
Accounting Standards Advisory Forum meeting

Date	December 2025
Project	Business Combinations—Disclosures, Goodwill and Impairment
Topic	Aspects of performance and expected synergy information
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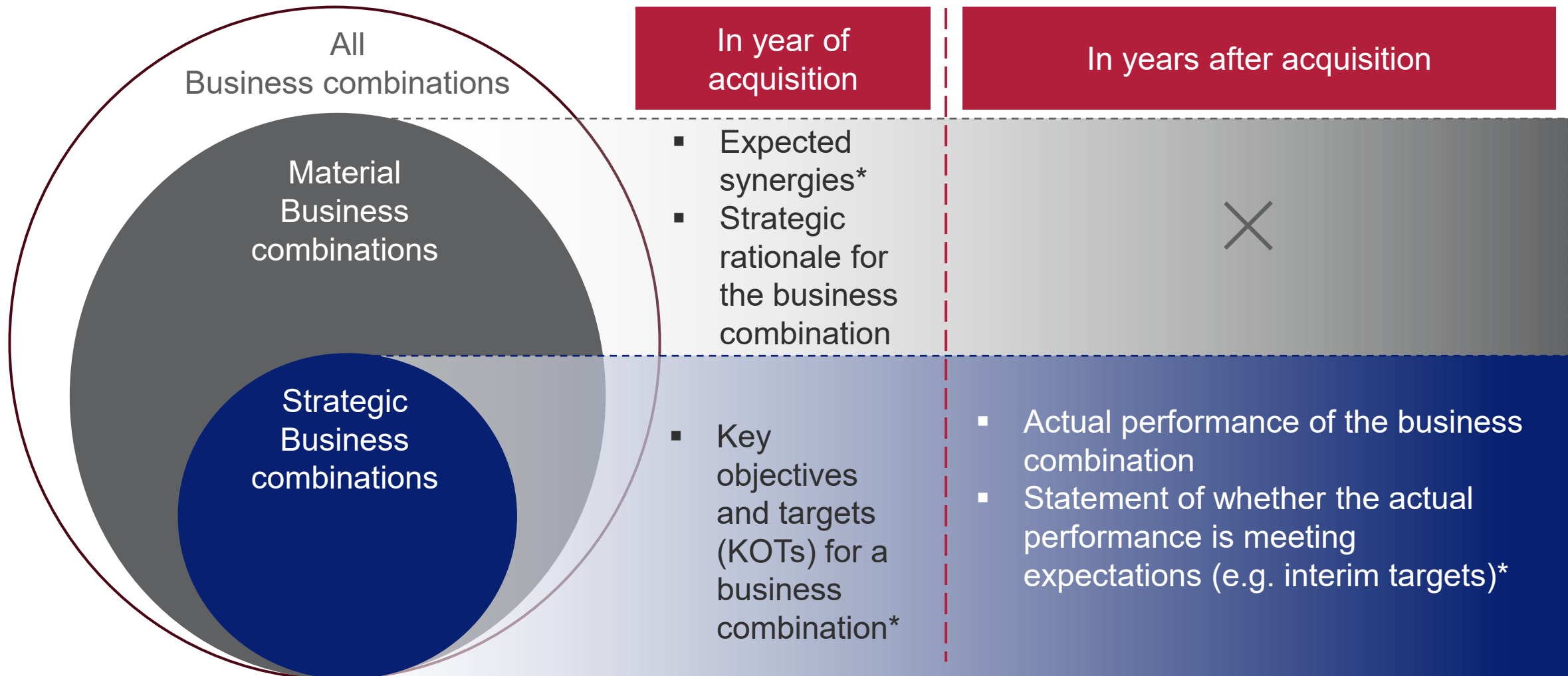
Purpose

The purpose of this discussion is to seek Accounting Standards Advisory Forum (ASAF) members' views on aspects of the proposed requirements for an entity to disclose information about a business combination in the Exposure Draft *Business Combinations—Disclosures Goodwill and Impairment* (Exposure Draft).

