

## ED NASCO 18

### "COMBINATION OF BUSINESS ORGANISATIONS"

#### Purpose of Standard

1. This Standard has been prepared in accordance with the Accounting Law of the Azerbaijan Republic and is based on International Financial Reporting Standard 3 "Business Combinations".

#### Objective

2. The objective of this Standard is to specify the financial reporting practice to be adopted by an entity when it undertakes a business combination by requiring all business combinations to be accounted for by applying the purchase method.

#### Scope

3. This Standard will be applied by all types of commercial enterprise that prepare financial statements in accordance with Article 10 of the Accounting Law of the Azerbaijan Republic, taking into account the additional provisions contained in the Explanations and Recommendations on its Application.
4. In the case of contradictions between effective normative-legal Acts on accounting regulation and this National Accounting Standard, the National Accounting Standard should be applied.
5. Except as described in paragraph 5, entities shall apply this Standard when accounting for business combinations.
6. This Standard does not apply to:
  - (a) business combinations in which separate entities or businesses are brought together to form a joint venture.
  - (b) business combinations involving entities or businesses under common control.
  - (c) business combinations involving two or more mutual entities.
  - (d) business combinations in which separate entities or businesses are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest.

#### 7. Definitions

**Acquisition date:** the date on which the acquirer effectively obtains control of the acquiree

**Agreement date:** the date that a substantive agreement between the combining entities is reached and in the case of a publicly listed entity announced to the public. In the case of a hostile takeover, the earliest date is the date that a sufficient number of the acquiree's owners have accepted the acquirer's offer for the acquirer to obtain control of the acquiree.

**Business:** an integrated set of activities and assets conducted and managed for the purpose of providing:

- (a) a return to investors; or
- (b) lower costs or other economic benefits directly and proportionately to policyholders or participants.

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set shall be presumed to be a business.

**Business combination:** The bringing together of separate entities or businesses into one reporting entity.

**Business combination involving entities or businesses under common control:** A business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

**Control:** The power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities.

**Date of exchange:** When a business combination is achieved in a single exchange transaction, the date of exchange is the acquisition date. When a business combination involves more than one exchange transaction the date of exchange is the date that each individual investment is recognised in the financial statements of the acquirer.

**Goodwill:** Future economic benefits arising from assets that are not capable of being individually identified and separately recognised.

**Joint venture:** Joint venture has the meaning given to it in NASCO 21

**Minority interest:** That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

**Mutual entity:** an entity other than an investor-owned entity that provides lower costs or other economic benefits to its participants

**Parent:** an entity that has one or more subsidiaries

**Reporting entity:** An entity for which there are users who rely on the entity's general purpose financial statements for information that will be useful to them for making decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.

**Subsidiary:** An entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

### Identifying a business combination

8. A business combination is the bringing together of separate entities or businesses into one reporting entity. The result of nearly all business combinations is that one entity, the acquirer, obtains control of one or more other businesses, the acquiree. If an entity obtains control of one or more other entities that are not businesses, the bringing together of those entities is not a business combination. When an entity acquires a group of assets or net assets that does not constitute a business, it shall allocate the cost of the group of assets between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition.
9. If a business combination results in a parent-subsidary relationship in which the acquirer is the *parent* and the acquiree a *subsidiary* of the acquirer then the acquirer applies this IFRS in its consolidated financial statements. It includes its interest in the acquiree in any separate financial statements it issues as an investment in a subsidiary in accordance with NASCO 19 – Consolidated Financial Statements.
10. If a business combination involves only the purchase of the net assets, including any goodwill, of another entity and not the purchase of the equity of the other entity then such a combination does not result in a parent-subsidary relationship.

