Staff paper

Agenda reference: 18A

IASB® meeting

Date	**May 2025**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Other IFRS 3 disclosures**
Contacts	Mislav Ljubicic (mislav.ljubicic@ifrs.org)

Purpose and structure

1. As Agenda Paper 18 for this meeting explains, this paper provides the International Accounting Standards Board (IASB) with our analysis of feedback on proposals to amend IFRS 3 *Business Combinations* disclosures, other than disclosures of performance and expected synergy information. Agenda Paper 18A to the IASB's January 2025 meeting (January agenda paper) summarised feedback on these proposals.

2. The paper is structured as follows:
   (a) background, feedback, staff analysis and staff recommendations on:
      (i) new disclosure objectives (3–8)
      (ii) strategic rationale (paragraphs 9–14);
      (iii) contribution of the acquired business (paragraphs 15–36);
      (iv) information about pension and financing liabilities (paragraphs 37–40); and
      (v) deletion of some disclosure requirements (paragraphs 41–47).
   (b) summary of staff recommendations and next steps (paragraphs 48–**Error! Reference source not found.**); and

(c) question for the IASB.

New disclosure objectives

Background

3. The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed adding two new disclosure objectives to respond to users' need for better information about business combinations. The IASB noted that developing disclosure objectives that are more specific, could enable preparers to understand better why users of financial statements (investors) need a particular item of information and help entities disclose information that better meets investors' needs. Proposed paragraph 62A of IFRS 3 in the Exposure Draft says:

> The acquirer shall disclose information that enables users of its financial statements to evaluate:
>
> (a) the benefits an entity expects from a business combination when agreeing on the price to acquire a business; and
>
> (b) for a strategic business combination (see paragraph B67C), the extent to which the benefits an entity expects from the business combination are being obtained.

4. Paragraphs BC23–BC28 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) explain the IASB's rationale for this proposal.

Feedback and staff analysis

5. Almost all respondents agreed with the proposed new disclosure objectives.

6. A few respondents disagreed, some of whom said the information required to meet these objectives should be provided outside financial statements. We acknowledge comments on the location of this information. However, as Agenda Paper 18A of the IASB's March 2025 meeting explains, we think conceptual concerns about requiring

performance and expected synergy information in financial statements do not preclude the IASB from further analysing and redeliberating whether to require an entity to disclose that information in financial statements.

7. A few respondents who agreed had suggestions or provided other feedback. The table below summarises and analyses these matters:

Suggestions/ other feedback	**Staff analysis**
(a) Clarify whether the term ‘benefit’ in the proposed disclosure objective is the same as ‘expected synergies.’	We think no clarification is needed. The term ‘benefits’ as used in the proposed disclosure objectives includes not only expected synergies, but also, for example, the acquisition-date key objectives of a business combination (for example, revenue growth). This is demonstrated by the wording in proposed paragraph 62A(b) which refers to the requirement to provide information about actual performance in relation to the acquisition-date key objectives for a strategic business combination.
(b) Amend the wording of the objective from the benefits an entity expects ‘when agreeing on the price to acquire a business’ to ‘when agreeing to acquire a business.’ This is because an entity does not agree to a price in isolation but in conjunction	We agree that entities consider conditions other than the price. However, we continue to think the disclosure objective should be based on the price to acquire the business. Investors need information to help them assess the price paid and whether the business combination has been successful in that context. Also, as paragraph 24(b) of Agenda Paper 18A of the IASB’s March 2025 meeting explains, the acquisition price is reflected in the financial statements through the recognition of assets acquired and liabilities assumed in the business combination, including goodwill.

with other related conditions, some of which may be as important as the price.	
(c) Explicitly state that the amended disclosure requirements are not exhaustive to prevent boilerplate disclosures.	We think it is unnecessary to state whether the disclosure requirements are exhaustive. Paragraph 63 of IFRS 3 (which the Exposure Draft proposed updating to also refer to the new disclosure objectives) requires an entity to disclose 'whatever additional information is necessary to meet those [disclosure] objectives' if the specific disclosures required by IFRS 3 and other IFRS Accounting Standards do not meet those objectives.
(d) Disclosures proposed in the Exposure Draft might not fulfil the proposed disclosure objective, for example, because information about the performance of the combined business (when a business combination has been integrated) might not be representative of the performance of the acquired business.	We agree that information about the performance of the combined business might not be representative of the performance of the acquired business in isolation. However, the disclosure objective does not refer to the performance of only the acquired business. It refers to (emphasis added) 'the benefits an entity expects *from* a business combination'. Applying the Exposure Draft proposals, an entity would disclose information about the performance of a combined business only if that information reflects the acquisition-date key objectives and targets key management personnel expect from that business combination.