Slide 4 lists the topics we seek your views on. Slides 9, 16 and 20 include the specific questions for ASAF members.

We are not asking for your views on other aspects of the proposals in this meeting. For purposes of answering our questions, please assume that the disclosure requirements for performance and expected synergy information (including the information to disclose and which business combinations it would be required for) are similar to what was proposed in the Exposure Draft.

Reminder of proposals in the Exposure Draft



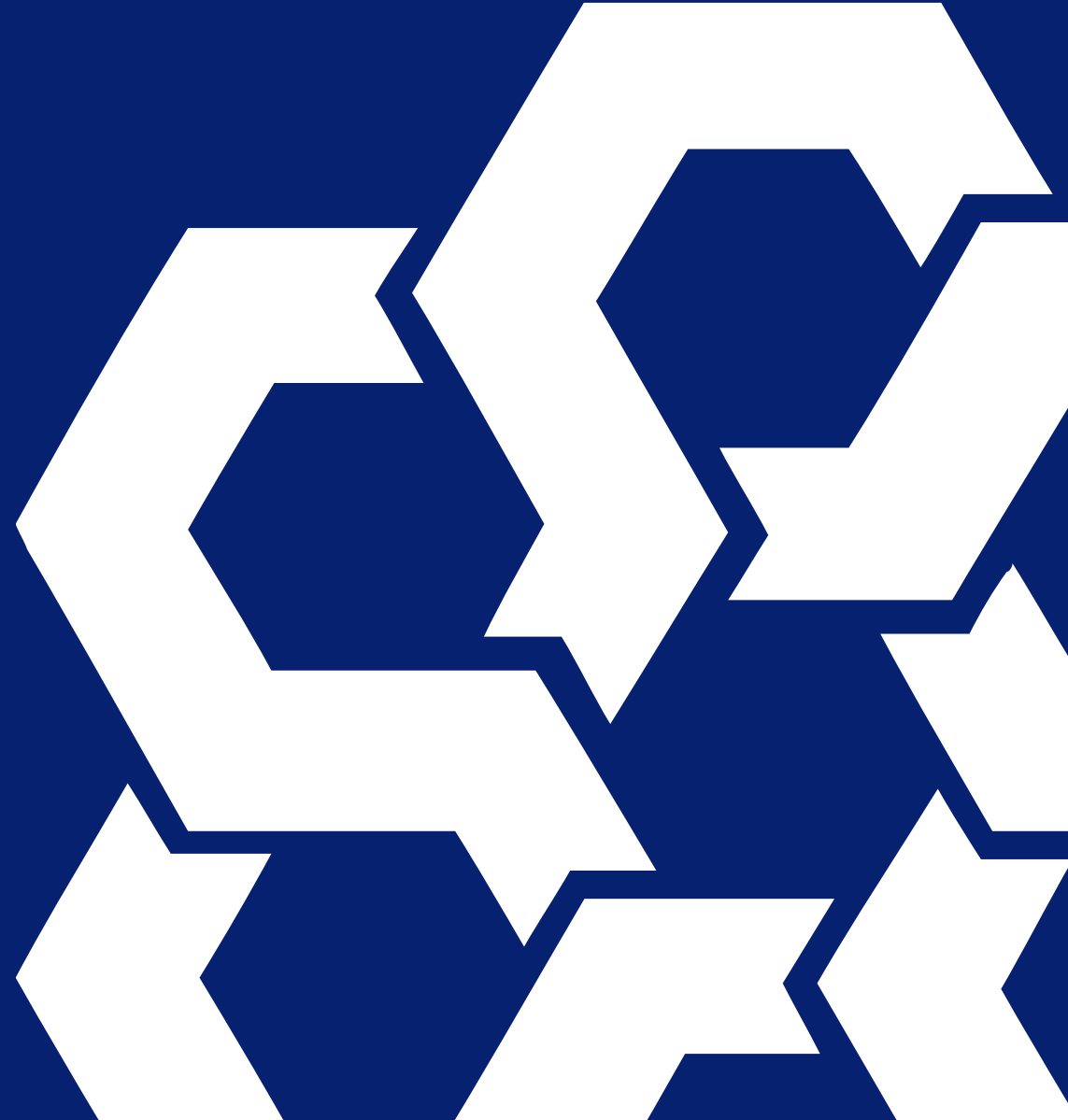
*Exemption available if requirements are met

Structure

The slides are structured as follows:

- Topic I—Statement of whether performance of business combination is meeting targets (slides 5–9)
- Topic II—Population of business combinations for expected synergy information (slides 10–16)
- Topic III—Basis of preparation for performance and expected synergy information (slides 17–20)

Topic I—Statement of
whether performance of
business combination is
meeting targets



Reminder of the Exposure Draft's proposals: Information about a business combination's performance

What information?

Based on information reviewed by an entity's **key management personnel** (KMP), disclose:

- KOTs for a business combination
- Subsequent performance against those targets
- Qualitative statement on whether performance of business combination is meeting or has met management's expectation*

**Topic for this meeting's discussion*

For how long?

Information required for **as long as** key management personnel **review the performance of that business combination**

Additional information required if:

- key management personnel **do not start** reviewing the performance of a business combination
- KMP **stop** reviewing the performance of a business combination before the end of the second year after the year of acquisition

Reminder of the Exposure Draft's proposals: Statement on whether a business combination is meeting targets

Illustrative example – business combination objectives and targets, performance updates, and qualitative statement of performance

An entity discloses its objectives and targets for a business combination:

- The target for a business combination is to increase revenue from North America by 45% in 3 years.

In year 1, the entity discloses subsequent performance against its targets:

- revenue from North America increased by 20%; and
- a statement on whether the 20% increase is meeting the 45% target.

What did the IASB consider in developing the Exposure Draft: The IASB considered that the statement about whether performance information is meeting expectations could be particularly useful if the entity has applied the exemption to information about its KOTs. In such a situation, actual performance information alone might be insufficient to help users assess the performance of a business combination.

Statement on whether business combination is meeting KOT: Feedback and staff initial analysis

A few respondents said it could be difficult for entities to determine whether performance of an business combination is meeting its KOTs and for auditors to verify that.

[Agenda Paper 18C](#) to the IASB's [October 2025](#) meeting analyses respondents' feedback on this topic. As staff we think:

- an entity should be able to assess whether actual performance of a business combination is meeting its KOTs (although it might need to apply judgement);
- it might be difficult for auditors to verify the reasonableness of management's assessment in some situations; and
- users might be able to form their own assessment of actual performance without the statement from management.

