether an arrangement for payments to employees or selling shareholders is part of the exchange for the acquired operation or is a transaction separate from the acquisition, the acquirer should consider the following indicators:</p>	–
<p>(a) Continuing employment. The terms of continuing employment by the selling shareholders who become key employees may be an indicator of the substance of a contingent consideration arrangement. The relevant terms of continuing employment may be included in an employment agreement, acquisition agreement or some other document. A contingent consideration arrangement in which the payments are automatically forfeited if employment terminates is remuneration for post-combination services. Arrangements in which the contingent payments are not affected by employment termination may indicate</p>	<p>(a) Continuing employment. The terms of continuing employment by the selling shareholders who become key employees may be an indicator of the substance of a contingent consideration arrangement. The relevant terms of continuing employment may be included in an employment agreement, acquisition agreement or some other document. A contingent consideration arrangement in which the payments are automatically forfeited if employment terminates is remuneration for post-combination services. Arrangements in which the contingent payments are not affected by employment termination may indicate</p>	–

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that the contingent payments are additional consideration rather than remuneration.	that the contingent payments are additional consideration rather than remuneration.	
(b) Duration of continuing employment. If the period of required employment coincides with or is longer than the contingent payment period, that fact may indicate that the contingent payments are, in substance, remuneration.	(b) Duration of continuing employment. If the period of required employment coincides with or is longer than the contingent payment period, that fact may indicate that the contingent payments are, in substance, remuneration.	–
(c) Level of remuneration. Situations in which employee remuneration other than the contingent payments is at a reasonable level in comparison with that of other key employees in the combined entity may indicate that the contingent payments are additional consideration rather than remuneration.	(c) Level of remuneration. Situations in which employee remuneration other than the contingent payments is at a reasonable level in comparison with that of other key employees in the combined entity may indicate that the contingent payments are additional consideration rather than remuneration.	–
(d) Incremental payments to employees. If selling shareholders who do not become employees receive lower contingent payments on a per-share basis than the selling shareholders who become employees of the combined entity, that fact may indicate that the incremental amount of contingent payments to the selling shareholders who become employees is remuneration.	(d) Incremental payments to employees. If selling shareholders who do not become employees receive lower contingent payments on a per-share basis than the selling shareholders who become employees of the combined entity, that fact may indicate that the incremental amount of contingent payments to the selling shareholders who become employees is remuneration.	–
(e) Number of shares owned. The relative number of shares owned by the selling shareholders who remain as key employees may be an indicator of the substance of the contingent consideration arrangement. For example, if the selling shareholders who owned substantially all of the shares in the acquired operation continue as key employees, that fact may indicate that the arrangement is, in substance, a profit-sharing arrangement intended to provide remuneration for post-combination services. Alternatively, if selling shareholders who continue as key employees owned only a small number of shares of the acquired operation and all selling shareholders	(e) Number of shares owned. The relative number of shares owned by the selling shareholders who remain as key employees may be an indicator of the substance of the contingent consideration arrangement. For example, if the selling shareholders who owned substantially all of the shares in the acquired operation continue as key employees, that fact may indicate that the arrangement is, in substance, a profit-sharing arrangement intended to provide remuneration for post-combination services. Alternatively, if selling shareholders who continue as key employees owned only a small number of shares of the acquired operation and all selling shareholders	–

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<p>receive the same amount of contingent consideration on a per-share basis, that fact may indicate that the contingent payments are additional consideration. The pre-acquisition ownership interests held by parties related to selling shareholders who continue as key employees, such as family members, should also be considered.</p>	<p>receive the same amount of contingent consideration on a per-share basis, that fact may indicate that the contingent payments are additional consideration. The pre-acquisition ownership interests held by parties related to selling shareholders who continue as key employees, such as family members, should also be considered.</p>	