Staff recommendation

8. We recommend that the IASB retain the proposed disclosures objectives for the purpose of redeliberating the proposed performance and expected synergy disclosure requirements in future meetings. When the IASB has made most of its decisions about those requirements, we will analyse (and ask the IASB to decide) whether to retain or update the proposed disclosure objectives in the prospective Standard.

Strategic rationale

Background

9. Paragraph B64(d) of IFRS 3 requires an entity to disclose its primary reasons for a business combination. The IASB proposes to replace that requirement with a requirement for an entity to disclose the strategic rationale for the business combination. The IASB expects the description of the strategic rationale to be broad (for example, ‘to expand the entity’s geographical presence in Region Z by acquiring Entity B, which trades in Region Z’).

10. The intention of the proposal is to provide a clearer link between the objectives for a business combination and an entity’s overall business strategy.

Feedback and staff analysis

11. Almost all respondents who commented agreed with the proposed change. A few respondents who agreed had comments and suggestions.

12. A few respondents (including those who agreed and disagreed) said the proposed requirement is similar to current requirement and therefore expect little, if any, change in practice. However, as paragraph 37 of Agenda Paper 18A of the IASB’s June 2019 meeting notes, respondents to the post-implementation review (PIR) of IFRS 3 said information provided applying the existing requirement in paragraph B64(d) is often boiler-plate and does not provide useful information. We continue to think the

proposed changes to paragraph B64(d) will result in entities providing information that is more tailored to the specific business combination.

13. One respondent suggests using general terms, such as ‘economic rationale’ or ‘commercial rationale’ because the rationale for a business combination might not always be ‘strategic’. Another respondent suggests defining ‘strategic rationale’. We think no change is needed in respect of these suggestions. In particular:

(a) we disagree with the argument for using other general terms such as ‘economic’ or ‘commercial’ rationale for a business combination (that is, the rationale for a business combination might note always be strategic). We note, for example, that the rationale for a business combination might also not always be economic or commercial.

(b) we think it is unnecessary to define ‘strategic rationale’. We think the proposed wording in the Exposure Draft, coupled with the explanation of the IASB’s rationale for making the change (and the related example) provides sufficient clarity. Almost all respondents who commented on this proposal agreed and did not request defining or further clarifying the term.

Staff recommendation

14. Based on our analysis, we recommend retaining the proposal to replace the requirement in paragraph B64(d) of IFRS 3 to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination.

Contribution of the acquired business

15. Paragraph B64(q) of IFRS 3 requires an entity to disclose:

> (i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and

(ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period (combined entity information).

16. The Exposure Draft proposed to amend paragraph B64(q) to improve the information investors receive about the contribution of the acquired business. In particular, the Exposure Draft proposed:

(a) specifying that the amount of profit or loss referred to in that paragraph is the amount of operating profit or loss as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*;

(b) explaining the purpose of the requirement for combined entity information but adding no specific application guidance; and

(c) specifying that the basis for preparing combined entity information is an accounting policy.

17. Paragraphs BC166–BC177 of the Basis for Conclusions explain the rationale for these proposals.

18. The following paragraphs discuss and analyse feedback on:

(a) the proposal to specify that the basis for preparing combined entity information is an accounting policy (paragraphs 19–24);

(b) the decision to not propose application guidance (paragraphs 25–28);

(c) the proposal to specify that the amount of profit or loss is the amount of operating profit or loss (paragraphs 29–34); and

(d) other aspects (paragraph 35).

Accounting policy

Feedback

19. As paragraphs 24–27 of the January Agenda Paper note, feedback on the proposal to specify that the basis for preparing combined entity information is an accounting policy was mixed. Many of the respondents who commented agreed with the proposal and many of the others disagreed.

20. Of the respondents who agreed, a few suggested:

    (a) clarifying that the expectation is for entities to disclose the accounting policy only to the extent that information is material; and

    (b) providing application guidance that explains what proposed paragraph B64(q)(ii) means by developing an accounting policy 'that helps users … forecast future performance of the combined entity'.

21. The respondents who disagreed said it would be difficult to develop a consistent accounting policy for preparing combined entity information because the information available to prepare the information varies by business combination. These respondents suggested requiring an entity to disclose the basis on which the entity has prepared combined entity information.