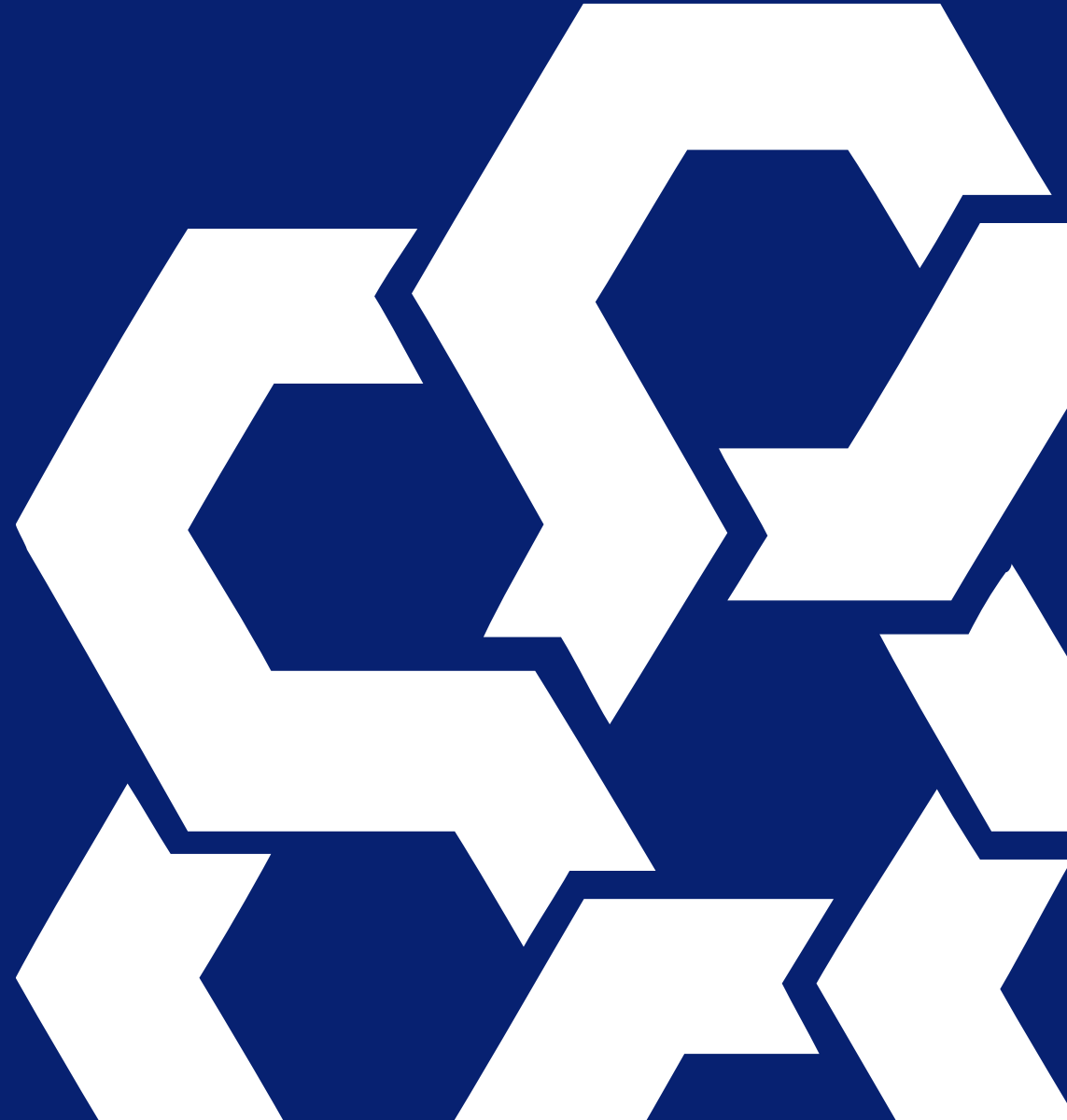
We are also consulting with users on how useful they would find the statement and with audit professionals on the auditability of the statement.

Questions to ASAF members

1. Do the benefits of the statement disclosing whether actual performance of a business combination is meeting or has met its targets outweigh the costs of requiring it?

Please explain why or why not. We would be particularly interested in any feedback on how useful this statement would be to users and how challenging for auditors to verify.

Topic II—Population of business combinations for expected synergy information



Reminder of the Exposure Draft's proposals: Expected synergy information

The Exposure Draft proposed requiring an entity to:

- (a) describe expected synergies from a business combination by category (for example, revenue synergies, cost synergies and each other type of synergy);
- (b) disclose for each category of synergies:
 - (i) the estimated amounts or range of amounts of the expected synergies;
 - (ii) the estimated costs or range of costs to achieve these synergies; and
 - (iii) the time from which the benefits expected from the synergies are expected to start and how long they will last.

An entity would be required to disclose this information (expected synergy information) for each acquisition that occurs during a reporting period and in aggregate for individually immaterial business combinations that are material collectively.

Expected synergy information: Staff initial analysis

The IASB discussed the staff's initial analysis at its October 2025 meeting. As staff we think the IASB should:

- clarify the proposals to require disclosure only if expected synergy information was considered when agreeing the price for the business (a 'management approach');
- retain the proposals for what information to disclose (see slide 11);
- not define the term 'synergy'; and
- not require entities to disclose expected synergy information for individually immaterial business combinations.