11. Included within the scope of this Standard are business combinations in which one entity obtains control of another entity but for which the date of obtaining control (ie the acquisition date) does not coincide with the date or dates of acquiring an ownership interest (ie the date or dates of exchange).
12. This NASCO does not apply to entities that are part of a joint venture (see NASCO 21 – Joint Ventures for the appropriate accounting procedures)

### **Business combinations involving entities under common control**

13. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not short term.
14. If, as a result of contractual arrangements, a group of individuals have the power to govern an entity's financial and operating policies so as to obtain benefits from its activities, then that group of individuals will be regarded as controlling the entity.
15. The extent of minority interests and the exclusion of a subsidiary from consolidated financial statements (as permitted in NASCO 19 – Consolidated Financial Statements) are both irrelevant factors in determining whether a combination involves entities under common control.

### **Method of accounting**

16. All business combinations shall be accounted for by applying the purchase method.
17. Under the purchase method, the acquirer purchases net assets and recognises the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised by the acquiree. The measurement of the acquirer's assets and liabilities is not affected by the transaction, nor are any additional assets or liabilities of the acquirer recognised as a result of the transaction.

### **Application of the purchase method**

18. Applying the purchase method involves the following steps:
  - (a) identifying an acquirer;
  - (b) measuring the cost of the business combination; and
  - (c) allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

### **Identifying the acquirer**

19. An acquirer must be identified for all business combinations. The acquirer is the combining entity that obtains control of the other combining entities or businesses.
20. A combining entity shall be presumed to have obtained control of another combining entity when it acquires more than one-half of that other entity's voting rights, unless it can be demonstrated that such ownership does not constitute control. Even if one of the combining entities does not acquire more than one-half of the voting rights of another combining entity, it might have obtained control of that other entity if, as a result of the combination, it obtains:
  - (a) power over more than one-half of the voting rights of the other entity by virtue of an agreement with other investors; or
  - (b) power to govern the financial and operating policies of the other entity under a statute or an agreement; or
  - (c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body of the other entity; or
  - (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the other entity.

21. Although sometimes it may be difficult to identify an acquirer, there are usually indications that one exists. For example:
- (a) if the fair value of one of the combining entities is significantly greater than that of the other combining entity, the entity with the greater fair value is likely to be the acquirer;
  - (b) if the business combination is effected through an exchange of voting ordinary equity instruments for cash or other assets, the entity giving up cash or other assets is likely to be the acquirer; and
  - (c) if the business combination results in the management of one of the combining entities being able to dominate the selection of the management team of the resulting combined entity, the entity whose management is able so to dominate is likely to be the acquirer.
  - (d) In a business combination effected through an exchange of equity interests, the entity that issues the equity interests is normally the acquirer
22. However, all pertinent facts and circumstances are to be considered to determine which of the combining entities has the power to govern the financial and operating policies of the other entity (or entities) so as to obtain benefits from its (or their) activities and, hence, from that which entity can be determined to be the acquirer
23. When a new entity is formed to issue equity instruments to effect a business combination, one of the combining entities that existed before the combination shall be identified as the acquirer on the basis of the evidence available
24. When a business combination involves more than two combining entities, one of the combining entities that existed before the combination shall be identified as the acquirer on the basis of the evidence available. Determining the acquirer in such cases shall include a consideration of, amongst other things, which of the combining entities initiated the combination and whether the assets or revenues of one of the combining entities significantly exceed those of the others

### **Cost of a business combination**

25. The cost of a business combination is the aggregate of:
- (a) the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus
  - (b) any costs directly attributable to the business combination
26. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange is the same as the acquisition date. However, a business combination may involve more than one exchange transaction, for example when it is achieved in stages by successive share purchases. When this occurs:
- (a) the cost of the combination is the aggregate cost of the individual transactions; and
  - (b) the date of exchange is the date of each exchange transaction (ie the date that each individual investment is recognised in the financial statements of the acquirer), whereas the acquisition date is the date on which the acquirer obtains control of the acquiree
27. When settlement of all or any part of the cost of a business combination is deferred, the fair value of that deferred component shall be determined by discounting the amounts payable to their present value at the date of exchange, taking into account any premium or discount likely to be incurred in settlement.