<p>(f) Linkage to the valuation. If the initial consideration transferred at the acquisition date is based on the low end of a range established in the valuation of the acquired operation and the contingent formula relates to that valuation approach, that fact may suggest that the contingent payments are additional consideration. Alternatively, if the contingent payment formula is consistent with prior profit-sharing arrangements, that fact may suggest that the substance of the arrangement is to provide remuneration.</p>	<p>(f) Linkage to the valuation. If the initial consideration transferred at the acquisition date is based on the low end of a range established in the valuation of the acquired operation and the contingent formula relates to that valuation approach, that fact may suggest that the contingent payments are additional consideration. Alternatively, if the contingent payment formula is consistent with prior profit-sharing arrangements, that fact may suggest that the substance of the arrangement is to provide remuneration.</p>	–
<p>(g) Formula for determining consideration. The formula used to determine the contingent payment may be helpful in assessing the substance of the arrangement. For example, if a contingent payment is determined on the basis of a multiple of earnings, that might suggest that the obligation is contingent consideration in the acquisition and that the formula is intended to establish or verify the fair value of the acquired operation. In contrast, a contingent payment that is a specified percentage of earnings might suggest that the obligation to employees is a profit-sharing arrangement to remunerate employees for services rendered.</p>	<p>(g) Formula for determining consideration. The formula used to determine the contingent payment may be helpful in assessing the substance of the arrangement. For example, if a contingent payment is determined on the basis of a multiple of earnings, that might suggest that the obligation is contingent consideration in the business combination and that the formula is intended to establish or verify the fair value of the acquired operation. In contrast, a contingent payment that is a specified percentage of earnings might suggest that the obligation to employees is a profit-sharing arrangement to remunerate employees for services rendered.</p>	–
<p>(h) Other agreements and issues. The terms of other arrangements with selling shareholders (such as agreements not to compete, executory contracts,</p>	<p>(h) Other agreements and issues. The terms of other arrangements with selling shareholders (such as agreements not to compete, executory contracts,</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>consulting contracts and property lease agreements) and the income tax treatment of contingent payments may indicate that contingent payments are attributable to something other than consideration for the acquired operation. For example, in connection with the acquisition, the acquirer might enter into a property lease arrangement with a significant selling shareholder. If the lease payments specified in the lease arrangement are significantly below market, some or all of the contingent payments to the lessor (the selling shareholder) required by a separate arrangement for contingent payments might be, in substance, payments for the use of the leased property that the acquirer should recognize separately in its post-combination financial statements. In contrast, if the lease arrangement specifies lease payments that are consistent with market terms for the leased property, the arrangement for contingent payments to the selling shareholder may be contingent consideration in the acquisition.</p>	<p>consulting contracts and property lease agreements) and the income tax treatment of contingent payments may indicate that contingent payments are attributable to something other than consideration for the acquired operation. For example, in connection with the acquisition, the acquirer might enter into a property lease arrangement with a significant selling shareholder. If the lease payments specified in the lease arrangement are significantly below market, some or all of the contingent payments to the lessor (the selling shareholder) required by a separate arrangement for contingent payments might be, in substance, payments for the use of the leased property that the acquirer should recognise separately in its post-combination financial statements. In contrast, if the lease arrangement specifies lease payments that are consistent with market terms for the leased property, the arrangement for contingent payments to the selling shareholder may be contingent consideration in the acquisition.</p>	
<p>Acquirer Share-Based Payment Awards Exchanged for Awards Held by the Acquired Operation's Employees (see paragraph 110(b))</p>	<p>Acquirer Share-Based Payment Awards Exchanged for Awards Held by the Acquired Operation's Employees (see paragraph 110(b))</p>	