Staff analysis

22. Paragraph BC177(b) of the Basis for Conclusions explains that:

> Paragraph 117 of IAS 1 [*Presentation of Financial Statements*] requires an entity to disclose material accounting policy information. Specifying that [combined entity information] is an accounting policy will result in entities disclosing information about the basis of preparation of combined entity information to the extent that information is material.

23. We understand the reasons for mixed feedback on the proposals and acknowledge that information available to prepare combined entity information could vary by business combination. We think it is unnecessary to specify that combined entity information is an accounting policy. As paragraph BC177(b) of the Basis for Conclusions notes (see paragraph 22 above), the IASB's objective in doing so was to require entities to disclose information about the basis of preparation of combined entity information to the extent that information is material. We think it would be better to directly require an entity to disclose the basis on which it has prepared combined entity information.

Staff recommendation

24. We recommend:

(a) not specifying that combined entity information is an accounting policy; and

(b) instead requiring an entity to disclose the basis on which it has prepared combined entity information.

Application guidance

Feedback and staff analysis

25. Most of the respondents who commented on the decision to not provide specific application guidance agreed with the decision. However, some said application guidance would be required to ensure consistency in application. Paragraphs 29 of the January agenda paper includes a specific suggestion from one respondent.[1]

26. As paragraph BC176 of the Basis for Conclusions explains, the IASB proposed not to provide application guidance on how to prepare combined entity information because it would be difficult to provide guidance that would be applicable for all business combinations and would answer all application questions. For example, if the IASB

[1] As paragraph 29 of the January agenda paper notes, one respondent suggested specifying whether the amount of revenue and operating profit or loss should be the amount recognised in the acquiree's consolidated financial statements or the acquiree's standalone financial statements.

develops application guidance requiring one specific method of preparing this information, it could impose additional costs to an entity if that information is not readily available.

27. We continue to agree with the proposal to explain the purpose of the requirement for combined entity information but to add no specific application guidance. We acknowledge entities might prepare the information differently depending on the facts and circumstances but, as paragraph 24 explains, we are also recommending requiring an entity to disclose the basis on which it has prepared combined entity information.

Staff recommendation

28. We recommend the IASB retains the proposal:

(a) to explain the purpose of the requirement for combined entity information and;

(b) to not provide application guidance on how to prepare combined entity information for the contribution of the acquired business.

Operating profit or loss

Feedback

29. Most of the respondents who commented on the proposal to specify that the amount of profit or loss referred to in paragraph B64(q) is the amount of operating profit or loss as defined in IFRS 18 agreed, but some disagreed. A few respondents who agreed said the change would result in more relevant information. A few respondents who disagreed said the information would not be useful and might not be available.

30. As paragraph 20 of the January agenda paper notes, a few respondents who disagreed said operating profit would not always be the most useful measure. They said:

(a) operating profit might not provide the most useful or complete information. For example, amortisation of intangible assets recognised applying IFRS 3 which is included in operating profit might not be relevant, and operating profit excludes operating results from investing activities, such as profit sharing from associates or joint ventures, and financing activities. One respondent suggested requiring disclosure of information based on ‘investing profit or loss’.

(b) an entity should be able to use a different measure of profit or loss to reflect the nature of the entity's activities or the purpose of the business combination.

Staff analysis

31. The feedback agreeing with the Exposure Draft’s proposal was for similar reasons to those explained in paragraph BC170 of the Basis for Conclusions, namely that using operating profit would:

(a) provide investors more useful information about the operating performance of a business combination to help with trend analysis;

(b) reduce diversity in what measure of profit or loss entities disclose; and

(c) avoid the need for entities to make subjective allocations of finance costs and tax expenses when preparing combined entity information.

32. We continue to agree with the proposal for the reasons considered by the IASB and think there is no single measure of profit or loss that would provide more useful information for all business combinations than operating profit or loss. We also think allowing entities to choose different measures would not result in comparability. However, if entities think another measure would complement information provided by operating profit or loss in a particular situation, they could disclose that measure in addition to the operating profit or loss.

33. Considering feedback about the availability of operating profit or loss information (see paragraph 29) we expect an entity to have information about operating profit or loss of an acquiree since the acquisition date because that information forms part of the acquirer’s consolidated statement of comprehensive income. We also think any concerns about the availability of information to prepare and disclose combined entity

information, for example, if the acquiree did not apply IFRS Accounting Standards prior to the business combination, are not new and do not result from the replacement of the term ‘profit or loss’ in paragraph B64(q) with the term ‘operating profit or loss’. Consequently, we recommend no changes in that respect.

