FOURMI
& PARTNERS

Building #12, Street 348, Phum 4, Sangkat Toul Svay
Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IFRS 3 business combinations in Cambodia: goodwill and fair value

The acquisition method under CIFRS IFRS 3 and CIFRS for SMEs Section 19: identifying the acquirer, fair value of consideration, goodwill vs bargain purchase, NCI, and the different goodwill amortisation rules.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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HOW DOES A CAMBODIAN COMPANY ACCOUNT FOR AN ACQUISITION UNDER IFRS 3, AND HOW DOES CIFRS FOR SMES DIFFER?

Under CIFRS (IFRS 3 Business Combinations) the acquirer recognises and measures the identifiable assets acquired and liabilities assumed at acquisition-date fair value, measures non-controlling interests either at fair value or at their proportionate share, and recognises goodwill as the excess of the consideration over the net identifiable assets; goodwill is not amortised but is tested for impairment under IAS 36. CIFRS for SMEs (Section 19) uses the same acquisition method but amortises goodwill over its useful life and, where the life cannot be reliably estimated, over a period not exceeding ten years, then tests it for impairment under Section 27. In Cambodia, the purchase agreement, MOC filings, stamp duty and the tax treatment of goodwill and transaction costs all need to be mapped before completion accounts are finalised.

IN SHORT

- IFRS 3 uses the acquisition method: identify the acquirer, the acquisition date, the identifiable assets and liabilities, any non-controlling interest, and the consideration.
- Goodwill is the residual: consideration plus NCI plus any previously held interest, less the fair value of the net identifiable assets.
- Transaction costs are expensed under IFRS 3, not included in goodwill; the tax treatment of those costs is a separate question.
- CIFRS for SMEs Section 19 amortises goodwill over its useful life, capped at ten years where the life cannot be reliably estimated; full CIFRS does not amortise goodwill.
- In Cambodia, the MOC share transfer, stamp duty, the tax treatment of goodwill and the group audit plan should be agreed before the purchase price allocation is signed off.

Step 1: is it a business combination?

IFRS 3 applies when an acquirer obtains control of a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income. The presence of inputs, processes and outputs is the test; a collection of assets that does not include a process is an asset acquisition, not a business combination.

The distinction matters because an asset acquisition does not produce goodwill. The acquirer allocates the cost to the individual assets and liabilities on a relative fair value basis, and transaction costs are usually capitalised as part of the cost. A business combination applies the acquisition method and may produce goodwill or a bargain purchase gain.

IFRS 3 excludes combinations of entities or businesses under common control, the formation of a joint arrangement, and the acquisition of an asset or group of assets that is not a business. A Cambodian group restructuring between entities owned by the same shareholders is therefore outside IFRS 3; the accounting policy for common-control transactions must be developed and disclosed, because IFRS 3 does not prescribe one.

- Identify the acquirer: the entity that obtains control, not necessarily the entity that issues the shares or pays the cash.
- Identify the acquisition date: the date control passes, which may differ from the signing or completion date.
- Decide whether the target is a business or a group of assets; document the inputs, processes and outputs.
- Check for common control, joint arrangements and other scope exclusions before applying the acquisition method.

Step 2: the acquisition method

At the acquisition date the acquirer recognises the identifiable assets acquired and liabilities assumed at fair value, with limited exceptions such as deferred tax, employee benefits, share-based payment and contingent liabilities. Identifiable intangible assets must be separated from goodwill: customer relationships, brands, software, licences, non-compete agreements and order backlogs can all be recognised if they meet the contractual-legal or separability criteria.

The consideration transferred is measured at fair value and can include cash, shares, contingent consideration and the settlement of pre-existing relationships. Contingent consideration classified as a liability is remeasured at fair value through profit or loss; contingent consideration classified as equity is not remeasured. Acquisition-related costs such as advisory, legal, accounting, valuation and other professional fees are expensed as incurred, not included in goodwill.

For each business combination the acquirer measures any non-controlling interest at either fair value or the NCI's proportionate share of the acquiree's identifiable net assets. The choice is made transaction by transaction and changes the amount of goodwill: measuring NCI at fair value recognises the NCI's share of goodwill, while the proportionate method recognises only the parent's share. The choice must be disclosed.

HOW THE CONSIDERATION, NCI AND NET ASSETS PRODUCE GOODWILL

Component	Measurement	Effect on goodwill
Consideration transferred	Fair value at the acquisition date	Increases goodwill
Non-controlling interest	Fair value or proportionate share of net assets	Fair value increases goodwill; proportionate share does not recognise NCI goodwill

Component	Measurement	Effect on goodwill
Previously held interest	Fair value at the acquisition date	Remeasurement gain or loss in profit or loss
Identifiable net assets	Fair value at the acquisition date	Reduces goodwill
Bargain purchase	Consideration below fair value of net assets	Gain recognised in profit or loss after reassessment

Step 3: goodwill, bargain purchase and the SME difference

Goodwill is the excess of the consideration plus NCI plus any previously held interest over the fair value of the net identifiable assets. It is not a separately identifiable asset; it represents the future economic benefits from assets that cannot be individually identified and recognised. Under full IFRS 3, goodwill is not amortised. It is allocated to the acquirer's cash-generating units and tested for impairment annually under IAS 36, or more often if there is an indication.