<p>Paragraph AG104 An acquirer may exchange its share-based payment awards for awards held by employees of the acquired operation. The acquirer shall account for exchanges of share options or other share-based payment awards in conjunction with an acquisition in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	<p>Paragraph AG104 An acquirer may exchange its share-based payment awards for awards held by employees of the acquired operation. The acquirer shall account for exchanges of share options or other share-based payment awards in conjunction with an acquisition in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>Paragraph AG105</p> <p>In situations in which acquired operation awards would expire as a consequence of an acquisition and if the acquirer replaces those awards when it is not obliged to do so, the acquirer shall recognize any costs as remuneration cost in the post-combination financial statements in accordance with the relevant international or national accounting standard dealing with share-based payments. The cost of those awards shall not be included in measuring the consideration transferred in the acquisition.</p>	<p>Paragraph AG105</p> <p>In situations in which acquired operation awards would expire as a consequence of an acquisition and if the acquirer replaces those awards when it is not obliged to do so, the acquirer shall recognise any costs as remuneration cost in the post-combination financial statements in accordance with the relevant international or national accounting standard dealing with share-based payments. The cost of those awards shall not be included in measuring the consideration transferred in the acquisition.</p>	<p>–</p>
<p>Equity- Settled Share-Based Payment Transactions of the Acquired Operation</p>	<p>Equity-Settled Share-Based Payment Transactions of the Acquired Operation</p>	
<p>Paragraph AG106</p> <p>The acquired operation may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquired operation share-based payment transactions are part of the non-controlling interest in the acquired operation. If unvested, they are measured as if the acquisition date were the grant date. Share-based payment transactions are measured in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	<p>Paragraph AG106</p> <p>The acquired operation may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquired operation share-based payment transactions are part of the non-controlling interest in the acquired operation. If unvested, they are measured as if the acquisition date were the grant date. Share-based payment transactions are measured in accordance with the relevant international or national accounting standard dealing with share-based payments.</p>	<p>–</p>
<p><i>Subsequent Measurement and Accounting (see paragraph 112)</i></p>	<p><i>Subsequent Measurement and Accounting (see paragraph 112)</i></p>	
<p>Paragraph AG107</p> <p>Examples of other IPSASs that provide guidance on subsequently measuring and accounting for assets acquired and liabilities assumed or incurred in an acquisition include:</p>	<p>Paragraph AG107</p> <p>Examples of other PBE Standards that provide guidance on subsequently measuring and accounting for assets acquired and liabilities assumed or incurred in an acquisition include:</p>	<p>–</p>
<p>(a) IPSAS 31 prescribes the accounting for identifiable intangible assets acquired in an acquisition. The acquirer measures goodwill at the amount recognized at the acquisition date less any accumulated</p>	<p>(a) PBE IPSAS 31 prescribes the accounting for identifiable intangible assets acquired in an acquisition. The acquirer measures goodwill at the amount recognised at the acquisition date less any</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
impairment losses. IPSAS 26 prescribes the accounting for impairment losses.	accumulated impairment losses. PBE IPSAS 26 prescribes the accounting for impairment losses.	
(b) IPSAS 35 provides guidance on accounting for changes in a controlling entity's ownership interest in a controlled entity after control is obtained.	(b) PBE IPSAS 35 provides guidance on accounting for changes in a controlling entity's ownership interest in a controlled entity after control is obtained.	–
–	(c) PBE IFRS 4 provides guidance on the subsequent accounting for an insurance contract acquired in an acquisition.	<u>Insurance contract</u> Added guidance from PBE IFRS 4 to align with PBE IFRS 3.B63(b).
–	(d) PBE IAS 12 prescribes the subsequent accounting for deferred tax assets (including unrecognised deferred tax assets) and liabilities acquired in an acquisition.	<u>Deferred tax</u> Added guidance from PBE IAS 12 to align with PBE IFRS 3.B63(c).
Paragraph AG108 An acquirer should refer to the relevant international or national accounting standards for guidance on subsequently measuring and accounting for insurance contracts, income taxes and share-based payments.	Paragraph AG108 An acquirer should refer to the relevant international or national accounting standard for guidance on subsequently measuring and accounting for share-based payments.	<u>Guidance for insurance contracts and income taxes</u> Removed references to international or national standards on insurance and income taxes because of the existence of PBE IFRS 4 and PBE IAS 12.
