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## IASB<sup>®</sup> meeting

Date	<b>March 2025</b>
Project	<b>Business Combinations—Disclosures, Goodwill and Impairment</b>
Topic	<b>Cover paper</b>
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## Introduction and purpose

1. At its [October 2024](#), [December 2024](#) and [January 2025](#) meetings, the International Accounting Standards Board (IASB) discussed feedback on the [Exposure Draft \*Business Combinations—Disclosures, Goodwill and Impairment\*](#) (Exposure Draft).
2. The purpose of this meeting is to analyse conceptual concerns raised by respondents about requiring performance and expected synergy information in financial statements (Agenda Paper 18A). Additionally, this agenda paper covers:
  - (a) background (paragraphs 4–6);
  - (b) respondents' suggestions to address concerns (paragraphs 7–14);
  - (c) next steps (paragraph 15); and
  - (d) Appendix A—Summary of discussions and tentative decisions.
3. The agenda papers for this meeting do not ask the IASB to make technical decisions. However, we ask:
  - (a) if IASB members have questions or comments on the analysis in each agenda paper, including anything to research or analyse further; and
  - (b) if the IASB agrees with our proposed next steps.

## Background

4. As [Agenda Paper 18B](#) for the IASB’s December 2024 meeting explains, there were divergent views, particularly between users and preparers, on whether to require disclosure of performance and expected synergy information.
  
5. As [Agenda Paper 18G](#) for the IASB’s January 2025 meeting explains, making decisions on disclosure of performance and expected synergy information will, in our view, require consideration of the how the concerns raised apply to each item of information and the circumstances in which the information would be disclosed. There is also significant interaction between various aspects of the proposals so, for example, it may be difficult to decide on whether to require an entity to disclose a particular item of performance or expected synergy information without knowing the situations in which an entity would be exempted from disclosing that item of information.
  
6. Paragraphs 17–43 of [Agenda Paper 18B](#) for the IASB’s December 2024 meeting (December agenda paper) explained common concerns raised by respondents about requiring performance and expected synergy information in financial statements. In line with the redeliberation plan outlined in [Agenda Paper 18G](#) for the IASB’s January 2025 meeting, we plan to analyse those concerns as follows:

<b>Reason</b>	<b>Plan for analysis</b>
(a) conceptual reasons	Analysed in Agenda Paper 18A
(b) auditability and expectations gap	We plan to consider auditability and expectations gap when analysing the specific proposals.
(c) commercial sensitivity and litigation risks arising from disclosure of forward-looking information	The proposed exemption was designed to respond to preparers’ concerns about commercial sensitivity and would also address litigation risk arising from an entity

	<p>failing to meet its acquisition-date objectives for a business combination because it disclosed the information.<sup>1</sup> We plan to analyse commercial sensitivity and litigation risk when analysing feedback on the exemption in a future IASB meeting.</p>
<p>(d) monetary costs and other concerns</p>	<p>We plan to consider monetary costs when analysing each of the specific proposals.</p> <p>We plan to analyse the other concerns at an appropriate time during the deliberations—for example, when deliberating the proposal that it relates to.</p>

## Respondents' suggestions to address concerns

7. Paragraphs 44–48 of the December agenda paper included suggestions for how to address the concerns explained in paragraph 6. We plan to analyse these suggestions at an appropriate time during the redeliberations (for example, we will analyse suggestions to address auditability when redeliberating auditability). For a few of the suggestions, we think now is the appropriate time to analyse the suggestions, specifically:
- (a) providing information in management commentary instead of financial statements (paragraphs 8–10); and
  - (b) field testing the Exposure Draft proposals (paragraphs 11–14).

<sup>1</sup> Paragraphs BC82–BC85 of the [Basis for Conclusions on the Exposure Draft](#) include further information about the IASB's considerations in respect of litigation risk when developing the Exposure Draft.

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***Providing information in management commentary instead of financial statements***

8. Many respondents said performance and expected synergy information would be better suited outside an entity's financial statements, for example in management commentary. Many of these respondents suggested the IASB consider whether such information should be provided in management commentary because performance and expected synergy information is, in their view, similar to information typically provided in an entity's management commentary. As [Agenda Paper 18A](#) for the IASB's July 2021 meeting explains, the IASB received similar feedback on the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* (Discussion Paper).
9. The IASB has also received feedback about whether specific items of information belong in financial statements or in other general purpose financial reports (including management commentary) on other projects—see for example, paragraphs 27–32 of [Agenda Paper 14C](#) for the February 2025 joint meeting of the IASB and International Sustainability Standards Board (ISSB) relating to the IASB's project on Climate-related and Other Uncertainties in the Financial Statements.
10. Agenda Paper 18A considers whether performance and expected synergy information can be required in financial statements. Some respondents suggested that the information should be provided in management commentary instead of financial statements. We disagree because the decision about whether particular information should be provided in financial statements depends on whether that information is necessary for the financial statements to meet their objective. We also note that:
  - (a) management commentary provides information that complements information in the entity's financial statements and its other general purpose financial reports.<sup>2</sup> So even if some performance and expected synergy information

