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## Capital Markets Advisory Committee

Date	<b>November 2025</b>
Project	<b>Business Combinations—Disclosures, Goodwill and Impairment</b>
Topic	<b>Aspects of performance and expected synergy information</b>
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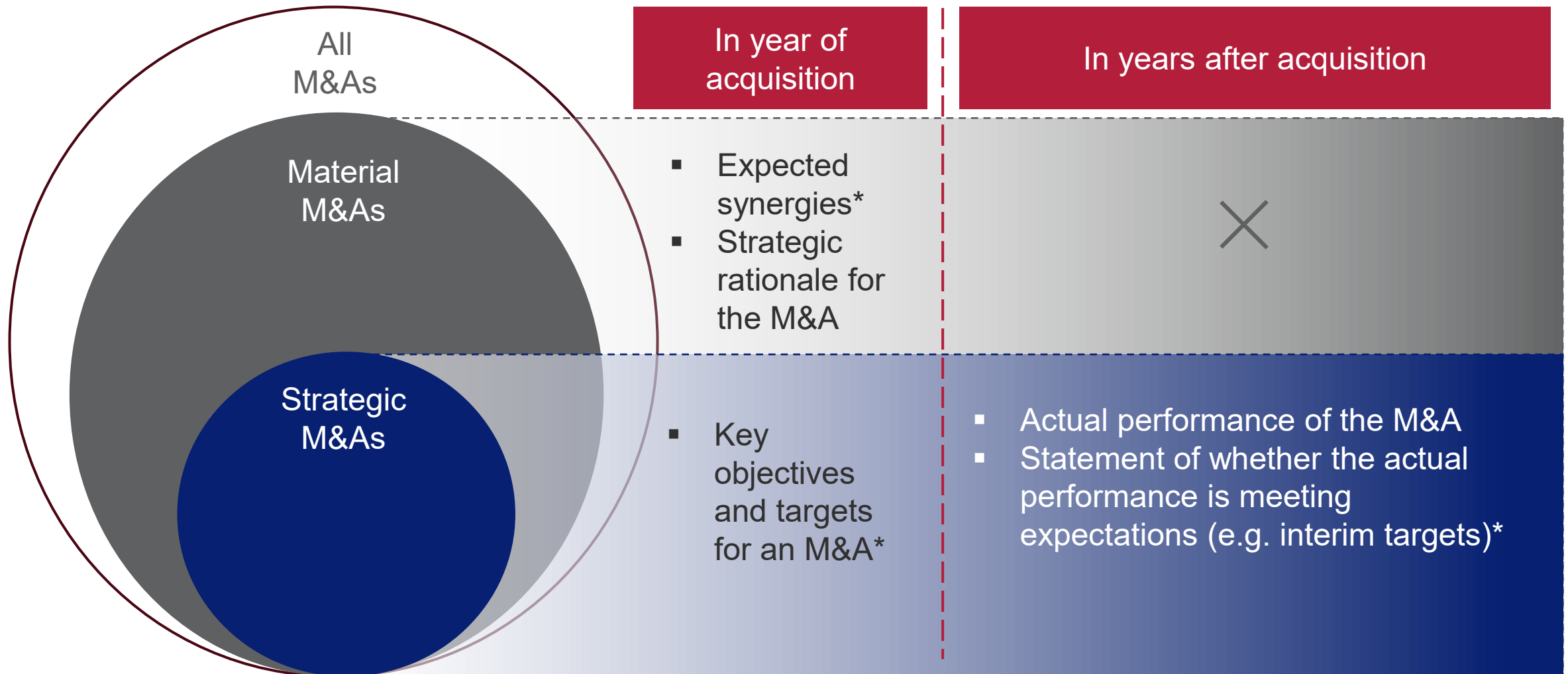
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## Purpose

- The purpose of this discussion is to seek Capital Markets Advisory Committee (CMAC) members' views on aspects of the proposed requirements for an entity to disclose information about a business combination—also known as a merger and acquisition (M&A)—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 CMAC members.
  - We are not asking for your views on other aspects of the proposals (for example, details about the information an entity would be required to disclose) 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 M&A it would be required for) are similar to what was proposed in the Exposure Draft.
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## Reminder of proposals in the Exposure Draft