<i>Subsequent Measurement of Transfers, Concessionary Loans and Similar Benefits Received by an Acquirer or Acquired Operation on the Basis of Criteria that may Change as a Result of an Acquisition (see paragraph 114)</i>	<i>Subsequent Measurement of Transfers, Concessionary Loans and Similar Benefits Received by an Acquirer or Acquired Operation on the Basis of Criteria that may Change as a Result of an Acquisition (see paragraph 114)</i>	
Paragraph AG109 Prior to an acquisition taking place, an acquirer or an acquired operation may receive a transfer from a third party, based on specified criteria. For example, a national government may provide grants to those municipalities where the municipality's revenue per head of population is below a threshold. An acquisition by a municipality of a cash-generating operation may increase the revenue per head of population of the municipality so that it is above the threshold. This may cause the government to review the grant.	Paragraph AG109 Prior to an acquisition taking place, an acquirer or an acquired operation may receive a transfer from a third party, based on specified criteria. For example, a national government may provide grants to those municipalities where the municipality's revenue per head of population is below a threshold. An acquisition by a municipality of a cash-generating operation may increase the revenue per head of population of the municipality so that it is above the threshold. This may cause the government to review the grant.	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
<p>Paragraph AG110</p> <p>The acquirer shall not account for any revisions to the grant amount as part of the acquisition, but accounts for any revisions at the point the grantor makes its intentions known in accordance with other IPSASs.</p>	<p>Paragraph AG110</p> <p>The acquirer shall not account for any revisions to the grant amount as part of the acquisition, but accounts for any revisions at the point the grantor makes its intentions known in accordance with other PBE Standards.</p>	–
<p>Paragraph AG111</p> <p>Similar circumstances may arise in respect of concessionary loans and other benefits. The acquirer shall not account for any revisions to those transactions as part of the acquisition, but accounts for any revisions at the point the grantor makes its intentions known in accordance with other IPSASs.</p>	<p>Paragraph AG111</p> <p>Similar circumstances may arise in respect of concessionary loans and other benefits. The acquirer shall not account for any revisions to those transactions as part of the acquisition, but accounts for any revisions at the point the grantor makes its intentions known in accordance with other PBE Standards.</p>	–
<i>Acquisitions Occurring During a Reporting Period</i>	<i>Acquisitions Occurring During a Reporting Period</i>	
<p>Paragraph AG112</p> <p>The resulting entity meets the needs of the users of its financial statements for information about the acquired operations prior to the acquisition by making the disclosures in paragraph 120(r).</p>	<p>Paragraph AG112</p> <p>The resulting entity meets the needs of the users of its financial statements for information about the acquired operations prior to the acquisition by making the disclosures in paragraph 120(r).</p>	–
<p>Paragraph AG113</p> <p>To satisfy the requirements of a regulator, it may be necessary for the acquirer to present or disclose information in addition to that required by this Standard.</p>	<p>Paragraph AG113</p> <p>To satisfy the requirements of a regulator, it may be necessary for the acquirer to present or disclose information in addition to that required by this Standard.</p>	–
<p>Transitional Provisions for Public Sector Combinations Involving only Mutual Entities or by Contract Alone</p>	Not used	<p><u>Transitional provisions</u></p> <p>Removed paragraphs AG114–AG115. There are NZ specific transitional provisions in PBE IPSAS 40.</p>
<p>Paragraph AG114</p> <p>Paragraph 126 provides that this Standard applies prospectively to public sector combinations for which the acquisition date or amalgamation date is on or after the</p>	<p>Paragraph AG114</p> <p>Not used</p>	–

IPSAS 40	PBE IPSAS 40	Notes on Differences
beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted.		