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<sup>2</sup> Paragraphs 3.5–3.6 of the [Exposure Draft Management Commentary](#) proposed that management commentary provides information that complements information in the entity's financial statements. When redeliberating that proposal, [the IASB](#)

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might need to be provided in management commentary to meet the objective of management commentary (which we have not analysed), we disagree that it should be *instead of* financial statements.

- (b) it is possible for information about a particular matter to appear in more than one type of report if that information is necessary to meet the objective of each of those reports. For example, an entity with a significant legal dispute might need to disclose information about the dispute in its management commentary in discussing key risks and in its financial statements applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

### ***Field testing the Exposure Draft proposals***

11. Respondents suggested field testing the requirements proposed in the Exposure Draft.
12. As Appendix A of [Agenda Paper 18C](#) for the IASB's April 2021 meeting explains, we performed fieldwork asking preparers to prepare mock disclosures applying the IASB's preliminary views in the Discussion Paper. We considered the results of this fieldwork in developing the Exposure Draft proposals.
13. During outreach on the Exposure Draft, our meetings with preparers included discussing the feasibility of the new proposed requirements since the Discussion Paper, specifically:
- (a) the subset for disclosing performance information; and
- (b) the exemption.
14. We therefore think further field testing of the Exposure Draft proposals is, at this stage, unnecessary. As paragraph 10 of [Agenda Paper 18G](#) for the IASB's January 2025 meeting explains, we plan to consult with the IASB's consultative groups and

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[tentatively decided in September 2024](#) 'to acknowledge that management commentary complements other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside of management commentary'.

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other stakeholders during redeliberations as necessary—for example, to explore alternative approaches that we do not already have feedback on.

## Next steps

15. In line with the redeliberation plan outlined in [Agenda Paper 18G](#) for the IASB’s January 2025 meeting, we expect to analyse and redeliberate the requirements for an entity to disclose performance and expected synergy information at upcoming meetings (expected from April 2025).

### Questions for the IASB

- (1) Do IASB members have any questions or comments on this agenda paper—for example, on our analysis in paragraphs 7–14 of suggestions to require information in management commentary instead of financial statements or to field test the Exposure Draft proposals?
- (2) Considering our analysis in this agenda paper and Agenda Paper 18A, do you agree with our next steps proposed in paragraph 15, to continue to analyse and redeliberate the requirements for an entity to disclose performance and expected synergy information?

## Appendix A—Summary of discussions and tentative decisions

A1. This table summarises the Exposure Draft proposals, respondents’ feedback and the IASB’s discussions and tentative decisions during redeliberations.

Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
Objective	The project’s objective is to explore whether an entity can, at a reasonable cost, provide users with more useful information about business combinations.	Although not specifically asked, some respondents provided feedback on the objective, of which most agreed, and some expressed concerns about whether the proposals go far enough.	<a href="#">February 2025</a> : the IASB tentatively decided to retain the project objective but to adjust its wording to reflect the stage of the project.
Whether to require performance and expected synergies information	Disclose performance and expected synergies information in financial statements.  The specific information proposed is shown in rows below.	There were divergent views. In particular, almost all users confirmed the need for the information and most preparers continued to disagree with requiring the information in financial statements. Respondents who disagreed generally gave the following common reasons: (a) conceptual reasons;	No tentative decisions. <a href="#">March 2025</a> : conceptual concerns to be discussed in March 2025—see Agenda Paper 18A for this meeting. We plan to analyse the other reasons as we address each specific proposal.

Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
		<ul style="list-style-type: none"> <li>(b) auditability and expectations gap;</li> <li>(c) commercial sensitivity and litigation risks arising from disclosure of forward-looking information; and</li> <li>(d) monetary costs and other concerns.</li> </ul>	
Performance information—subset	Disclose performance information for only a subset of material business combinations—referred to as strategic business combinations—identified by quantitative and qualitative thresholds.	<p>Respondents generally supported a subset approach. However:</p> <ul style="list-style-type: none"> <li>(a) many agreed with a threshold approach but many others suggested a principles-based approach;</li> <li>(b) most disagreed with at least one of the proposed thresholds; and</li> <li>(c) some expressed concerns about the term ‘strategic’.</li> </ul>	To be discussed at a future meeting.
Performance information—management	Disclose performance information based on the information reviewed by the entity’s key management personnel (KMP), including:	<ul style="list-style-type: none"> <li>(a) Most respondents agreed with disclosing KOTs based on the information reviewed by KMP and some respondents disagreed; and</li> </ul>	To be discussed at a future meeting.



Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
approach and other feedback	<ul style="list-style-type: none"> <li>(a) acquisition-date key objectives and related targets (KOTs); and</li> <li>(b) the extent to which those KOTs are being met in subsequent periods, for as long as KMP review that information.</li> </ul>	(b) many respondents agreed with disclosing information for as long as KMP review, some respondents disagreed and some did not comment.	
Expected synergy information	<p>Information about expected synergies for each business combination including:</p> <ul style="list-style-type: none"> <li>(a) a description of expected synergies by category; and</li> <li>(b) for each category:               <ul style="list-style-type: none"> <li>(i) the estimated amounts;</li> <li>(ii) the estimated costs; and</li> <li>(iii) the expected timing.</li> </ul> </li> </ul>	Some respondents (including most users and user groups) agreed but most respondents (including almost all preparers and preparer groups and accounting firms) disagreed.	To be discussed at a future meeting.
Exemption from some disclosure requirements	An entity would be exempt from disclosing expected synergy information and some aspects of performance information if doing so can be expected to prejudice seriously the achievement of any of the entity's acquisition-	Almost all respondents agreed with having an exemption but many said the exemption should be expanded to cover other situations in which information would be so commercially sensitive that it	To be discussed at a future meeting.

Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
	date key objectives for the business combination. The Exposure Draft also proposed application guidance to accompany the exemption.	should not be disclosed in financial statements.	
Other IFRS 3 disclosures	<p>Amendments including:</p> <ul style="list-style-type: none"> <li>(a) to add two new disclosure objectives;</li> <li>(b) to require disclosure of the ‘strategic rationale’ instead of ‘primary reasons’ for a business combination; and</li> <li>(c) to specify that for the information about the contribution of an acquired business: <ul style="list-style-type: none"> <li>(i) the amount of profit or loss is the amount of ‘operating’ profit or loss;</li> <li>(ii) application guidance would not be provided; and</li> <li>(iii) the basis for preparing the information is an accounting policy.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>(a) Almost all respondents agreed;</li> <li>(b) almost all respondents agreed; and</li> <li>(c) for the contribution of an acquired business: <ul style="list-style-type: none"> <li>(i) most respondents agreed;</li> <li>(ii) most respondents agreed; and</li> <li>(iii) many agreed but many disagreed.</li> </ul> </li> </ul>	To be discussed at a future meeting.

Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
Restructuring and asset enhancement cashflows	Remove the requirement to exclude restructuring and enhancement cash flows when calculating value in use (VIU) of an asset or a cash-generating unit (CGU).	Many respondents agreed but many others disagreed.	To be discussed at a future meeting.
Allocating goodwill to CGUs	Targeted changes to IAS 36 to improve how entities allocate goodwill to CGUs and therefore reduce shielding.	Many respondents agreed but many others disagreed (including almost all respondents who suggest reintroducing amortisation of goodwill).	To be discussed at a future meeting.
Segment disclosure	Disclose in which reportable segment a CGU (or group of CGUs) containing goodwill is included.	Most respondents agreed and some disagreed.	To be discussed at a future meeting.
Post-tax cash flows and discount rates	Remove the requirement to use pre-tax cash flows and discount rate when calculating VIU.	Almost all respondents agreed and a few disagreed.	To be discussed at a future meeting.

Topic	Exposure Draft proposals	Feedback	Discussions and tentative decisions
Subsidiaries without public accountability	To require an eligible subsidiary to disclose: <ul style="list-style-type: none"> <li>(a) expected synergy information;</li> <li>(b) the strategic rationale for a business combination;</li> <li>(c) information about the contribution of the acquired business; and</li> <li>(d) whether the discount rate used in an impairment test is pre-tax or post-tax.</li> </ul>	<ul style="list-style-type: none"> <li>(a) Many respondents agreed but many others disagreed. Most of the respondents who disagreed also disagreed with disclosing expected synergy information more generally for all entities.</li> <li>(b–d) most respondents agreed.</li> </ul>	To be discussed at a future meeting.
Transition	<ul style="list-style-type: none"> <li>(a) To require entities already applying IFRS Accounting Standards to apply the amendments prospectively with earlier application permitted; and</li> <li>(b) no transition relief for first-time adopters.</li> </ul>	<ul style="list-style-type: none"> <li>(a) Most respondents agreed and some disagreed, particularly with the proposed transition requirements for IAS 36; and</li> <li>(b) most respondents agreed and some disagreed.</li> </ul>	To be discussed at a future meeting.