
FASB | IASB Joint Education Meeting

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Project **Goodwill and Impairment**

Topic **September 2022 decisions on disclosures about business combination**

Contacts **Craig Smith** (csmith@ifrs.org)
Zicheng Wang (zwang@ifrs.org)

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IASB tentative decisions

In September 2022 the IASB tentatively decided to:

- require some of the information for **only a subset of business combinations**; and
- **exempt** entities from disclosing some information in **specific circumstances**.

The table below shows the specific pieces of information that each of these would apply to. Slides 4–5 discuss how the IASB could identify a subset of business combinations and define an exemption.

| Item of Information | Continue with this preliminary view? | Require information for only a subset? | Exempt entities from disclosing information about? |
|--|--------------------------------------|--|--|
| Disclosure objectives | ✓ | N/A | N/A |
| Subsequent performance information: | | | |
| • Strategic rationale | ✓ | ✗ | ✗ |
| • Objective | ✓ | ✓ | ✓ |
| • Metric | ✓ | ✓ | ✓ |
| • Target | ✓ | ✓ | ✓ |
| • Actual performance in subsequent years | ✓ | ✓ | ✗ |
| Quantitative information about expected synergies in year of acquisition | ✓ | ✗ | ✓ |

IASB tentative decision

In September 2022 the IASB tentatively decided not to consider further an approach that would require an entity to disclose information about **specific metrics** or to disclose **no quantitative information in year of acquisition**.

Reasons for not taking forward

Specific metrics

- Feedback to the Discussion Paper indicates that using a management approach could provide more useful information.
- It could be more costly to comply with.
- It did not get significant support from consultative groups.

Only qualitative information in year of acquisition

- Although some support from consultative groups, this alternative gives a blanket exemption to all entities.
- Users would get more useful information if information requested but exemption given for specific information.

A subset of ‘material’ business combinations

The IASB tentatively decided to require disclosure about the objectives, metrics, targets and actual performance of business combinations for only a subset of business combinations.

A subset would be intended to capture strategically important business combinations (that is a business combination, which if it fails to achieve its objective(s) would seriously jeopardise the entity’s achievement of its strategy).



Closed lists of thresholds

A subset of material business combinations would be identified using a short, exhaustive list of qualitative and quantitative thresholds. If a business combination meets any of those thresholds an entity would disclose information.

quantitative thresholds—business combinations in which the acquired business represents more than 10% of the reporting entity’s revenue, operating profit or total assets.

a qualitative threshold—business combinations that aim to enter a new geographic location or start a new line of business.

This could reduce the cost of complying

Feedback received in developing the disclosure preliminary views and on the management approach suggested the IASB should reduce the cost of complying by reducing the number of business combinations for which information would be required.

By focusing on a subset of business combinations, users would receive the most important information about the most important business combination. Preparers would not be required to disclose information for a large number of business combinations.

Drafting an exemption

The IASB tentatively decided to exempt an entity from disclosing, in specific circumstances, information about the objectives, metrics and targets for a business combination and quantitative information about expected synergies.

How would the circumstances be identified?

The exemption is expected to be tied to the achievement of an entity's objectives. For example, allowing entities to not disclose an item of information if doing so can be expected to prejudice seriously any of the entity's key objectives for the business combination.

What practical concerns would an exemption resolve?

- **Commercial sensitivity**
The exemption based on prejudicing an entity's objective(s) for a business combination should capture commercial harm from a range of sources—for example competitors using the information or litigation by users or other parties.
- **Some elements of litigation risk**
For example, if the risk arises because an entity failed to meet an objective as a result of the disclosure. Litigation risk arising for other reasons would not be covered.

What application guidance would be included?

- Requirements—for example disclosing the reason for applying the exemption separately for each item of information.
- Considerations of when it is appropriate to use the exemption—for example, it would be inappropriate if that information was already disclosed elsewhere.

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