28. The price at the date of exchange of a quoted equity instrument is the best evidence of the instrument's fair value and will be used, except in rare circumstances. Other evidence and valuation methods are to be considered only when the acquirer can show that the published price at the date of exchange is an unreliable indicator of fair value, and that the other evidence and valuation methods provide a more reliable measure of the equity instrument's fair value. If the published price at the date of exchange is an unreliable indicator or if a published price does not exist for equity instruments issued by the acquirer, the fair value of those instruments could, for example, be estimated by reference to their proportional interest in the fair value of the acquirer or by reference to the proportional interest in the fair value of the acquiree obtained, whichever is the more clearly evident. The fair value at the date of exchange of monetary assets given to equity holders of the acquiree as an alternative to equity instruments may also provide evidence of the total fair value given by the acquirer in exchange for control of the acquiree. In any event, all aspects of the combination, including significant factors influencing the negotiations, shall be considered
29. The cost of a business combination includes liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. Future losses or other costs expected to be incurred as a result of a combination are not liabilities incurred or assumed by the acquirer in exchange for control of the acquiree, and are not, therefore, included as part of the cost of the combination.
30. The cost of a business combination includes any costs directly attributable to the combination. General administrative costs and other costs that cannot be directly attributed to the particular combination being accounted for are not included in the cost of the combination: they are recognised as an expense when incurred.
31. The costs of arranging and issuing financial liabilities are not to be included in the cost of a business combination even when the liabilities are issued to effect a business combination. Such costs are to be included in the initial measurement of the liability
32. The costs of issuing equity instruments are not to be included in the cost of a business combination even when these equity instruments are issued to effect a business combination. Such costs reduce the proceeds from the equity issue

### **Adjustments to the cost of a business combination contingent on future events**

33. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.
34. A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the combination 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 business combination shall be adjusted accordingly.
35. When a business combination agreement provides for an adjustment that is contingent on future events, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination 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 combination.
36. Sometimes 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 acquiree. In such cases, no increase in the cost of the business combination is recognised. In the case of equity instruments, the fair value of the additional payment is offset by an equal reduction in the value attributed to the 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

### **Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed**

37. The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in paragraph 37 at their fair values at that date, except for non-current assets (or disposal groups) that are classified as held for sale which shall be recognised at fair value less costs to sell. Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised shall be treated as Goodwill and accounted for in accordance with paragraphs 49-52
38. The acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:
  - (a) in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably;
  - (b) in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its fair value can be measured reliably;
  - (c) in the case of an intangible asset or a contingent liability, its fair value can be measured reliably
39. The acquirer's income statement shall incorporate the acquiree's profits and losses after the acquisition date by including the acquiree's income and expenses based on the cost of the business combination to the acquirer.
40. Application of the purchase method starts from the acquisition date, which is the date on which the acquirer effectively obtains control of the acquiree. Because control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities, it is not necessary for a transaction to be closed or finalised at law before the acquirer obtains control. All pertinent facts and circumstances surrounding a business combination shall be considered in assessing when the acquirer has obtained control
41. As the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in paragraph 37 at their fair values at the acquisition date, any minority interest in the acquiree is stated at the minority's proportion of the net fair value of those items.

### **Acquiree's identifiable assets and liabilities**

42. An acquirer recognises separately as part of allocating the cost of the combination only the identifiable assets, liabilities and contingent liabilities of the acquiree that existed at the acquisition date and satisfy the recognition criteria. Therefore, the acquirer shall recognise liabilities for terminating or reducing the activities of the acquiree as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with NASCO 10 – provisions, Contingent Liabilities and Contingent Assets

43. A payment that an entity is contractually required to make in the event that it is acquired in a business combination is a present obligation of the entity that is regarded as a contingent liability until it becomes probable that a business combination will take place. The contractual obligation is recognised as a liability by that entity in accordance with NASCO 10 when a business combination becomes probable and the liability can be measured reliably. Therefore, when the business combination is effected, that liability of the acquiree is recognised by the acquirer as part of allocating the cost of the combination
44. However, an acquiree's restructuring plan whose execution is conditional upon its being acquired in a business combination is not, immediately before the business combination, a present obligation of the acquiree. Nor is it a contingent liability of the acquiree immediately before the combination because it is not a possible obligation arising from a past event 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 acquiree. Therefore, an acquirer shall not recognise a liability for such restructuring plans as part of allocating the cost of the combination
45. The identifiable assets and liabilities that are recognised in accordance with paragraph 36 include all of the acquiree's assets and liabilities that the acquirer purchases or assumes, including all of its financial assets and financial liabilities. They might also include assets and liabilities not previously recognised in the acquiree's financial statements

