Purchased Goodwill and Financial Performance of Banks in Nigeria

Gospel J. Chukwu[1] Drisu Salifu[2]

[1]*Department of Accountancy, Ken SaroWiwa Polytechnic,Bori, Rivers State, Nigeria*
[2]*Department of Accountancy, Ignatius Ajuru University of Education,Port Harcourt, Nigeria*
Corresponding Author: Gospel J. Chukwu

Abstract: *This study investigates the effect of purchased goodwill on return on assets, return on equity and earnings per share of banks in Nigeria. Listed banks were classified into goodwill sample and non-goodwill sample, depending on whether or not the banks had purchased goodwill in their financial statements. Data from annual reports of the goodwill sample from 2012 to 2016 were collated and analysed; and firm performance data from the two samples were compared to determine whether profitability in any sample was significantly higher than the other sample. Results from regression analysis of data from the goodwill sample showed that goodwill was significantly but negatively related to returns of asset, returns on equity, and earnings per share, suggesting that acquisitions in the Nigerian banking sector may have been detrimental to profitability. Comparison of the two samples showed that profitability was not significantly higher in any of the samples. Accordingly, it is recommended that corporate boards should thoroughly examine managerial motives for acquisitions, and ensure that any goodwill booked from business combinations should faithfully represent future economic gains of other assets acquired from the target company.*

Keywords -*purchased goodwill, return on assets, return on equity, earnings per share.*

I.   Introduction

Organisations engage in different types of investments to improve profitability and sustain competitiveness. One of such investments is the acquisition of other businesses to expand and synergise activities in the hope of reaping the benefits of scale such as cost reduction,increased market share and increased firm value[1,2]. When one entity acquires another one by transferring a consideration which exceeds the net assets acquired, the excess is attributed to goodwill (sometimes referred to as *purchased goodwill* to distinguish it from goodwill generated internally, and other forms of goodwill in the fields of economics, marketing, management and sociology).

The International Financial Reporting Standards (IFRS) number 3defines goodwill as an "asset representing future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised"[27]. Such future benefits are expected toinclude the profitability and sustained competitive ability of the business[3]. Incidentally, goodwill arising from business combinationsmay be overvalued and this will lead to the situation where the expected future economic benefits may not be realised[4,5]. Indeed, a number of acquisitions do not really create value,[6]and some may be detrimental to the profitability of acquirers[7].

The Nigerian banking industry underwent a major reform in 2005 when a number of banks had to combine to meet new capital requirements aimed at weeding out weak banks and stabilizing the banking system. The 2005 reforms led to several mergers and acquisitions in the banking sector that pruned down the number of banks from 89 to 24. Another round of banking sector reform was implemented in 2010 to deal with the effect of the 2008 global financial crises on the Nigerian banking system[8]. The reform was impelled by a special investigation of the Central Bank of Nigeria which revealed that ten banks were in such severe financial conditions that needed urgent regulator's intervention. At the end of the reform process licences of three banks were revoked and five banks were acquired by other banks[9]. The business combinations in the banking industry gave rise to the recognition of purchased goodwill in the financial statements of acquiring banks.

Studies on the relationship between purchased goodwill and financial performance of banks in Nigeria are scanty. A related study based on banks in Nigeria focussed on the relationship between goodwill and market value of the firm[10].Examination of the relationship between goodwill and firm performance will provide indication on whether goodwill numbers reported in the financial statements of banks in Nigeria reflect future benefitsderivable by acquiring entities.Such information will be useful for investors in view ofthe concern expressed about the reliability of purchased goodwill recognised in the financial statement of acquirers[11,12].

Also, the literature on how goodwill affects firm profitability is scanty, possibly because of the difficulty in attributing profit values to goodwill[13]. This study therefore contributes in expanding the sparse literature relating firm performance to goodwill.

II. Literature review and hypotheses

2.1. Empirical review

The non-disclosure of certain intangible assets by Stanbic_IBTC Bank Plc in Nigeria led to the suspension of key management officers of the bank by the Financial Reporting Council of Nigeria. This controversy motivated a study which examined whether intangible assets disclosed in financial statements of banks provided useful information for equity investors in Nigeria[10]. Specifically, the study examined whether intangible assets are associated with stock returns and year-end stock prices. Findings showed that goodwill was positively associated with stock returns of banks in Nigeria, and, therefore, the study concluded that regulatory enforcement of intangible asset disclosure will provide more useful information for investors in the country.

A related study with cross country evidence, used annual reports for a sample period of eleven years (2005 to 2015)and examined whether financial statements affect the performance of selected firms in Jordan, Egypt, Kuwait, Morocco, Saudi Arabia, United Arab Republic and Qater[14]. The paper measured performance based on market adjusted returns calculated by subtracting stock returns from market returns. Results of the study showed that goodwill is significantly but negatively related to firm performance. Analyses of the results by sub-samples of small and large firms showed that the relationship is more significant for large firms than for small firms. Though the study used the goodwill numbers reported in financial statements, it equated goodwill to the reputation of the reporting entity rather than as an asset reflecting future economic benefits derived from other assets acquired from the acquire.

The importance of goodwill as an asset which contributes substantially to the survival of a number of firms has been noted in the literature [15]. The value of goodwill provides an informative perspective on the quality of a firm's asset, and is positively valued by the market[15]. But when goodwill value was analysed based on the age of the asset to determine whether recently purchased goodwill has the same or different levels of information content as goodwill values that have been in the books for a number of years, the results showed that recently purchased goodwill possesses more information content than older goodwill values[16].

Goodwill is sometimes viewed as consisting of different components based on how the resource was derived. In one three-component analysis, goodwill was distinguished into going concern goodwill, synergy goodwill and residual goodwill. A research that tested the market valuation of these components (using the Ohlson model) found that the market positively values the going concern and synergy goodwill component, but the relationship between residual goodwill and market value was significantly negative. This led the study to conclude that investors respond favourably to going concern and synergy component of goodwill[17].

In the view of the International Accounting Standards Board (IASB) it is not possible to measure goodwill directly; therefore, goodwill should be measured as a residual[18]. In framing IFRS 3 the Board evaluated documentsfrom the Financial Accounting Standard Board (FASB) which identified six components of goodwill; four of which (the first, second, fifth and six components) were not goodwill in the opinion of the IASB[18]. The Board, however, accepted the third component (fair value of the going concern) as part of goodwill since it reflects the excess assembled value of the net assets of the target company[18]. The IASB also accepted the fourth component, the expected synergies from combination since it reflects the excess assembled value of the acquirer and the acquiree that the combination is expected to create[18]. Put together, the views of the IASB are not inconsistent with those of researchers who examine goodwill using the going concern component, synergy component and the residual component.

Historically,accounting practice subjected goodwill to annual amortisation for a number of years. However, current accounting standards (such as International Financial Reporting Standards {IFRS} number 3 and Statement of Financial Accounting Standards {SFAS} number 142) require that goodwill should be tested for impairment annually. The justification of replacing annual amortisation with annual impairment was tested empirically using different sample sizes of annual report data from Compustat. Results indicate that the switch was justified. The study also found that the desire to obtain synergy was one of the most important motivations for business acquisition[2].

A number of studies on the relationship between goodwill and firm performance did not examine the separate components of goodwill. A study on the usefulness of intangible assets to equity investors in Portugal, found that goodwill had a significant relationship with firm performance measured by stock price[19]. But an earlier study found that intangible assets are significantly, negatively related to market value, suggesting that investors perceive capitalised intangible assets as accounting values that should be expensed, not capitalised[20].

As noted by the IASB, direct measurement of goodwill is difficult; thus, by extension, measurement of the contribution of goodwill to firm performance is difficult. To overcome this problem, return on assets of firms with goodwill was compared to that of firms without goodwill in an analysis involving 38,519 firm year

observations drawn from forty eight industries in the US. Results of the study indicate that for many industries, the return on assets of firms with goodwill values was higher than that of firms without goodwill values, suggesting that purchased goodwill contributes to profitability[13].

2.2.Hypotheses

The hypotheses for this study are based on the assertion that goodwill results from business combination expected to produce synergies and future benefits [2,17]. Given the mixed evidence on the relationship between goodwill and firm performance, the hypotheses are presented in the null form using three measures of profitability.

