

**FRS 103, *Business Combinations* -
Clarification of transitional provisions**

This statement of Recommended Accounting Practice was approved by the Council of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) in December 2004.

This RAP 10 is withdrawn by the Institute of Singapore Chartered Accountants for annual reporting periods beginning on or after 1 January 2018.

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Introduction

1. This statement of Recommended Accounting Practice clarifies the transitional provisions in FRS 103 *Business Combinations* (revised in September 2004) for:
 - (a) goodwill arising from and intangible assets acquired in a business combination for which the agreement date is between 1 July 2004 and the beginning of the first annual period beginning on or after 1 July 2004; and for
 - (b) equity accounted investments acquired on or after 1 July 2004.
2. This Statement is not intended to replace professional judgement. The Institute accepts no responsibility for loss incurred by any person acting or refraining from acting as a result of reliance on this Statement.
3. FRS 103 is issued with the intention to ensure consistency of accounting treatment for similar transactions within a financial period. This statement serves to clarify this intention with respect to paragraphs 79, 81, 82, 83 and 84 of the Standard i.e. the transitional provisions.

Background

4. Paragraph 78 of FRS 103 states that FRS 103 shall apply to the accounting for business combinations for annual periods beginning on or after 1 July 2004.
5. Paragraphs 79, 81 and 82 of FRS 103 deal respectively with previously recognised goodwill, previously recognised negative goodwill and previously recognised intangible assets acquired in a business combination for which the agreement date was before 1 July 2004.
6. Consequently, the accounting treatment for such items that arise from business combinations for which the agreement date is between 1 July 2004 and the beginning of the first annual period beginning after 1 July 2004 is not clear. For example, it is not clear how a company with a calendar year-end should account for goodwill arising from a business combination for which the agreement date was between 1 July 2004 and 31 December 2004.
7. Paragraph 83 of FRS 103 deals with the accounting for goodwill arising from equity accounted investments and states that FRS 103 shall apply in the accounting for any acquired goodwill and the excess included in the carrying amount of the investment of the entity's interest in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment for investments acquired on or after 1 July 2004. This may lead to disparate accounting treatment of goodwill and the excess included in the carrying amount of the investment of the entity's interest in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment for investments arising from business combinations and that arising from equity accounted investments.
8. Paragraph 84 of FRS 103 deals with acquired goodwill and negative goodwill arising from equity accounted investments acquired before 1 July 2004 and states that FRS 103 is to be applied prospectively for these items from the beginning of the first annual period beginning on or after 1 July 2004. Consequently, the accounting treatment for such items that arise from acquisitions between 1 July 2004 and the beginning of the first annual period beginning after 1 July 2004 is not clear. For example, it is not clear how a company with a calendar

year-end should account for acquired goodwill arising from an investment acquired on a date between 1 July 2004 and 31 December 2004.

Recommended Practice

Clarification of transitional provisions for FRS 103

9. In paragraphs 79, 81, 82 83 and 84, the 1 July 2004 date is relevant for entities with a 30 June year-end. For other entities, the reference to 1 July 2004 should be taken to mean “the first day of the first annual period beginning on or after 1 July 2004”.