Staff recommendation

34. We recommend retaining the proposal to specify that the amount of profit or loss in paragraph B64(q) is the amount of operating profit or loss as defined in IFRS 18.

Other aspects

Feedback and staff analysis

35. A few respondents provided feedback and suggestions on other aspects of combined entity information. The table below summarises these comments and our analysis:

Feedback/ suggestions	**Staff analysis**
(a) A few respondents said combined entity information might not be useful (particularly in forecasting future performance of the combined entity), and cost of preparing the information would exceed the benefits to investors.	As paragraph 15 of Agenda Paper 18B of the IASB’s November 2021 meeting reports, investors said pro forma information helps determine a ‘baseline’ performance level against which to compare the future performance of the business. The information also helps investors forecast future performance and assess whether the forecasted future performance justifies the price paid for the business combination.
(b) One preparer group recommended an exemption, to be used in rare	We see no reason for an exemption from disclosing information required by

Feedback/ suggestions	Staff analysis
circumstances, that would allow an entity to not disclose information required applying paragraph B64(q) of IFRS 3 when, for example, doing so would be misleading to investors along with a statement to that effect.	paragraph B64(q). The requirement is not new and we are not aware of the information being misleading. We think the proposed changes (e.g. specifying the objective of these requirements) coupled with disclosures about the basis of preparing this information will result in entities providing even more useful information.
(c) Require separate disclosure of: (i) depreciation, amortisation, impairment and capital expenditure; (ii) contribution information by operating segment.	We think it is unnecessary to require this information. These suggestions would increase the volume of disclosures and introduce additional costs that would outweigh the benefits.
(d) Require disclosure of contribution information for the previous year and interim periods.	We think it is unnecessary to require additional information. Preparing additional information could be costly, particularly if this information is not readily available (for example, if the acquiree did not apply IFRS Accounting Standards) and these costs could outweigh any benefits.
(e) Removing or adjusting the exception from disclosing the	We have not heard concerns about the application of the exception and see no

Feedback/ suggestions	Staff analysis
information required by paragraph B64(q) if doing so is impracticable.	reason to remove or adjust the exception.

Summary of staff recommendations on contribution information

36. We recommend for the for the contribution of the acquired business, the IASB:

   (a) changes the proposal:

      (i) to no longer specify that combined entity information is an accounting policy; and

      (ii) to instead require an entity to disclose the basis on which it has prepared combined entity information;

   (b) retains the proposal:

      (i) to explain the purpose of the requirement for combined entity information; and

      (ii) to not provide application guidance on how to prepare combined entity information for the contribution of the acquired business; and

   (c) retains the proposal to specify that the amount of profit or loss in paragraph B64(q) is the amount of operating profit or loss as defined in IFRS 18.

Information about pension and financing liabilities

Background

37. Paragraph B64(i) of IFRS 3 requires an entity to disclose the amounts recognised for each major class of assets acquired and liabilities assumed in a business combination. The IASB proposed to:

   (a) delete the word 'major' from paragraph B64(i) of IFRS 3; and

(b) add pension and financing liabilities as classes of liabilities assumed in the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3.

38. Paragraphs BC178–BC181 of the Basis for Conclusions explain the IASB's rationale for these amendments.

Feedback and staff analysis

39. Almost all respondents who commented agreed with the proposal. A few respondents disagreed and made suggestions. The table below summarises and analyses the feedback and suggestions.

Feedback/ suggestions	**Staff analysis**
(a) One accounting professional body who agreed suggested defining the term 'class'.	We think it is unnecessary to define the term. Almost all respondents supported the proposal, suggesting that the term is sufficiently clear and well-understood.
(b) A few (particularly preparers and preparer groups) said removing the word 'major' could result in excessive disclosures or could lead to a misunderstanding about which assets and liabilities to disclose information for.	Almost all respondents agreed with the proposal, suggesting they do not think removing the word 'major' would result in excessive disclosures or misunderstanding. As paragraphs BC180–BC181 of the Basis for Conclusions explain, we think *Disclosure of Accounting Policies* (which amended IAS 1) and the principles of aggregation and disaggregation in IFRS 18 *Primary Financial Statements* are sufficient to help entities make materiality judgements when applying the amended paragraph B64(i).