#### **Acquiree's intangible assets**

46. An acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset in NASCO 12 – Intangible Assets and its fair value can be measured reliably

#### **Acquiree's contingent liabilities**

47. Paragraph 37 specifies that the acquirer recognises separately a contingent liability of the acquiree as part of allocating the cost of a business combination only if its fair value can be measured reliably. If its fair value cannot be measured reliably:
  - (a) there is a resulting effect on the amount recognised as goodwill or accounted for in accordance with paragraph 53; and
  - (b) the acquirer shall disclose the information about that contingent liability required to be disclosed by NASCO 10.
48. After their initial recognition, the acquirer shall measure contingent liabilities that are recognised separately in accordance with paragraph 36 at the higher of:
  - (a) the amount that would be recognised in accordance with NASCO 10, and
  - (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with NASCO 6
49. Contingent liabilities recognised separately as part of allocating the cost of a business combination are excluded from the scope of NASCO 10. However, the acquirer shall disclose for those contingent liabilities the information required to be disclosed by NASCO 10 for each class of provision.

#### **Goodwill**

50. The acquirer shall, at the acquisition date:
  - (a) recognise goodwill acquired in a business combination as an asset; and
  - (b) initially measure that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the

identifiable assets, liabilities and contingent liabilities recognised in accordance with paragraph 36

51. Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised
52. If the acquiree's identifiable assets, liabilities or contingent liabilities do not satisfy the criteria in paragraph 37 for separate recognition at the acquisition date, this will affect the amount recognised as goodwill since goodwill is the residual cost of the business combination after recognising the acquiree's identifiable assets, liabilities and contingent liabilities
53. Goodwill acquired in a business combination shall not be amortised. Instead, the acquirer shall test it for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with NASCO 24 - Impairment

### **Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost**

54. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised in accordance with paragraph 36 exceeds the cost of the business combination, the acquirer shall:
  - (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
  - (b) recognise immediately in profit or loss any excess remaining after that reassessment

### **Business combination achieved in stages**

55. A business combination may involve more than one exchange transaction. If so, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.
56. When a business combination involves more than one exchange transaction, the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction. Because:
  - (a) the acquiree's identifiable assets, liabilities and contingent liabilities are notionally restated to their fair values at the date of each exchange transaction to determine the amount of any goodwill associated with each transaction; and
  - (b) the acquiree's identifiable assets, liabilities and contingent liabilities must then be recognised by the acquirer at their fair values at the acquisition date,any adjustment to those fair values relating to previously held interests of the acquirer is a revaluation and shall be accounted for as such. This revaluation process is not to be interpreted as the adoption of a revaluation policy in accordance with NASCO 7 – Property, Plant and Equipment
57. Before qualifying as a business combination, a transaction may qualify as an investment in an associate and will have to be accounted for in accordance with NASCO 20 – Accounting for Associates using the equity method. If so each earlier exchange transaction will also have to be accounted for by applying NASCO 20

### **Initial accounting determined provisionally**

58. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, the acquirer shall account for the combination using those provisional values. Any adjustments to those provisional values as a result of completing the initial accounting are to be recognised:

- (a) within twelve months of the acquisition date; and
- (b) from the acquisition date.

Therefore:

- (i) the carrying amount of an identifiable asset, liability or contingent liability that is recognised or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognised from that date.
- (ii) goodwill or any gain recognised in accordance with paragraph 53 shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognised or adjusted.
- (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date. This includes any additional depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting.