Restricting the population of business combinations: Strategic business combinations only

- Some respondents, particularly preparers and preparer groups suggested requiring expected synergy information only for strategic business combinations.
- We acknowledge requiring expected synergy information only for strategic business combinations would impose less costs on preparers (although in applying the management approach* we think the information would be available preparers may incur costs as a result of concerns such as auditability, litigation risk or commercial sensitivity).

Our question for you is on slide 16.

*Appendix A of [Agenda Paper 18D](#) for the IASB's [October 2025](#) meeting covers our analysis on the management approach

Restricting the population of business combinations: Disclosure only if goodwill is recognised

- IFRS 3 *Business Combinations* identifies expected synergies as a component of goodwill. A few respondents requested clarification on whether to disclose synergies management expects to derive from all business combinations or only business combinations resulting in goodwill being recognised. Respondents said an entity might, for example, not recognise goodwill in a bargain purchase business combination but may still expect synergies from that business combination.
- We think expected synergy information provides information about the acquisition price, which is reflected in the financial statements through assets and liabilities including goodwill.
- We think in most business combinations, expected synergies would be reflected in recognised goodwill and while possible, it is unlikely for an entity to expect synergies in a bargain purchase.

Our question for you is on slide 16.

Restricting the population of business combinations: Individually immaterial business combinations

For some information about business combinations (for example, the purchase consideration and combined entity information), entities disclose aggregated information for individually immaterial business combinations. Our initial view was to not require entities to disclose aggregated expected synergy information for individually immaterial business combinations because:

- as slide 12 explains, expected synergy information would follow a management approach; and
- the usefulness would depend on what information is available—if expected synergy information is not available for all individually immaterial business combinations, the resulting disclosure of aggregate information would be less useful.

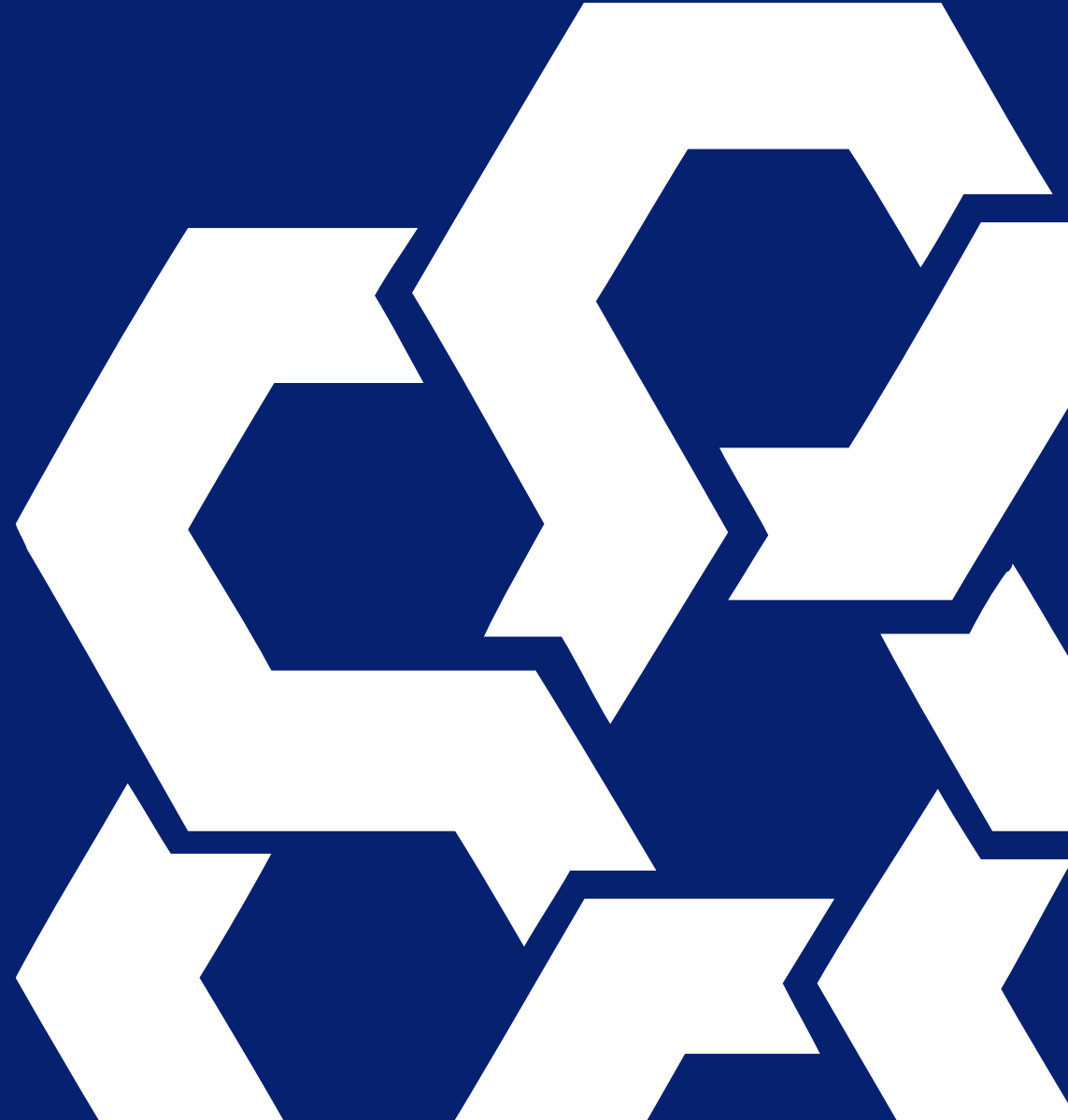
Some IASB members suggested we consult on this topic. Our question for you is on slide 16.

