EXHIBIT 1-A

Sources: ARB 43, Chapter 1A; ARB 51; FASB Statement 87; FASB Statement 106; FASB Statement 109; FASB Statement 141; FASB Statement 145; FASB Statement 147; FASB Statement 158; FASB Interpretation 4; FASB Technical Bulletin 85-5; FASB Staff Position FAS126-1; FASB Staff Position FAS141-1/142-1

[**Note:** A list of Issues discussed by the Emerging Issues Task Force (EITF) that provide supplemental guidance for this section is presented in paragraph .1000. A list of AICPA Accounting Standards Executive Committee (AcSEC) pronouncements that also provide supplemental guidance for this section is presented in paragraph .2000.]

Summary

This section addresses financial accounting and reporting for business combinations. All business combinations in the scope of this section are to be accounted for using one method—the purchase method.

The provisions of this section reflect a fundamentally different approach to accounting for business combinations than previously allowed. The single-method approach used in this section reflects the conclusion that virtually all business combinations are acquisitions and, thus, all business combinations should be accounted for in the same way that other asset acquisitions are accounted for—based on the values exchanged.

This section changes the accounting for business combinations in the following significant respects:

- This section requires that all business combinations be accounted for by a single method—the purchase method.
- This section requires that intangible assets that can be identified and named be recognized as assets apart from goodwill if they meet one of two criteria—the contractual-legal criterion or the separability criterion. To assist in identifying acquired intangible assets, this section also provides an illustrative list of intangible assets that meet either of those criteria.
- Disclosure is now required of the primary reasons for a business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet caption. When the amounts of goodwill and intangible assets acquired are significant in relation to the purchase price paid, disclosure of other information about those assets is required, such as the amount of goodwill by reportable segment and the amount of the purchase price assigned to each major intangible asset class.

This section does not apply, however, to combinations of two or more not-for-profit organizations, the acquisition of a for-profit business entity by a not-for-profit organization, and combinations of two or more mutual enterprises. Those transactions are not in the scope of Section B51 until further guidance is issued. Appendix E, "*Current Text* Sections That Are Superseded by Pronouncements with Delayed Effective Dates," contains Section B50, "Business Combinations (APB 16)," which applies to these transactions.

Introduction

.101 This section addresses financial accounting and reporting for business combinations. [FAS141, ¶1] Paragraphs .175 through .200 of this section provide implementation guidance on the application of the purchase method of accounting for a business combination and are an integral part of the standards provided in this section. Paragraphs .173 and .174 provide illustrations of some of the financial statement disclosures that this section requires. [FAS141, ¶2]

Accounting for Asset Acquisitions—General Concepts

.102 The accounting for a business combination follows the concepts normally applicable to the initial recognition and measurement of assets acquired, liabilities assumed or incurred, and equity shares issued, as well as to the subsequent accounting for those items. Those concepts are set forth in paragraphs .103 through .107. The standards of accounting and reporting for a business combination by the purchase method, which are based on those concepts, are set forth in paragraphs .108 through .143 and .156 through .171. [FAS141, ¶3]

.103 *Initial recognition.* Assets are commonly acquired in exchange transactions that trigger the initial recognition of the assets acquired and any liabilities assumed. If the consideration given in exchange for the asset (or net assets) acquired is in the form of assets surrendered (such as cash), the assets surrendered are derecognized at the date of acquisition. If the consideration given is in the form of liabilities incurred or equity interests issued, the liabilities incurred and equity interests issued are initially recognized at the date of acquisition. [FAS141, ¶4] [Refer to paragraph .1001 for an EITF Issue that provides interpretive guidance on paragraphs .103 through .106.]

.104 *Initial measurement.* Like other exchange transactions generally, acquisitions are measured on the basis of the fair values exchanged. In exchange transactions, the fair values of the net assets acquired and the consideration paid are assumed to be equal,