If the consideration is less than the fair value of the net identifiable assets, the acquirer first reassesses whether it has identified all assets and liabilities and measured them correctly. If a bargain purchase gain remains, it is recognised in profit or loss. A bargain purchase is not a reason to create a negative goodwill balance sheet account.

CIFRS for SMEs Section 19 uses the same acquisition method but a different subsequent measurement: goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. The acquirer amortises goodwill over its useful life and, if it cannot reliably estimate the life, uses its best estimate but not more than ten years. That amortisation is a real difference from full CIFRS and changes the profit profile of every acquisition.

> **Goodwill is a residual, not a valuation**
>
> The purchase price allocation must support every identifiable intangible and every adjusted liability. If the file cannot explain why a customer relationship, brand or software licence is missing, the residual is not goodwill; it is an incomplete allocation.

Cambodian execution: MOC,

stamp duty, tax and audit

A share acquisition in Cambodia is completed through the share transfer and the MOC filings, not only the sale and purchase agreement. The company's articles, the share register and the MOC records must be updated, and the transfer may attract stamp duty under Prakas 577. The accounting acquisition date is the date control passes, which may be the completion date rather than the signing date; the legal and accounting dates should be reconciled.

The tax treatment of goodwill and acquisition costs is separate from the accounting. Transaction costs are expensed under IFRS 3, but their deductibility for Tax on Income depends on the Law on Taxation (2023) and the GDT's rules. Goodwill may be amortised for accounting under CIFRS for SMEs but not under full CIFRS; the tax treatment of any amortisation or impairment must be confirmed with the GDT and reflected in the deferred tax calculation. Do not assume that the accounting amortisation is deductible.

For a group acquisition, the auditor plans the group audit under ISA 600, identifies the significant components and decides which component auditors will cover. The purchase price allocation, the fair value of the net assets and the goodwill impairment test are group-level estimates; component auditors may test the underlying records but the group auditor remains responsible for the conclusion.

01 Map the legal completion, the MOC filings and the accounting acquisition date.

02 Obtain the purchase agreement, completion accounts and the share transfer documents.

03 Support every identifiable intangible, contingent liability and fair value adjustment.

04 Reconcile the goodwill or bargain purchase to the consideration and NCI.

05 Agree the tax treatment of goodwill, transaction costs and stamp duty with the GDT.

06 Document the group audit plan and the goodwill impairment test under ISA 600 / IAS 36.

Common-control transactions and the policy gap

A transaction between entities ultimately controlled by the same party before and after the combination is outside IFRS 3 and outside Section 19. IFRS does not prescribe the accounting; the group must choose a policy, apply it consistently and disclose it. Common approaches are book-value accounting, where the receiving entity records the transferred business at the carrying amount in the transferor's consolidated financial statements, or fair value with the difference treated as a capital contribution or distribution.

In Cambodia, common-control restructurings are common in family groups and in preparation for an investment or a bank facility. The policy should be agreed with the auditor before the transaction, because the choice affects distributable reserves, goodwill, tax and the comparatives. A policy invented after completion is difficult to defend.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

What is the difference between a business combination and an asset acquisition?

A business combination transfers control of a business, which is an integrated set of inputs, processes and outputs. An asset acquisition transfers a group of assets that does not constitute a business. A business combination applies the acquisition method and can create goodwill; an asset acquisition allocates the cost to the individual assets and liabilities and does not create goodwill.

How is non-controlling interest measured?

For each business combination, the acquirer measures NCI at either fair value or the NCI's proportionate share of the acquiree's identifiable net assets. Fair value recognises the NCI's share of goodwill; the proportionate method recognises only the parent's share. The choice is made transaction by transaction and must be disclosed.

Is goodwill tax-deductible in Cambodia?

Do not assume it is. The accounting treatment under IFRS 3 or Section 19 does not determine the tax treatment. The deductibility of goodwill, its amortisation or impairment and the acquisition costs depends on the Law on Taxation (2023) and the GDT's rules. Confirm the position for the specific acquisition and reflect it in the deferred tax calculation.

What about a merger between companies owned by the same shareholders?

A combination of entities or businesses under common control is outside IFRS 3 and Section 19. The group must choose a consistent accounting policy, such as book-value accounting or fair value with a capital contribution or distribution, and disclose it. Agree the policy with the auditor before completion.

SOURCES

Where the rules come from

01 IFRS 3 Business Combinations (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-3-business-combinations/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 19 Business Combinations and Goodwill (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 IAS 36 Impairment of Assets (https://www.ifrs.org/issued-standards/list-of-standards/ias-36-impairment-of-assets/) — IFRS Foundation

04 Cambodian International Financial Reporting Standards (CIFRS and CIFRS for SMEs) — National Accounting Council / ACAR, Ministry of Economy and Finance

05 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023); Prakas 577 on stamp duty (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation