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Staff paper

Agenda reference: 4

Capital Markets Advisory Committee Global Preparers Forum

Date	**12-13 June 2025**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Performance information—Subset**
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Purpose of this session

The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed requiring entities to disclose performance information for only a subset of business combinations. The purpose of this session is to seek CMAC and GPF members’ views on potential alternative approaches for identifying that subset of business combinations.

Slides 19–28 detail the questions on which we would like your feedback.

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Information for CMAC and GPF members

Overview of questions

Overview of questions

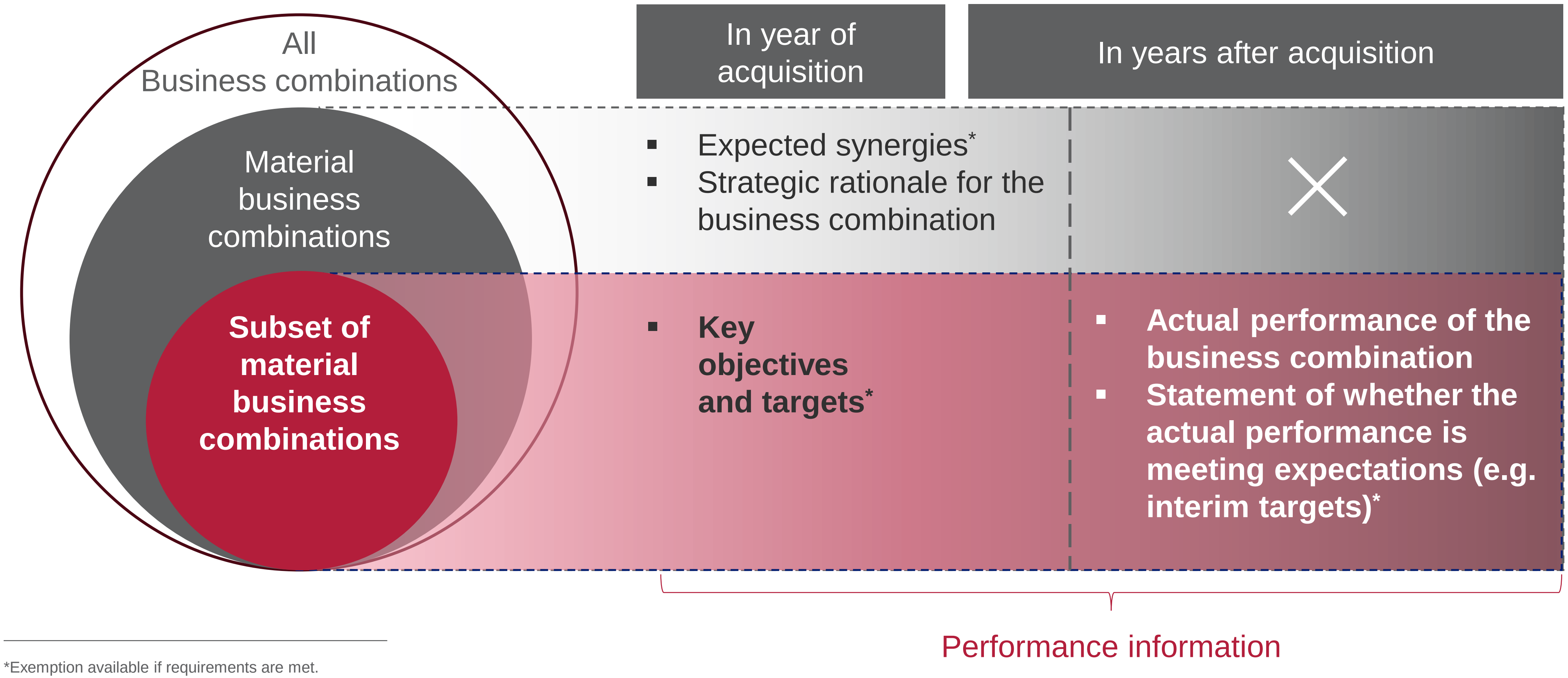
We would like your views on:

1. Rebuttable presumption approach:
    - Q1—principle or basis for overcoming the presumption (slide 19–20);
    - Q2—business combinations not meeting thresholds (slide 21–23);
    - Q3—disclosing the fact and reason for rebuttal (slide 24); and
    - Q4—costs and benefits (slide 25).
2. Operating profit
    - Q5—need for a threshold based on operating profit (slide 26–28)

The slides referenced above include the specific questions we have for the members.

