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# FASB Amends Guidance on Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity

## Overview

On May 12, 2025, the FASB issued [ASU 2025-03](#),<sup>1</sup> which revises the guidance in ASC 805<sup>2</sup> on identifying the accounting acquirer in a business combination in which the legal acquiree is a variable interest entity (VIE). The ASU is intended to improve comparability between business combinations that involve VIEs and those that do not.<sup>3</sup>

## Background

The guidance in ASC 805-10-25-5 before the adoption of ASU 2025-03 states that in a business combination in which a VIE is acquired, the primary beneficiary of the legal acquiree is always the accounting acquirer. Conversely, for business combinations in which the acquired entity is determined not to be a VIE and it is not clear which of the combining entities is the acquirer after application of the voting interest entity (VOE) model, a reporting entity is

<sup>1</sup> FASB Accounting Standards Update (ASU) No. 2025-03, *Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*.

<sup>2</sup> FASB Accounting Standards Codification (ASC) Topic 805, *Business Combinations*.

<sup>3</sup> Paragraph BC24 of ASU 2025-03 states, "On the basis of the EITF's discussions and comment letter feedback received on the proposed Update, the Board concluded that the amendments in this Update will enhance the comparability of financial statements across entities engaging in acquisition transactions effected primarily by exchanging equity interests when the legal acquiree meets the definition of a business. Specifically, under the amendments, acquisition transactions in which the legal acquiree is a VIE will, in more instances, result in the same accounting outcomes as economically similar transactions in which the legal acquiree is a voting interest entity. This aligns with the discussion of comparability in FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, Chapter 3, *Qualitative Characteristics of Useful Financial Information*, which states that 'for information to be comparable, like things must look alike and different things must look different' (paragraph QC23). In addition, the Board notes that by improving comparability, investors will receive more decision-useful information."

required to consider the factors in ASC 805-10-55-11 through 55-15 when determining which legal entity is the accounting acquirer. As a result, if an acquisition transaction is effected primarily by exchanging equity interests, a reporting entity may reach different conclusions related to determining the accounting acquirer in a business combination involving a legal acquiree that is a VIE than it would if the legal acquiree were a VOE. That is, having considered the factors in ASC 805-10-55-12 through 55-15, the reporting entity might not identify the primary beneficiary of the legal acquiree that is a VIE as the accounting acquirer of the combining entities.

The identification of the accounting acquirer establishes which entity in the business combination will have its assets and liabilities remeasured in accordance with ASC 805-20 (generally at fair value) and creates a new basis of accounting. Accordingly, the comparability of similar transactions under existing GAAP can be greatly affected by the structure of the legal acquiree and whether such entity qualifies as a VIE or a VOE.

## Main Provisions of ASU 2025-03

Under ASU 2025-03, a reporting entity involved in a business combination effected primarily by the exchange of equity interests must consider the factors in ASC 805-10-55-12 through 55-15 to determine which entity is the accounting acquirer *regardless of whether the legal acquiree is a VIE*. More specifically, when considering those factors, the reporting entity can determine that a transaction in which the legal acquiree is a VIE represents a reverse acquisition (in which the legal acquirer is identified as the acquiree for accounting purposes). As a result, comparability is increased with business combinations in which the legal acquiree is a VOE. For a further discussion of the factors in ASC 805-10-55-12 through 55-15, see [Section 3.1](#) of Deloitte's Roadmap [Business Combinations](#).

## Effective Date and Transition

### Effective Date

ASU 2025-03 is effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted.

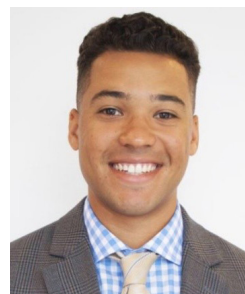
### Transition

The amendments in ASU 2025-03 must be applied prospectively to any business combination that occurs after the initial adoption date.

## Contacts



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