H1a The relationship between goodwill and return of asset is not significant

H1b Return on equity is not significantly associated with goodwill

H1c Earnings per share and goodwill are not significantly related

H2a Return on asset of banks with purchased goodwill is not significantly different from that of banks with no goodwill

H2b   Return of equity (ROE) of banks with recognised goodwill is not significantly different from the ROE of banks without purchased goodwill

H2c   Earnings per share of banks with goodwill values is not significantly different from that of banks without goodwill values in their financial statements

2.3.Theoretical framework

As defined by IFRS 3, goodwill represents expectation of future economic benefits that emanate from the acquisition of the assets of another business. It indicates that there is expectation of profits that will arise synergistically from combination of the acquirer's assets with those of the target firm. Given this nature of goodwill, it becomes a useful vehicle for conveying signals of future profits and other economic gains derivable by the acquirer. Accordingly, the theoretical basis of this study is signalling theory, a theory which addresses managers' use of accounting information to indicate future expectations of the reporting entity. Signals through accounting numbers become effective when they are difficult to replicate[21], and business combinations from which goodwill arises usually involve a high level of decision-making. This is probably why goodwill values affect investors' perception of banks in Nigeria[10].

III. Material and Methods

3.1.Population and samples

There are fifteen listed banks in the Nigerian Stock Exchange at the end of 2016. A census approach was adopted which included every listed bank as part of the sample. However, only six banks reported goodwill throughout the study period, which is from 2012 to 2016. The choice of 2012 (the year the country commenced implementation of IFRS accounting) is to ensure that all banks will adopt a uniform accounting basis, and hopefully, a goodwill valuation methodology that is informed by IFRSs. The six banks in our *goodwill*sample are Access Bank Plc, First City Monument Bank Plc, FBN Holdings, Guarantee Trust Bank, United Bank for Africa and Unity Bank Plc. The data analysed could not be extended to 2017 because Unity Bank's financial statement for 2017 was not available at the Nigerian Stock Exchange, Port Harcourt branch.

Six banks were selected from the remaining nine banks to make up the *non-goodwill sample*. Thus, this study used two samples - the goodwill sample (made up of banks with purchased goodwill recognised in their financial statements in all the years covered by the study), and the non-goodwill sample (made up of banks without recognised goodwill in their financial statements). Ecobank and Skye Bank were not included in the samples because the 2016 audited financial statements were not available at the Nigerian Stock Exchange Port Harcourt branch, and Diamond Bank was not included because it recognised goodwill in some of the years covered by the study. The remaining six banks that constitute the non-goodwill sample are Fidelity Bank, StanbicIBTC Bank, Sterling Bank, Union Bank, Wema Bank and Zenith Bank.

3.2. Variables and models

To determine whether goodwill is related to firm performance, data on goodwill were regressed on performance measures. The performance variables used in this study are return on assets (ROA), return on equity (ROE) and earnings per share (EPS). These performance measures are very frequently used measures of performance in studies on the banking industry[22,23]. The models for this study are as follows:

$$ROAgw_i = a_0 + a_1GW_i + a_2LEVgw_i + e_i \quad \text{......................} 1$$
$$ROEgw_i = a_0 + a_1GW_i + a_2LEVgw_i + e_i \quad \text{......................} 2$$
$$EPSgw_i = a_0 + a_1GW_i + a_2LEVgw_i + e_i \quad \text{......................} 3$$

where ROAgw is return on assets of firms in the goodwill sample, measured by profit after tax scaled by total assets, ROEgw is return on equity of firms in the goodwill sample, measured by profit after tax scaled by total equity, GW is purchased goodwill disclosed in the notes to the statement of financial position, EPSgw is earnings per share of banks in the goodwill sample as determined by the respective banks and disclosed on their income statement.LEVgw is the leverage of banks in the goodwill sample, measured by total equity scaled by total assets. In this study, leverage is a control variable as previous Nigerian studies have shown that it is significantly related to profitability[24,25]. In the non-goodwill sample, ROA is return on assets, ROE is return on equity and EPS is earnings per share.

To address the second set of hypotheses, return on assets of the two samples were compared using the t statistic. Return on equity and earnings per share of the two samples were also compared to determine whether the goodwill sample wassignificantly different from the non-goodwill sample in their performance.

IV. Results

4.1. Descriptive statistics

Table 1 presents the descriptive analysis for this study. Goodwill values range from N51m to N17bn with a mean value of N7bn, suggesting that goodwill values represent substantial amount in the financial statements of banks whose business combinations led to the recognition of goodwill. The mean value of return on assets is approximately 2 per cent, while that of return on equity is approximately 13 per cent. The minimum amount of EPS is a loss per share of 58k, whilethe maximum value is 467k and the mean value is 161k, suggesting that the banks in the goodwill sample are generally profitable. The leverage of firms in the goodwill sample (LEVgw) has a mean value of 86% per cent, suggesting that banks in Nigeria use a lot of debt financing.

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Goodwill	30	51	16980	7084.533	5235.27
ROAgw	30	-5.59	5	1.9095	1.85004
EPSgw	30	-58	467	160.8333	123.2757
ROEgw	30	-80.04	30.76	12.4124	19.13909
LEVgw	30	81.37	93.01	86.3573	2.69631

Source of data is the annual report of banks from 2012 to 2016

4.2. Bivariate correlations

Table 2 presents the pearson correlation between the variables. The correlation between goodwill and each of the dependent variables (return on assets, return on equity, and earnings per share) is significant and negative, suggesting that purchased goodwill arising from business combinations in the banking industry does not positively impact profitability. On the contrary, the asset of goodwill which indicates synergies from mergers and acquisitions as well as future expectations of the acquirer is negatively associated with profitability in the banking industry. The correlation between goodwill and leverage (a control variable) is negative but not significant.

Table 2 Summary of pearson correlations

Variable	Goodwill	ROAgw	EPSgw	ROEgw	LEVgw
Goodwill	1	-0.348*	-.466***	-.409**	-0.192
ROAgw	-0.348*	1	.764***	.940***	-.478***
EPSgw	-.466***	.764***	1	.621***	-0.156
ROEgw	-.409**	.940***	.621***	1	-.374**
LEVgw	-0.192	-.478***	-0.156	-.374**	1

***, **, * represent significant level of 1%, 5% abd 10% respectively

The correlation between return on assets (ROAgw) and return on equity (ROEgw) from banks which reported goodwill is positive, very high, and significant at the 1 per cent level. The high correlation (94 per cent) does not suggest collinearity as the two variables are dependent variables. The correlation between earnings per share (EPSgw) and return on assets (as well as the correlation between return on equity and earnings per share) is positive, high and significant at the one per cent level. The positive and significant correlation between the dependent variables is reasonable as they all measure the profitability of a firm. The correlation between return

on assets and leverage (LEVgw) is negative and significant. Similarly, the correlation between return on equity and leverage is negative and significant, suggesting that profitable banks rely more on equity financing than the less-profitable banks.

4.3. Results of regression analyses

The adjusted R^2 valuesfor the three models range from 23 per cent to approximately 40 per cent, indicating that the independent variables in each model explain variations in the dependent variable, at least, moderately. The F values are high and significant ($p < .01$), indicating that the models fit the data. Also the Durbin-Watson statistic is within the range of 1.5 to 2.5, suggesting that autocorrelation may not be present in the data. The variance inflation factor for each predictor in each model is below 10, suggesting the absence of multicollinearity problem[26].

Table 3 Summary of regression analysis

Models	Dependent	Independent	Coefficients	t value	p value	VIF
1	Variables	Variables				
	ROAgw	GW	-0.457	-3.090	0.005	1.038
		LEVgw	-0.566	-3.826	0.001	1.038
2	ROEgw	GW	-0.499	-3.231	0.003	1.038
		LEVgw	-0.47	-3.045	0.005	1.038
3	EPSgw	GW	-0.515	-3.097	0.005	1.038
		LEVgw	-0.255	-1.532	0.137	1.038
	Summary of models		Model 1	Model 2	Model 3	
		Adjusted R^2	0.388	0.334	0.227	
		F	10.197***	8.269***	5.251***	
		DW stat	1.549	1.838	1.858	
		N	30	30	30	

Source: Results of SPSS 21 analyses of bank annual reports

Table 4 presents the comparison of return on assets for the goodwill sample (ROAgw) and the return on assets for the non-goodwill banks (ROA). The mean of ROAgw (1.91) is higher than that of ROA (1.45), but the difference between the variables is not significant (p=.256). The Table also presents results of comparison of earnings per share and return on equity for the two samples. The mean of return on equity for goodwill banks (ROEgw) is marginally greater than the return on equity for the non-goodwill banks (ROE). Also, the mean of EPSgw (earnings per share of goodwill banks) is greater than EPS (earnings per share of non-goodwill banks), but the difference is not significant (p=.102). With the results presented in Table 4, none of the last three hypotheses is supported.