### **Adjustments after the initial accounting is complete**

59. Adjustments to the initial accounting for a business combination after that initial accounting is complete shall be recognised only to correct an error in accordance with NASCO 11 Accounting Policies, Changes in Accounting Estimates and Errors with the exception of the situations described in paragraphs 33, 34, and 61. Once the initial accounting is complete, any further adjustments shall not be recognised for the effect of changes in estimates

60. The carrying amount of an identifiable asset, liability or contingent liability of the acquiree that is recognised or adjusted as a result of an error correction shall be calculated as if its fair value or adjusted fair value at the acquisition date had been recognised from that date. Goodwill or any gain recognised in a prior period in accordance with paragraph 56 shall be adjusted retrospectively by an amount equal to the fair value at the acquisition date (or the adjustment to the fair value at the acquisition date) of the identifiable asset, liability or contingent liability being recognised (or adjusted).

### **Recognition of deferred tax assets after the initial accounting is complete**

61. If the potential benefit of the acquiree's income tax loss carry-forwards or other deferred tax assets did not satisfy the criteria in paragraph 37 for separate recognition when a business combination is initially accounted for but is subsequently realised, the acquirer shall recognise that benefit as income in accordance with NASCO 4 – Deferred Tax. In addition, the acquirer shall:

- (a) reduce the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date; and
- (b) recognise the reduction in the carrying amount of the goodwill as an expense.

However, this procedure shall not result in the creation of an excess as described in paragraph 54, nor shall it increase the amount of any gain previously recognised in accordance with paragraph 54.

## Disclosure

62. The acquirer shall disclose the following information for each business combination that was effected during the relevant period:
- (a) the names and descriptions of the combining entities or businesses.
  - (b) the acquisition date.
  - (c) the percentage of voting equity instruments acquired.
  - (d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following shall also be disclosed:
    - (i) the number of equity instruments issued or issuable; and
    - (ii) the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value shall be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact shall be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments.
  - (e) details of any operations the entity has decided to dispose of as a result of the combination.
  - (f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and, unless disclosure would be impracticable, the carrying amounts of each of those classes, determined in accordance with other NASCOs, immediately before the combination. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.
  - (g) the amount of any excess recognised in profit or loss in accordance with paragraph 54, and the line item in the income statement in which the excess is recognised.
  - (h) a description of the factors that contributed to a cost that results in the recognition of goodwill—a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably—or a description of the nature of any excess recognised in profit or loss in accordance with paragraph 54.
  - (i) the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period, unless disclosure would be impracticable. If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case
63. All disclosure requirements in paragraph 62 that are immaterial are to be added together and disclosed in aggregate
64. If the initial accounting for a business combination that was effected during the period was determined only provisionally, that fact shall also be disclosed together with an explanation of why this is the case

65. The following information shall also be disclosed, unless such disclosure would be impracticable:
- (a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period.
  - (b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.
- If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.
66. The acquirer shall disclose the information required by paragraph 62 for each business combination effected after the balance sheet date but before the financial statements are authorised for issue, unless such disclosure would be impracticable. If disclosure of any of that information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.
67. The acquirer shall disclose the following information:
- (a) the amount and an explanation of any gain or loss recognised in the current period that:
    - (i) relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in the current or a previous period; and
    - (ii) if the gain or loss is material
  - (b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period.
  - (c) the information about error corrections required to be disclosed by NASCO 11 for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the acquirer recognises during the current period
68. The entity shall disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the period, showing separately:
- (a) the gross amount and accumulated impairment losses at the beginning of the period;
  - (b) additional goodwill recognised during the period except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with NASCO 23;
  - (c) adjustments resulting from the subsequent recognition of deferred tax assets during the period in accordance with paragraph 61;
  - (d) goodwill included in a disposal group classified as held for sale in accordance with NASCO 23 and goodwill derecognised during the period without having previously been included in a disposal group classified as held for sale;
  - (e) impairment losses recognised during the period in accordance with NASCO 24;
  - (f) net exchange differences arising during the period in accordance with NASCO 22 – Effects of Changes in Foreign Exchange Rates;
  - (g) any other changes in the carrying amount during the period; and