<p>Paragraph AG115</p> <p>The requirement to apply this Standard prospectively has the following effect for a public sector combination involving only mutual entities or by contract alone if the acquisition date or amalgamation date for that public sector combination is before the application of this Standard:</p>	<p>Paragraph AG115</p> <p>Not used</p>	<p>–</p>
<p>(a) <i>Classification.</i> An entity shall continue to classify the prior public sector combination in accordance with the entity's previous accounting policies for such combinations.</p>	<p>Not used</p>	<p>–</p>
<p>(b) <i>Previously recognized goodwill.</i> At the beginning of the first annual period in which this Standard is applied, the carrying amount of goodwill arising from the prior public sector combination shall be its carrying amount at that date in accordance with the entity's previous accounting policies. In determining that amount, the entity shall eliminate the carrying amount of any accumulated amortization of that goodwill and the corresponding decrease in goodwill. No other adjustments shall be made to the carrying amount of goodwill.</p>	<p>Not used</p>	<p>–</p>
<p>(c) <i>Goodwill previously recognized as a deduction from equity.</i> The entity's previous accounting policies may have resulted in goodwill arising from the prior public sector combination being recognized as a deduction from equity. In that situation the entity shall not recognize that goodwill as an asset at the beginning of the first annual period in which this Standard is applied. Furthermore, the entity shall not recognize in surplus or deficit any part of that goodwill when it</p>	<p>Not used</p>	<p>–</p>

IPSAS 40	PBE IPSAS 40	Notes on Differences
disposes of all or part of the operation to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.		
(d) <i>Subsequent accounting for goodwill.</i> From the beginning of the first annual period in which this Standard is applied, an entity shall discontinue amortizing goodwill arising from the prior public sector combination and shall test goodwill for impairment in accordance with IPSAS 26.	Not used	–
(e) <i>Previously recognized negative goodwill.</i> An entity that accounted for the prior public sector combination by applying the purchase method may have recognized a deferred credit for an excess of its interest in the net fair value of the acquired operation's identifiable assets and liabilities over the cost of that interest (sometimes called negative goodwill). If so, the entity shall derecognize the carrying amount of that deferred credit at the beginning of the first annual period in which this Standard is applied with a corresponding adjustment to the opening balance of accumulated surplus or deficit at that date.	Not used	–

Table 2 Table in paragraph AG45

	Amalgamation		Acquisition		Notes on Differences
	IPSAS 40	PBE IPSAS 40	IPSAS 40	PBE IPSAS 40	
Perspective	Perspective of each of the combining operations and their owners or constituents.	Perspective of each of the combining operations and their owners or constituents.	Perspective of the acquirer.	Perspective of the acquirer.	–
User information	Assists users of the financial statements in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods.	Assists users of the financial statements in assessing the performance of the resulting entity based upon the combined historical assets and liabilities of the combining operations at the date of the amalgamation and in comparing operating results with prior periods.	Assists users of the financial statements in assessing the initial investments made and the subsequent performance of those investments.	Assists users of the financial statements in assessing the initial investments made, where paid, and the subsequent performance of those investments.	<u>User information</u> Inserted “where paid” under acquisition because there could be acquisitions for no consideration.
Basis of reported values	Measures the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date.	Measures the reported assets and liabilities at their carrying amounts in the financial statements of the combining operations as of the amalgamation date.	Revalues the identifiable assets and liabilities of the acquired operation but does not affect the valuation of assets and liabilities held by the acquirer. Includes information about the market’s expectation of the value of the future cash flows associated with those assets and liabilities.	Revalues the identifiable assets and liabilities of the acquired operation but does not affect the valuation of assets and liabilities held by the acquirer.	<u>Basis of reported values</u> Under acquisitions, deleted the sentence about future cash flows associated with assets and liabilities as other considerations tend to be more important in the public sector and NFP sector context.