Table 4 Comparison of profitability between goodwill and non-goodwill samples

	Return on assets			Return on equity			Earnings per share		
	ROAgw	ROA	Results	ROEgw	ROE	Results	EPSgw	EPS	Results
Means	1.91	1.45		12.41	11.2		160.83	108.7	
Obs	30	30		30	29		30	30	
t Stat			1.147			0.315			1.659
P(T<=t)			0.256			0.755			0.102
t Critical			2.009			2.026			2.001

One observation was eliminated from the ROE of the non-goodwill sample. It was in respect of 2012 accounting data of Union
Bank from which a negative ROE of 394 was derived. This figure is far above the average ROE of 11.2 of the entire sample;
accordingly, it was removed from the ROE sample thereby reducing the sample to 29.

V. Discussion

The findings resulting from comparing return on assets, return on equity, and earnings per share, of goodwill banks with non-goodwill banks indicate that the two samples are similarly profitable. The mean of each of the profitability measures is slightly higher for the banks with purchased goodwill than for banks without goodwill numbers. To this extent, the results of this study is similar to that of the Vance[13] who found that returns of assets of firms with purchased goodwill (in some industries) was greater than those of firms without goodwill values in their financial statements. In the current study, however, the differences in the profitability measures between the goodwill and non-goodwill samples are not statistically significant.

The next important finding of this study is the negative relationship between goodwill and profitability measures. It is noteworthy that using any of the three profitability measures (ROA, ROE and EPS), the relationship between goodwill and firm performance is negative and statistically significant. Some earlier studies have found a negative and significant relationship between goodwill and firm performance[14, 20], but these studies measured firm performance using stock price and stock returns. Such negative relationship between goodwill and market value led to the interpretation that goodwill values were perceived by investors as items that should be expensed, not capitalised, and the higher the amount of goodwill a firm reports, the more the investors downgraded the valuation of the firm.[20]

Some earlier studies have found that a number of business acquisitions do not create value for the acquirer; indeed, a number of acquisitions diminish profitability[6,7]. Thus, it is possible that the goodwill arising from business combinations in the banking industry did not create value that translated to profitability for many of the acquirers who reported huge goodwill values. On the other hand, the valuation of goodwill amounts can be misleading as the asset can be overvalued or undervalued[11, 12]. Given this reality, it is possible that some of the goodwill numbers reported by banks in Nigeria may not be reliable as the expected synergistic benefit which should translate to better firm performance appears to be lacking.

VI. Conclusion

The relationship between goodwill and each of the three profitability measures used in this study is significantly negative. Since the result is consistent across the three profitability measures, it is reasonable to conclude that the relationship between goodwill and profitability is negative. The implication of the results is that the mergers and acquisitions in the banking industry in Nigeria may not have been motivated by the need for synergistic gains that flow from acquisitions, and may have had a detrimental effect on the profitability of the banks. Given the consistency in the results across the three profit measures, it is also possible that the goodwill values may not have been well estimated. Corporate boards must therefore examine the motives for acquisitions, and ensure that purchased goodwill arising from acquisitions are reliably estimated.

References

[1]. Bradley, M., A, Desai, and E. Kim. Synergistic gains from corporate acquisitions and their division between the stockholders of target and acquiring firms. *Journal of Financial Economics*.1988; 21, 3-40.

[2]. Churyk, N.T. Reporting goodwill: are the new accounting standards consistent with market valuations? *Journal of Business Research*.2005; 58, 1353-1361

[3]. Shleifer, A. &Vishney, R.W. Stock market driven acquisitions. *Journal of Financial Economics*.2003; 70(3), 295-311

[4]. Gu, F., & Lev, B. Overpriced shares, ill-advised acquisitions, and goodwill impairment. 2008. Retrieved from: http://people.stern.nyu.edu

[5]. Hirshleifer, D. Hou, S., Teoh, H. & Zhang, Y. Do investors overvalue firms with bloated balance sheets? *Journal of Accounting & Economics*. 2004; 38, 297-331

[6]. Darough, M.N., Guler, L. & Wang, P. Goodwill impairment losses and CEO compensation. *Journal of Accounting, Auditing & Finance*.2014; 29(4), 435-463

[7]. Dickerson, A.P., Gibson, E.D. &Tsakalotos, E. Oxford Economic Papers, 1997; 49, 344-361

[8]. Sanusi, S.L. Banking reforms and its impact on the Nigerian economy. Being a lecture delivered at the University of warwick's Economic Summit, UK, on 17th February, 2012. Retrieved from https://www.cbn.gov.ng.