Background

Summary of key disclosure proposals in the Exposure Draft



*Exemption available if requirements are met.

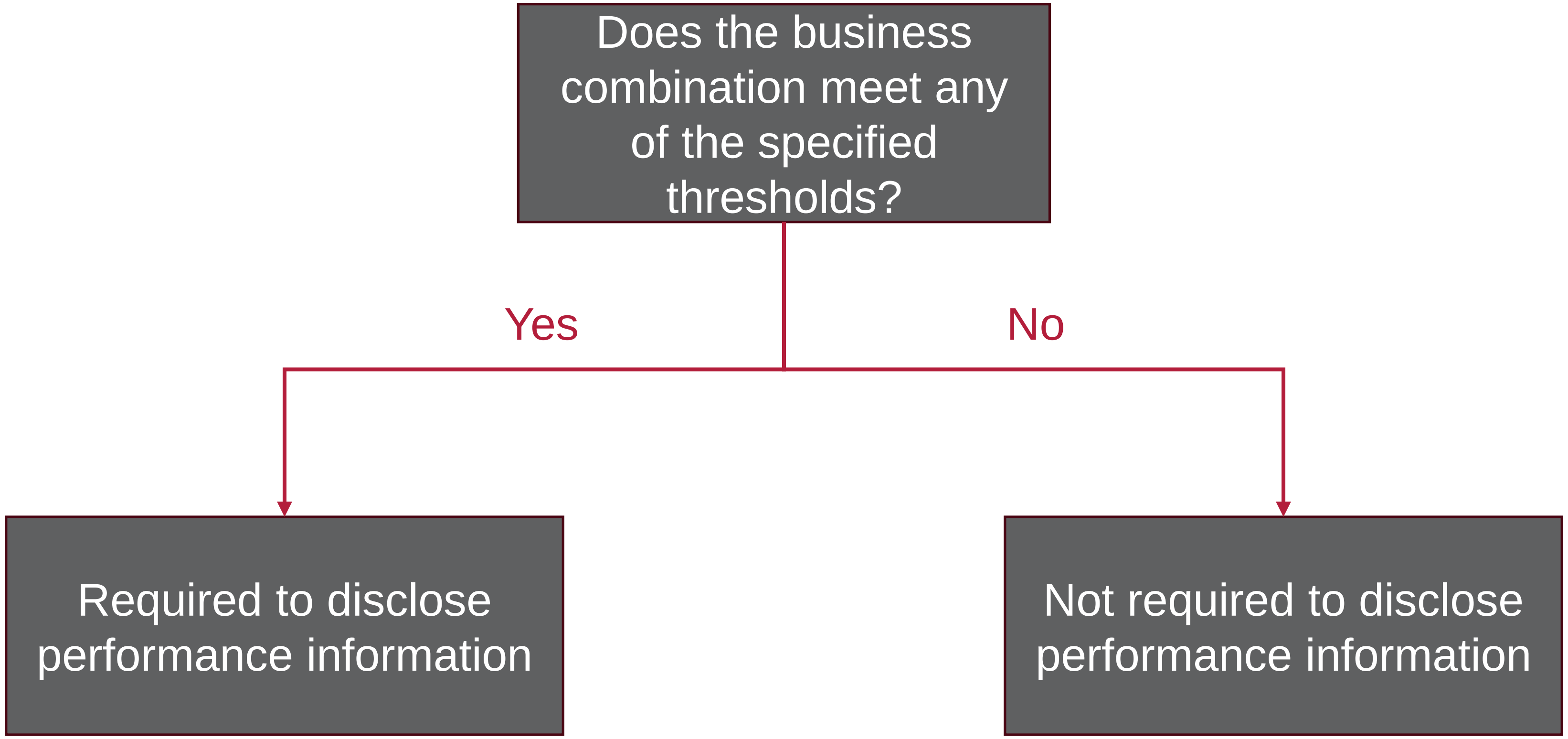
Proposed threshold approach

The Exposure Draft proposed a threshold approach to identify the subset of business combinations for which performance information would be required. The goal was to capture the important business combinations that users are most interested in while balancing costs of preparing that information.

A business combination will fall within the subset if it meets *any one* of the following thresholds:

Quantitative thresholds	Qualitative thresholds
Revenue, **operating profit** or **assets (including goodwill)** of acquired business constitutes at least 10% of the acquirer's comparative amounts	Business combination results in entity entering a **new major line of business or geographical area of operation**

How the proposed threshold approach would work



Feedback on the proposed threshold approach*

Subset of business combinations

- Respondents generally agreed
- A few disagreed and said performance information is needed for all material business combinations

Threshold approach

- Many agreed with the approach
- Many others disagreed and suggested developing a more principles-based approach such as a rebuttable presumption approach.

Measures used for thresholds

- Disagreement on quantitative thresholds focused predominantly on the operating profit threshold (see slide 27)
- Challenges in applying qualitative thresholds
- Does not address a series of linked acquisitions

* The IASB discussed a summary of feedback on the proposed threshold approach at its meeting in December 2024 (see Agenda Paper 18C for that meeting). The IASB discussed staff's analysis of that feedback and initial views at its meeting in April 2025 (see Agenda Papers 18–18C for that meeting).

Redeliberation status

The IASB has started redeliberations about performance information by discussing the subset of business combinations for which performance information would be required. In this meeting, we are asking for your views only on the subset.

The IASB has not yet redeliberated other aspects of performance information (such as the management approach, details about the information an entity would be required to disclose and the proposed exemption) and we are not asking for your views on those other aspects in this meeting.

For purposes of answering our questions in this paper, please assume that the performance information an entity would be required to disclose is similar to what was proposed in the Exposure Draft (see slide 7).

Rebuttable presumption approach

Background

As slide 10 notes:

- Many respondents agreed with the thresholds approach and said it is practical, easy-to-implement and can be applied consistently and enforced.
- However, many disagreed with the thresholds approach and said the bright-line and rules-based nature of the threshold approach could result in inappropriately capturing business combinations for which performance information might not be important enough to users.