(c) One preparer said the proposal would not provide additional useful information.	As paragraph BC178 of the Basis for Conclusions explains, some investors said they need to know the amount of liabilities arising from financing activities and defined benefit pension liabilities assumed as part of a business combination. Investors view such liabilities as part of the total capital employed in the business combination. However, some entities do not disclose this information separately for each business combination. Consequently, we think the proposal will result in entities providing additional useful information in situations in which the information is material but is not currently being disclosed applying existing requirements in IFRS 3.
(d) One user and one user group suggested requiring entities to disclose all classes of assets acquired and liabilities assumed.	We think the suggestion is essentially the same as the proposal to disclose 'each class'. We believe that using the word 'all' wouldn't make a difference because the materiality and aggregation/ disaggregation requirements in IFRS 18 would still be applicable.

Staff recommendation

40. We recommend the IASB retains its proposals to improve the quality of information entities disclose about pension and financing liabilities assumed in a business combination—in particular, its proposals:

(a) to delete the word 'major' from paragraph B64(i) of IFRS 3; and

(b) add pension and financing liabilities as classes of liabilities assumed in the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3.

Deletion of some disclosure requirements

Background

41. The IASB proposed to delete from IFRS 3:

    (a) paragraph B64(h)—information about acquired receivables;

    (b) paragraph B67(d)(iii)—adjustments resulting from the subsequent recognition of deferred tax assets as part of the reconciliation of the carrying amount of goodwill; and

    (c) paragraph B67(e)—the amount and an explanation of material gains or losses relating to the identifiable assets acquired or liabilities assumed in a business combination effected in the current or previous reporting period.

42. Paragraph BC183 of the Basis for Conclusions explains the IASB's rationale for the proposed deletions.

Feedback and staff analysis

43. Almost all respondents who commented agreed with the proposed deletions.

44. One respondent who agreed said preparers need to ensure useful information is not lost. Based on the IASB's rationale for deleting these disclosure requirements (see paragraph BC183 of the Basis for Conclusions), we continue to think useful information will not be lost by deleting these requirements. Respondents' have not provided any evidence to the contrary.

45. One respondent who agreed suggested also deleting other less useful disclosures. Through discussion with the respondent, we understand they were suggesting deleting disclosures in other IFRS Accounting Standards—for example, asset reconciliation tables which may duplicate information disclosed applying IFRS 3. Considering deleting disclosure requirements in other IFRS Accounting Standards goes beyond the scope of this project so we have not considered it further.

46. One respondent who disagreed suggested retaining paragraphs B64(h) and B67(e) because the information disclosed applying these paragraphs is more useful and reliable than the expected synergy information that the IASB proposes to require an entity to disclose. We agree that information provided applying these paragraphs is useful. However, as paragraph BC183(a) and BC183(c) of the Basis for Conclusions explains, similar information is provided applying requirements in other IFRS Accounting Standards which makes these requirements redundant.

Staff recommendation

47. We recommend retaining the proposals to delete the disclosure requirements in IFRS 3 about acquired receivables in paragraph B64(h); subsequent deferred tax adjustments in paragraph B67(d)(iii); and subsequent material gains or losses in paragraph B67(e).

Summary of staff recommendations and next steps

48. We recommend the IASB retains the proposed disclosures objectives for the purpose of redeliberating the proposed performance and expected synergy disclosure requirements in future meetings. When the IASB has made most of its decisions about those requirements, we will analyse (and ask the IASB to decide) whether to retain or update the proposed disclosure objectives in the prospective Standard.

49. We recommend for the contribution of the acquired business, the IASB:

(a) changes the proposal:

(i) to no longer specify that combined entity information is an accounting policy; and

(ii) to instead require an entity to disclose the basis on which it has prepared combined entity information;

(b) retains the proposal:

(i) to explain the purpose of the requirement for combined entity information; and

(ii) to not provide application guidance on how to prepare combined entity information for the contribution of the acquired business; and

(c) retains the proposal to specify that the amount of profit or loss in paragraph B64(q) is the amount of operating profit or loss as defined in IFRS 18.

50. Furthermore, we recommend the IASB retains its proposals:

(a) to replace the requirement in paragraph B64(d) of IFRS 3 to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination;

(b) to improve the quality of information entities disclose about pension and financing liabilities assumed in a business combination—in particular, its proposals:

(i) to delete the word ‘major’ from paragraph B64(i) of IFRS 3;

(ii) to add pension and financing liabilities as classes of liabilities assumed in the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3; and

(c) to delete the disclosure requirements in IFRS 3 about acquired receivables in paragraph B64(h); subsequent deferred tax adjustments in paragraph B67(d)(iii); and subsequent material gains or losses in paragraph B67(e).

Question for the IASB
Does the IASB agree with our recommendations summarised in paragraphs 48–50?