national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 107 – Mergers

Effective 1 April 2021

DEFINITIONS

A **merger** is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified

IDENTIFY THE COMBINED ENTITY AND COMBINING ENTITIES

Must be identified for each merger

- An **combined entity** is a new reporting entity formed from the combination of two or more entities
- A **combining entity** are the entities that are combined for the mutual sharing of risks and benefits in a merger

DETERMINE THE MERGER DATE

- The **merger date** is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined entity
- Evidenced in a binding arrangement

IDENTIFY ASSETS ACQUIRED OR TRANSFERRED LIABILITIES ASSUMED OR RELINQUISHED

- Must be part of what had been agreed in terms of the binding arrangement, rather than as a result of separate or pre-existing arrangements
- Assets and liabilities that qualify for recognition by the combined entity as set out in the binding arrangement must meet the definitions thereof and the recognition criteria per Standards of GRAP at the merger date

ACCOUNTING BY THE COMBINED ENTITY

INITIAL RECOGNITION AND MEASUREMENT

- Recognise assets acquired and liabilities assumed at carrying amounts (as recorded by the combining entities on merger date)
- Difference between carrying amounts of assets acquired and liabilities assumed – recognised in accumulated surplus or deficit
- Merger related costs - expensed when incurred
- Assets/liabilities are classified or designated in accordance with applicable Standards of GRAP
- Use uniform accounting policies for similar transactions and other events or similar circumstances

If accounting is incomplete by end of reporting date, recognise provisional amounts. These are adjusted retrospectively to reflect new information obtained. Period to measure all assets and liabilities may not exceed 2 years from merger date.

SUBSEQUENT MEASUREMENT

- Account for assets and liabilities in accordance with relevant Standards of GRAP

ACCOUNTING BY COMBINING ENTITIES

- Derecognise all assets and liabilities at their carrying amounts on the merger date
- The difference between the carrying amounts of assets transferred and liabilities de-recognised, recognised in accumulated surplus or deficit