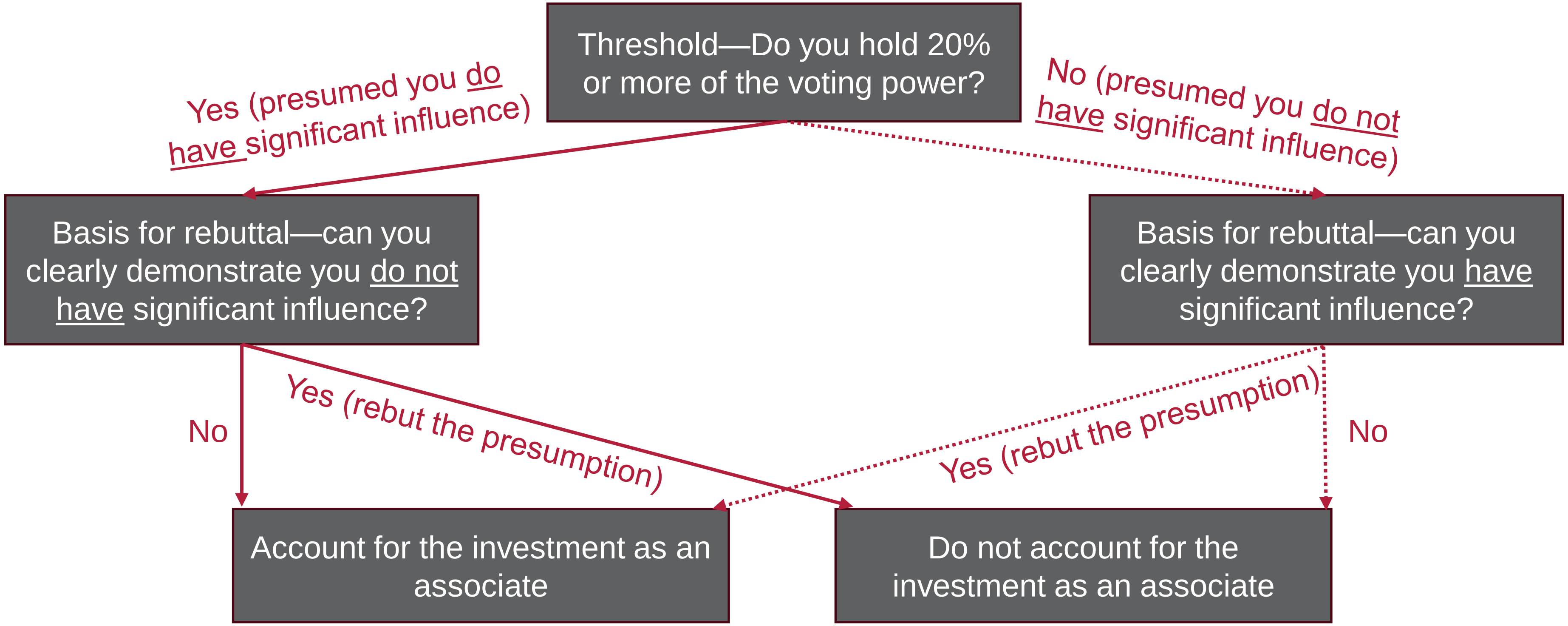
Many respondents who disagreed suggested adopting a more principles-based approach for identifying the subset such as a rebuttable presumption approach. These respondents suggest identifying thresholds (for example, the thresholds proposed in the Exposure Draft) with a presumption that an entity would disclose performance information for a business combination that meets those thresholds. An entity would be able to overcome, or rebut, that presumption—and consequently, not disclose performance information—for a business combination that meets the thresholds in specified situations.

Other IFRS Accounting Standards require an entity to apply a rebuttable presumption approach in some situations.

Slide 14 includes an example of a rebuttable presumption in IFRS Accounting Standards and illustrates how that rebuttable presumption works. Slide 15 illustrates how a rebuttable presumption could work in the context of identifying a subset of business combinations.