[9]. Afolabi, J.A. Mergers and acquisitions in the Nigerian Banking system: Issues and challenges. Paper presented at the workshop for Business Editors and Finance Correspondents Association of Nigeria at Manpower Development Institute, Dutse, Jigawa State, November 28, 2011. Retrieved http://www.ndic.gov.ng

[10]. Chukwu, A.N., Ohaka, J. &Nwanyanwu, L.A. Intangible assets and market value of quoted deposit money banks in Nigeria. *UNIPORT Journal of Business, Accounting & Finance Management*.2017; 8(1), 184-199

[11]. Dahmesh, F. N., Durand, R.B. & Watson, J.The value relevance and reliability of reported goodwill and identifiable intangible assets.*The British Accounting Review*.2009; 41(2), 120-137

[12]. Li, Z., P. Shroff, and R. Venkataraman. Goodwill impairment loss: Causes and consequences. *Working Paper, University of Minnesota*.2005

[13]. Vance, D.E. Return on booked goodwill. Nor*theastern Association of Business, Economics, and Technology Proceedings*. 2008. Retrieved from http://www.nabet.us/achives/2008/f%2008/268.pdf

[14]. Satt, H. &Chetioui, Y. Does goodwill improve firm performance? Evidence from MENA region.*Risk governance & control: Financial Markets and Institutions*. 2017; 7(2), 108-115.

[15]. Chauvin, K.W. &Hirschey, M. Goodwill, profitability, and the y, market value of the firm.*Journal of Accounting and Public Policy*.1994; 13(2), 159-180

[16]. Bugeja, M. & Gallery, N. Is older goodwill value relevant? *Accounting and Finance*. 2006; 46(4), 519-535

[17]. Henning, S., B. Lewis, and W. Shaw. Valuation of the components of purchased goodwill. *Journal of Accounting Research.*2000; 38(2): 375-386.
[18]. International Accounting Standards Board International Financial Reporting Standards No. 3 Business Combination. IFRS Foundation: London. 2018
[19]. Oliveria, L., Rodrigues, L.L. & Crag, R.. Intangible assets and value relevance: Evidence from the Portuguese Stock Exchange. *The British Accounting Review*. 2010; 424, 241-252
[20]. Ely, K.B. &Waymire, G. Intangible assets and stock price in the pre-SEC era. *Journal of Accounting Research*.1999; 37, 17-44
[21]. Godfey, J. Hodgson, A.,Tarca, A., Hamilton, J & Holmes, S. *Accounting Theory,*Milton Old, Australia: John Wiley & Sons, 2010.
[22]. Chukwu, G.J. &Egbunike, P.A. Chief executive officers' human capital and firm performance: Evidence from the Nigerian banking industry. *ICAN Journal of Accounting & Finance.*2017; 3(1), 57-69
[23]. Chinaemerem, O.C. & Anthony, O. Impact of capital structure on the financial performance of Nigerian firms. *Arabian Journal of Business and Management Review*, 2012; 1(12), 43-60
[24]. Ezeoha, A.E. Firm size and corporate financial leverage choice in a developing economy: Evidence from Nigeria. *The Journal of Risk Finance*. 2008; 9(4), 351-364
[25]. Ibhagul, O.W &Olokoyo, F.O. Leverage and firm performance: New evidence on the role of firm size. *The North American Journal of Economics and Finance*.2018; 45, 57-82
[26]. Hair, J.F., Anderson, R.E., Tatham, R. L. & Black, W.C. (1998). *Multivariate Data Analysis* (5[th]ed.). Upper Saddle River, NJ: Pearson Education. 1998.
[27]. International Accounting Standards Board *International Financial Reporting Standards No. 3 Business Combination. Basis for conclusion*. IFRS Foundation: London. 2018