

W6**Re-Acquired Right**

	Contract	Market	Favourable/Unfavourable
Annual expected revenue (14400*11.5)	165,600	165,600	
Annual Fee expense	<u>(10,000)</u>	<u>(15,000)</u>	
Pmt	155,600	150,600	
N = 8 (10-2)- ignore IFRS 3.29			

I = 10%

Fv = 0

Pv 830,115 803,440 (26,675)- unfavourable

Settlement Loss 803 440 - 830 115 = **(26,675)**

Comment**Reacquired right**

As part of a business combination, an acquirer may reacquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets. [IFRS3.B35]

Recognition

A reacquired right is an identifiable **intangible asset** that the acquirer recognises separately from goodwill. [IFRS3.B35]

If the terms of the contract 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**. [IFRS3.B36]

Measurement

Intangible asset

Measure the value of a reacquired right recognised as an intangible asset **on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value.**

NB-10 years original contract term and only 8 years remaining at acquisition date, hence, ignore the 5 year renewal

	\$	Rate	CU
Annual payments should be based on net cash flows based on market net cash-inflows.	803,440	11.5	69,864
Since the intangible asset was recognised by the acquiree on the difference between the market value above and the carrying amount should be recognised (825000*8/10)	660,000	11	<u>60,000</u>
CA in CU			9,864
Fv djustment at the acq date rate exchange rate (9864*11.5)=	113,436		

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	\$	CU	\$	CU
Dr Intangible Asset (SFP)	113,436	9,864		
Cr Goodwill (SFP)/GOBP(P/L)			113,436	9,864
Dr Goodwill	29,210	2,540.07		
Cr Deferred tax			29,210	2,540.07

Settlement gain or Loss- IFRS 3.B51

If the business combination in effect settles a pre-existing relationship, the acquirer recognises a gain or loss, measured as follows:

(a) for a pre-existing non-contractual relationship (such as a lawsuit), fair value

(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):

(i) the amount by which the contract is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items.

(26,675)

(ii) the amount of any stated settlement provisions in the contract available to the Counter-party to whom the contract is unfavourable.

Nil

Recognise a settlement loss as part of consideration

26,675

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Dr Loss on settlement (p/l)	26,675	
Cr Investment in Subsidiary		26,675

Subsequent Recognition and Measurement

The intangible asset fair value adjustment shall be amortised over the remaining period(8 years) every year from acq date

	\$	CU	\$	CU
Dr RE	14,180	1,233.04		
Dr Amortisation expense (P/L)	14,180	1,233.04		
Cr Intangible Asset			28,359	2,466.08
Dr Deferred Tax	7,302.44	635.02		
Cr RE			3,651.22	317.51
Cr Tax exp			3,651.22	317.51