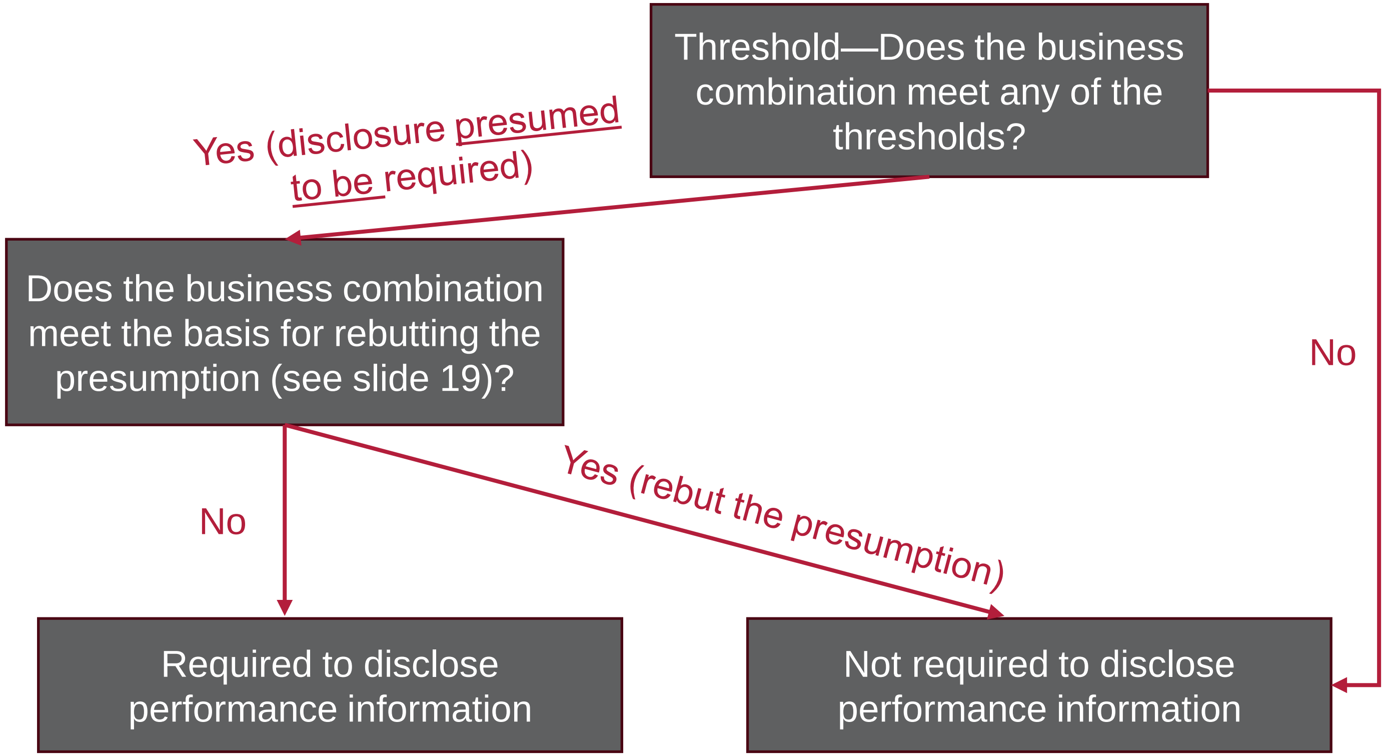
Example of a rebuttable presumption in IFRS Accounting Standards

Paragraph 5 of IAS 28 *Investments in Associates and Joint Ventures* specifies that an entity is presumed to have significant influence over another entity if the entity has at least 20% shareholding in that other entity. However, the entity can overcome or rebut that presumption if it can clearly demonstrate that it does not have significant influence over the investee. The decision tree below illustrates how this works. It is simplified for illustration.



Rebuttable presumption in the context of identifying a subset of business combinations

This slide illustrates how the rebuttable presumption could work in the context of identifying business combinations for which to disclose performance information.



Developing a rebuttable presumption approach

As paragraph 20 of Agenda Paper 18A to the IASB's April 2025 meeting notes, adopting a rebuttable presumption approach would require:

- developing a list of thresholds (leveraging work on the Exposure Draft's proposed threshold approach) with a presumption that performance information would be disclosed for a business combination that meets any one or a combination of the specified thresholds;
- developing a principle or a basis on which an entity can use to overcome or rebut the presumption that performance information should be disclosed for a business combination that meets the threshold (see slides 19–20);
- considering whether to require an entity to disclose performance information for some business combinations that do not meet the thresholds (see slides 21–23); and
- considering whether to require an entity that rebuts the presumption to disclose that it has done so and the reason (see slide 24)

Pros and cons of a rebuttable presumption approach

As paragraphs 21–22 of Agenda Paper 18A to the IASB's April 2024 meeting note:

- we acknowledge respondents' rationale for suggesting a rebuttable presumption approach and agree that such an approach could avoid inappropriately capturing business combinations for which performance information might not be important enough to users.
- However:
  - it might be difficult to develop a principle or basis on which an entity could overcome or rebut the presumption (see slides 19–20); and
  - a rebuttable presumption approach would require judgement and consequently might be more difficult to apply, audit and enforce than the thresholds approach.

