

Definition of a business - Concentration of fair value test

Concentration of fair value test:

- Why conduct a concentration test?
- Optional; may be equally costly to conduct depending on circumstances
- Judgments can be challenged; what is "substantially all" or "similar" assets?
- Result may not be consistent with full test
- Only identifies what is not a business; no shortcut to conclude that acquiree is a business



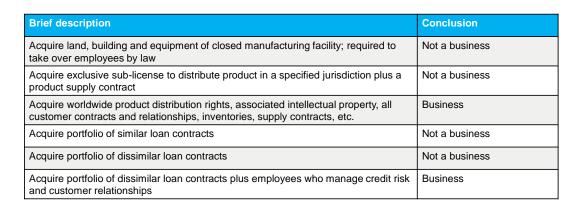
Definition of a business - Summary of examples

Brief description	Conclusion
Acquire portfolio of 10 similar homes	Not a business
Acquire office building, car park, plus cleaning and security contracts	Not a business
Acquire office building, car park, plus employees for leasing, tenant management, and operations	Business
Acquire potential diabetes drug compound in final testing phase including formula and know-how, and outsourced clinical trial contract	Not a business
Acquire potential diabetes plus Alzheimer drug compound in final testing phase including formula and know-how	Not a business
Acquire in-process drug compounds with senior scientists and management with necessary skills	Business
Acquire communications license, broadcasting equipment, and office building	Not a business



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Definition of a business - Summary of examples



Critical to consider details on how the above conclusions are reached in practical application!



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