- (h) the gross amount and accumulated impairment losses at the end of the period.
69. The entity discloses information about the recoverable amount and impairment of goodwill in accordance with NASCO 24 - Impairment in addition to the information required to be disclosed by paragraph 68(c)
70. If in any situation the information required to be disclosed by this IFRS does not satisfy the objective of "usefulness" contained in the Conceptual Framework then the entity shall disclose such additional information as is necessary to meet that objective

## Effective date

71. This National Standard for Commercial Organisations becomes operative after the date determined by the Minister of Finance of the Azerbaijan Republic (the operative date). This IFRS shall also apply to the accounting for:
- (a) goodwill arising from a business combination for which the agreement date is on or after that date; or
  - (b) any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination for which the agreement date is on or after that date

## Transitional provisions

### Previously recognised goodwill

72. An entity shall apply this Standard prospectively, from the beginning of the first annual period beginning on or after the operative date to goodwill acquired in a business combination for which the agreement date was before the operative date, and to goodwill arising from an interest in a jointly controlled entity obtained before the operative date and accounted for by applying proportionate consolidation. Therefore, an entity shall:
- (a) from the beginning of the first annual period beginning on or after the operative date, discontinue amortising such goodwill;
  - (b) at the beginning of the first annual period beginning on or after the operative date, eliminate the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill; and
  - (c) from the beginning of the first annual period beginning on or after the operative date, test the goodwill for impairment in accordance with NASCO 24.
73. If an entity previously recognised goodwill as a deduction from equity, it shall not recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired

### Previously recognised negative goodwill

72. The carrying amount of negative goodwill at the beginning of the first annual period beginning on or after the operative date that arose from either
- (a) a business combination for which the agreement date was before the operative date or
  - (b) an interest in a jointly controlled entity obtained before the operative date and accounted for by applying proportionate consolidation

shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings.

### **Previously recognised intangible assets**

74. The carrying amount of an item classified as an intangible asset that either
- (a) was acquired in a business combination for which the agreement date was before the operative date or
  - (b) arises from an interest in a jointly controlled entity obtained before the operative date and accounted for by applying proportionate consolidation
- shall be reclassified as goodwill at the beginning of the first annual period beginning on or after the operative date, if that intangible asset does not at that date meet the identifiability criterion in NASCO 12

### **Equity accounted investments**

75. For investments accounted for by applying the equity method and acquired on or after the operative date, an entity shall apply this Standard in the accounting for:
- (a) any acquired goodwill included in the carrying amount of that investment. Therefore, amortisation of that notional goodwill shall not be included in the determination of the entity's share of the investee's profits or losses.
  - (b) any 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. Therefore, an entity shall include that excess as income in the determination of the entity's share of the investee's profits or losses in the period in which the investment is acquire
76. For investments accounted for by applying the equity method and acquired before the operative date:
- (a) an entity shall apply this Standard on a prospective basis, from the beginning of the first annual period beginning on or after the operative date, to any acquired goodwill included in the carrying amount of that investment. Therefore, an entity shall, from that date, discontinue including the amortisation of that goodwill in the determination of the entity's share of the investee's profits or losses.
  - (b) an entity shall derecognise any negative goodwill included in the carrying amount of that investment at the beginning of the first annual period beginning on or after the operative date, with a corresponding adjustment to the opening balance of retained earnings

### **Limited retrospective application**

77. An entity is permitted to apply the requirements of this Standard to goodwill existing at or acquired after, and to business combinations occurring from, any date before the effective dates outlined in paragraphs 70–76, provided:
- (a) the valuations and other information needed to apply the Standard to past business combinations were obtained at the time those combinations were initially accounted for; and
  - (b) the entity also applies NASCO 24 and NASCO 12 prospectively from that same date, and the valuations and other information needed to apply those Standards from that date were previously obtained by the entity so that there is no need to determine estimates that would need to have been made at a prior date.