Topics for discussion

We would like to discuss:

- Q1—principle or basis for overcoming or rebutting the presumption (slides 19–20);
- Q2—business combinations not meeting thresholds (slides 21–23);
- Q3—disclosing the fact and reason for rebuttal (slide 24); and
- Q4—costs and benefits (slide 25).

Question 1—Principle or basis for overcoming the presumption

As slide 16 explains, a rebuttable presumption approach would require developing a principle or a basis that identifies the business combinations for which performance information would be useful for users. As explained earlier (see slide 15), applying the rebuttable presumption approach, an entity would not be required to disclose performance information for a business combination that does not satisfy that principle or basis even if it satisfies the thresholds.

We could develop this principle or basis by describing or defining the subset of business combinations for which users need performance information while also balancing costs to preparers.

Possible principles that could capture the most important business combinations include:

- the description in the Basis for Conclusions—business combination for which failure to meet any one of an entity's acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy.
- business combination for which success is essential to the advancement or achievement of an entity's overall business strategy.

Question 1—Principle or basis for overcoming the presumption (cont)

For CMAC members

(a) How would you describe or define the population of business combinations that are important for you to receive performance information about?

- Would either of the possible principles listed on slide 19 would capture that population of business combinations? Why or why not?

For GPF members

(a) Other than for the operating profit threshold (see slide 27), are there business combinations that in your view would be captured by the thresholds on slide 8, but for which performance information would not be useful for users? If so, please explain the nature of those business combinations and your rationale.

(b) Would either of the possible principles listed on slide 19 be practical to apply as a basis for overcoming or rebutting the presumption that performance information should be disclosed for business combinations that meet the specified thresholds?

- If yes, which would be more practical to apply and why?
- If no, what alternative description or definition would you suggest?

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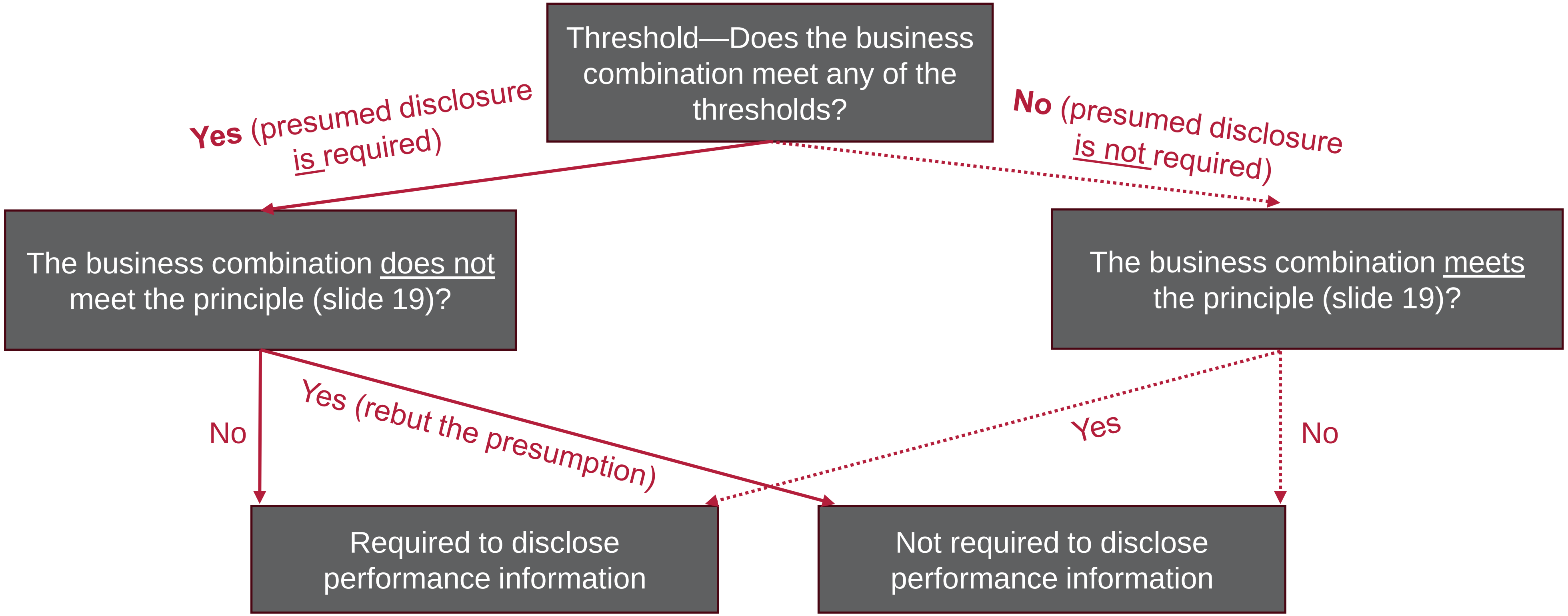
Question 2—Business combinations not meeting thresholds

