Business Combinations and Consolidation at a glance

IFRS 3, IFRS 10, IFRS 11 and IFRS 12 (with IAS 27/28 pointers) · one-page reference

Core Knowledge

CORE PRINCIPLE

Control decides the group. An investor controls an investee when it has power over it, exposure or rights to variable returns, and the ability to use that power to affect those returns (IFRS 10.6, IFRS 10.7). The group then reports as a single economic entity (IAS 27.4), and every business it buys is accounted for by the acquisition method (IFRS 3.4).

Topic	The question	The test	Reference	Where it shows
1 **Control**	**Does the investor control the investee?**	All three elements at once: power, exposure to variable returns and the link between them. Rights that are only protective never give power.	**IFRS 10.7, B26**	Basis of consolidation note
2 **Acquisition method**	**How is a purchased business recorded?**	Four steps: identify the acquirer, fix the acquisition date, measure the identifiable assets and liabilities at acquisition-date fair value with any NCI, then goodwill or a bargain gain.	**IFRS 3.5, 3.18**	Acquisition note, financial position
3 **Goodwill**	**How much goodwill?**	Consideration + NCI + fair value of any earlier stake, minus identifiable net assets. A shortfall is a gain only after every figure has been re-checked.	**IFRS 3.32, 3.34, 3.36**	Financial position, profit or loss
4 **Non-controlling interest**	**How is the minority share measured and shown?**	Chosen deal by deal: fair value or a proportionate share of the identifiable net assets. Shown within equity, apart from the parent's owners.	**IFRS 3.19, IFRS 10.22**	Equity, profit attribution
5 **Consolidation**	**How are the group figures built?**	Add like items line by line, cancel the investment against the subsidiary's equity, and eliminate intragroup balances and unrealised profits in full.	**IFRS 10.B86**	Every consolidated line
6 **Joint arrangements**	**Joint operation or joint venture?**	A joint operator records its own share of assets, liabilities, revenue and expenses; a joint venturer uses the equity method.	**IFRS 11.20, 11.24; IAS 28.10**	Operator's lines, equity-method line

Independent learning material prepared by Core Knowledge. Not affiliated with or endorsed by the IFRS Foundation / IASB. Paragraph references are to IFRS 3, IFRS 10, IFRS 11, IAS 27 and IAS 28 as issued. A summary for revision, not a substitute for the standards.