Ability to compare to operating results of prior periods	May facilitate the comparison of operating results with prior periods. Comparability may be reduced where adjustments	May facilitate the comparison of operating results with prior periods. Comparability may be reduced where adjustments	Difficult to compare operating results with prior periods.	Difficult to compare operating results with prior periods.	–

	Amalgamation		Acquisition		Notes on Differences
	IPSAS 40	PBE IPSAS 40	IPSAS 40	PBE IPSAS 40	
	to achieve consistent accounting policies are required.	to achieve consistent accounting policies are required.			

Table 3 Differences in the Implementation Guidance and Illustrative Examples

Paragraph(s)	Notes on Differences
IG2	<u>Classification of PBE combinations</u> Replaced the diagram to be consistent with the clarification of the two types of amalgamations and when a new reporting entity and continuing reporting entity would arise.
IE19, IE29, IE45, IE68	<u>Controlling entity/controlled entity relationship</u> Removed the discussion on controlling entity/controlled entity because this does not assist an entity to classify a combination and could create confusion.
IE19, IE29, IE45, IE59	<u>Types of benefits or service potential</u> Removed the discussion about types of benefits or service potential obtained because this does not affect the classification of the combination.
IE20, IE22, IE30, IE32, IE46, IE60, IE79, IE83, IE84. IE145, IE154	<u>Indicator relating to consideration</u> Modified these paragraphs to be consistent with the changes made to the indicator relating to consideration.
IE22, IE32, IE48, IE62, IE71	<u>Conclusion</u> Replaced “taking these factors together” with “on balance these factors suggest” to strengthen the conclusion on the type of combination.
IE69, IE71	<u>Change in classification</u> Changed the classification from an amalgamation to an acquisition to be consistent with the changes made to the indicator of consideration and the broader view of equity interests and owners by PBEs in New Zealand.
IE69, IE79, IE83, IE127, IE136	<u>The term seller</u> Replaced the word “seller” with references to either the owner of the acquired operation or the acquired operation because the combination does not involve the actual sale of the acquired operation.
IE145, IE154	<u>No compensation for bailouts</u>

Paragraph(s)	Notes on Differences
	Removed reference to compensating the seller for giving up an entitlement to the net assets of an operation because both examples are bailouts where the seller receives no compensation and there is a transfer of net liabilities rather than net assets.
IE154	<p><u>Taking on net liabilities</u></p> <p>Removed the phrase “...analogous to paying consideration” because it was not clear how taking on net liabilities is analogous to paying consideration.</p> <p>Added the phrase “...no payment of consideration is necessary” because the acquirer is taking on net liabilities and there is no payment for the acquired operation.</p>
IE156.1–IE156.6	<p><u>Voluntary combination not under common control</u></p> <p>Added an illustrative example of a voluntary combination not under common control to be consistent with the guidance added in paragraph AG17.1.</p>
IE166 and its heading, IE173, table in IE174	<p><u>Reference to “identifiable”</u></p> <p>Removed “identifiable”, see paragraph 16 for the rationale.</p>
IE176	<p><u>Tax forgiven</u></p> <p>Modified the paragraph to be consistent with the removal of paragraphs 34 and AG58 on how to account for tax forgiven following an amalgamation.</p>
IE192, IE278	<p><u>Disclosures</u></p> <p>Removed “An actual footnote might present many of the disclosures illustrated in a simple narrative format” as this is not helpful or establishing any requirements.</p>
IE250	<p><u>Tax forgiven</u></p> <p>Modified the paragraph to be consistent with the removal of paragraphs 79 and AG86 on how to account for tax forgiven following an acquisition.</p>
IE278.1–IE278.5	<p><u>Carrying amounts to be used</u></p> <p>Added examples to illustrate the carrying amounts to be used when one of the combining operations have previously been acquired in an acquisition but is now in an amalgamation with another combining operation within the same economic entity (the requirements of paragraphs AG53–AG54).</p>