Questions to ASAF members

1. Should entities only be required to disclose expected synergy information for business combinations for which they have recognised goodwill? We would be interested in any feedback on how often entities would expect synergies for business combinations which do not result in recognised goodwill.
2. Should entities be required to disclose expected synergy information for all material business combinations or only strategic business combinations?
3. Should entities be required to disclose expected synergy information in aggregate for individually immaterial business combinations? The aggregated information would only include business combinations for which the entity considered that information when agreeing the price for the business combination.

Please explain why or why not. We would be interested in any feedback on how useful this information would be to users.

Topic III—Basis of preparation for performance and expected synergy information



Basis of preparation—Exposure Draft proposal and feedback received

The Exposure Draft proposed requiring an entity to disclose:

- performance information (see slide 6) for a subset of business combinations; and
- expected synergy information (see slide 11) for all material business combinations.

Feedback on the Exposure draft included:

- Targets for business combinations might be based on measures not defined in IFRS Accounting Standards (for example, market share or EBITDA).
- ‘Synergy’ is not defined so there could be diversity in how entities calculate the information (for example, financing synergies or hypothetical costs that would have been incurred if the acquirer decided to enter a new market itself rather than by acquisition).
- A few respondents suggested requiring an entity to disclose the basis of preparation for targets and expected synergy information.

Staff initial analysis

Agenda Paper 18A to the IASB's July 2025 meeting and Agenda Papers 18C and 18D to the IASB's October 2025 meeting analyses the suggestion to disclose the basis of preparation.

In our initial view, requiring an entity to disclose the basis of preparation could:

- inform users of what the target represents (if not defined in IFRS Accounting Standards) or of significant judgements in determining the amounts (for example, allocation of central costs if the target is segment operating profit); and
- help mitigate stakeholders' concerns relating to auditability and audit expectation gap.

We expect disclosing the information will not be costly for preparers because we think management know how they plan to (and subsequently do) measure the achievement of the targets / how they measured expected synergies at the acquisition date.

We are also consulting with preparers to understand whether they might have any concern with disclosing this information and with audit professionals to understand whether this information could mitigate their concerns relating to auditability and audit expectation gap.

Questions to ASAF members

1. Would the benefits of requiring an entity to disclose the basis of preparation outweigh the costs of requiring that disclosure for:
 - a) performance information; and
 - b) expected synergy information?

Please explain why or why not. We would be particularly interested in any feedback on the potential costs of providing this information.

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