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Audit

Accounting

Businesses

Identifying a business combination

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Under the guidance in ASC 805, an entity applies the acquisition method of accounting when it acquires a business or a not-for-profit activity.

The acquisition method of accounting requires an entity to (a) identify the acquirer; (b) determine the acquisition date; and (c) recognize and measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, as well as goodwill or gains arising from a bargain purchase.

Grant Thornton's Viewpoint, ***Identifying business combinations***, discusses how to determine whether a transaction or event that yields control of net assets to an acquiring entity should be accounted for as a business combination. The discussion ranges from the definition of a "business combination"; what constitutes "control" over an acquiree; and how to apply the "screen test" and "framework" to determine whether an acquisition comprises a business.

Complete with original examples, insights, and flowcharts developed by Grant Thornton professionals, our Viewpoint also includes examples and guidance cited directly from the FASB's Accounting Standards Codification.

Source: *Grant Thornton Viewpoint May 20, 2021*

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