

IFRS 2 & IAS 16/38/40: Transfer of Net Assets for Shares in a Group Restructuring

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Determining how to account for transactions involving entities that are under common control can be challenging. These transactions may involve a transfer of net assets to another group entity in exchange for shares. For example, Old Co. forms a new subsidiary, New Co., transfers net assets to New Co. in exchange for shares, and distributes its interest in New Co. to its shareholders. The issue for consideration is which IFRSs should be applied to account for this transaction in New Co.'s financial statements if the net assets received do not meet the definition of a business under IFRS 3 Business Combinations.