- Applying the rebuttable presumption approach illustrated earlier (see slide 15), an entity would not be required to disclose information about business combinations that do not meet the specified thresholds.
- The IASB could require an entity to consider whether business combinations that do not meet the specified thresholds nonetheless meet the principle identifying the business combinations for which users need performance information. If yes, an entity would be required to disclose performance information for these business combinations even though these business combinations did not meet the specified thresholds. Slide 22 illustrates how this approach would work. Such an approach would:
    - require an entity to consider whether performance information about a business combination is important to users for all business combinations.
    - require more judgement and be costly to apply, audit and enforce.

Business combinations not meeting thresholds (cont)

This slide shows how rebuttable presumption would work if an entity would be required to consider whether disclosure of performance information is necessary for business combinations not meeting the specified thresholds.

The difference between the approach in this slide and the approach shown in slide 15 is in the first step—under the approach on slide 15, disclosure of performance information would not be required for a business combination that doesn't meet any of the thresholds, and no further assessment would be required.



Question 2—Business combinations not meeting thresholds (cont)

For CMAC and GPF members

Do you think the benefits of requiring an entity consider the importance of disclosing performance information for business combination that do not meet the thresholds would exceed the costs of doing so? Why or why not?

* This would be consistent with the two-way rebuttal in paragraph 5 of IAS 28 *Investments in Associates and Joint Venture*.

Question 3—Disclosing the fact and reason for rebuttal

As slide 16 notes, developing a rebuttable presumption approach also requires considering whether to require an entity to disclose the fact it has rebutted the presumption and the reason.

For CMAC members

- Do you think disclosure of fact and reason would be useful? How would you use that information?

For GPF members

- Would you have concerns about disclosing the fact and reason for rebuttal? If so, please provide examples of situations in which you would have those concerns.

Question 4—Costs and benefits

Slide 17 includes our initial assessment of the pros and cons of the rebuttable presumption approach.

For GPF members

- Would a rebuttable presumption approach address your concerns with a threshold approach? Would it be practical to apply?

For CMAC members

- Would you accept a rebuttable presumption approach as a way to address preparers' concerns about a threshold approach inappropriately capturing business combinations whose performance information might not be important enough to users?

Operating profit

Question 5—Operating profit threshold

As slide 8 notes, the IASB proposed quantitative thresholds based on assets, revenue and operating profit. An entity would be required to disclose performance information for a business combination that met any one of these thresholds.

Paragraph BC65 of the Basis for Conclusions to the Exposure Draft notes that ‘using three different measure, including those based on the statement of financial position and the statement of financial performance, takes into account different motives for entering a business combination.’

Many respondents said an entity’s operating profit may be volatile, so the operating profit threshold could result in business combinations that are not ‘strategic’ being captured only because, for example, the acquirer’s operating profit in the period was unusually low.

We are exploring whether it is necessary to have a threshold based on operating profit.

Question 5—Operating profit threshold

For CMAC and GPF members

- Would the operating profit threshold capture business combinations important to users that would not be captured by the asset or revenue thresholds? If so, please provide examples of such business combinations.

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