\*Exemption available if requirements are met

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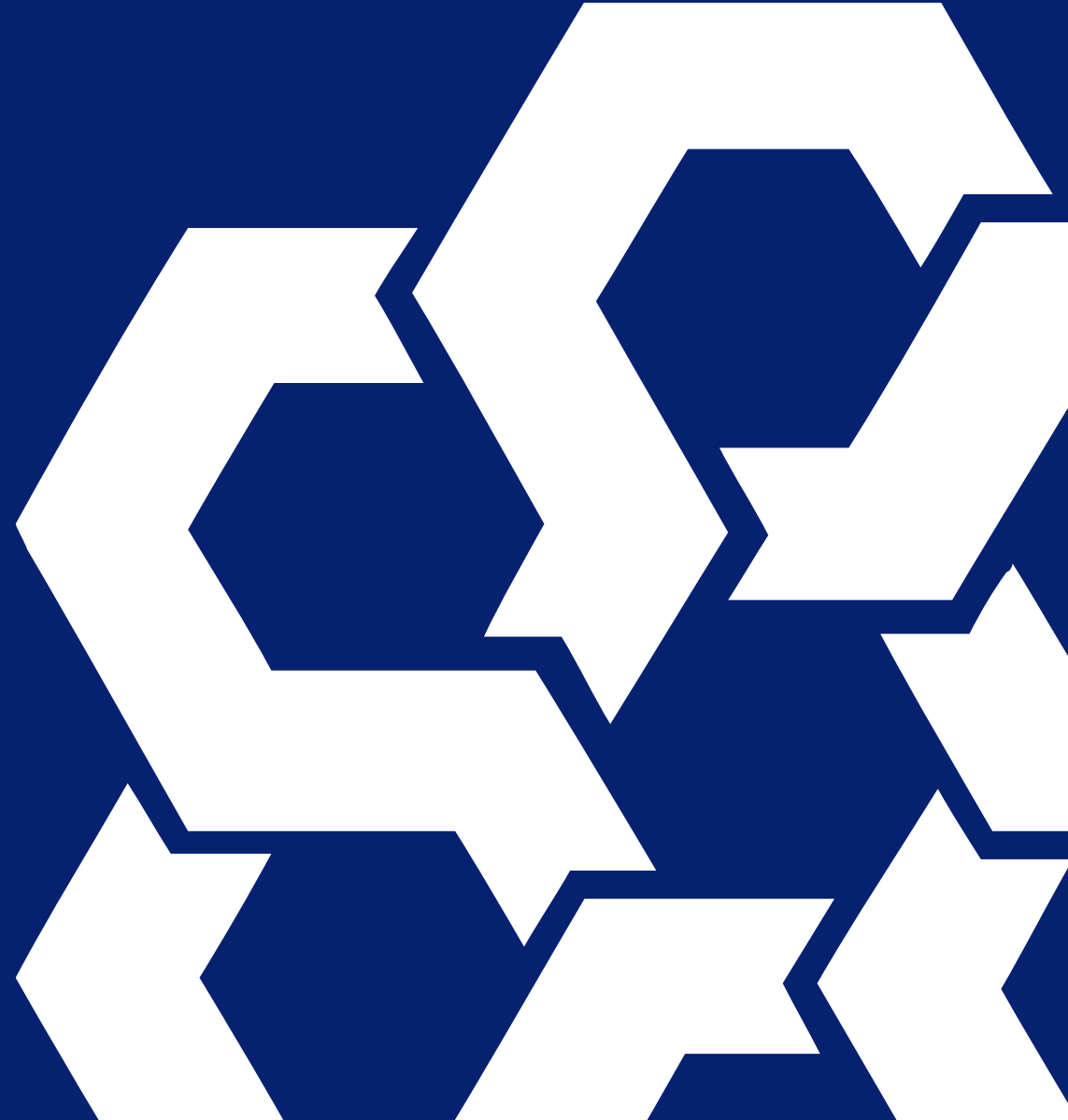
## Structure

The slides are structured as follows:

- Topic I—Statement of whether performance of an M&A is meeting targets (slides 5–9)
  - Topic III—Population of M&As for expected synergy information (slides 10–16)
  - Topic III—Basis of preparation for targets and expected synergy information (slides 17–20)
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Topic I—Statement of  
whether performance of an  
M&A is meeting targets



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## Reminder of the Exposure Draft's proposals: Information about an M&A's performance

### What information?

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

- Acquisition-date key objectives and targets 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 an M&A
- key management personnel **stop** reviewing the performance of an M&A before the end of the second year after the year of acquisition

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## Reminder of the Exposure Draft's proposals: Statement on whether an M&A is meeting targets

### **Illustrative example – M&A objectives and targets, performance updates, and qualitative statement of performance**

An entity discloses its objectives and targets for an M&A:

- The target for an M&A 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 key objectives and related targets. In such a situation, actual performance information alone might be insufficient to help users assess an M&A's performance.

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

A few respondents said it could be difficult for entities to determine whether performance of an M&A is meeting targets and for auditors to verify that.

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

- an entity should be able to assess whether actual performance of an M&A is meeting its target (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.

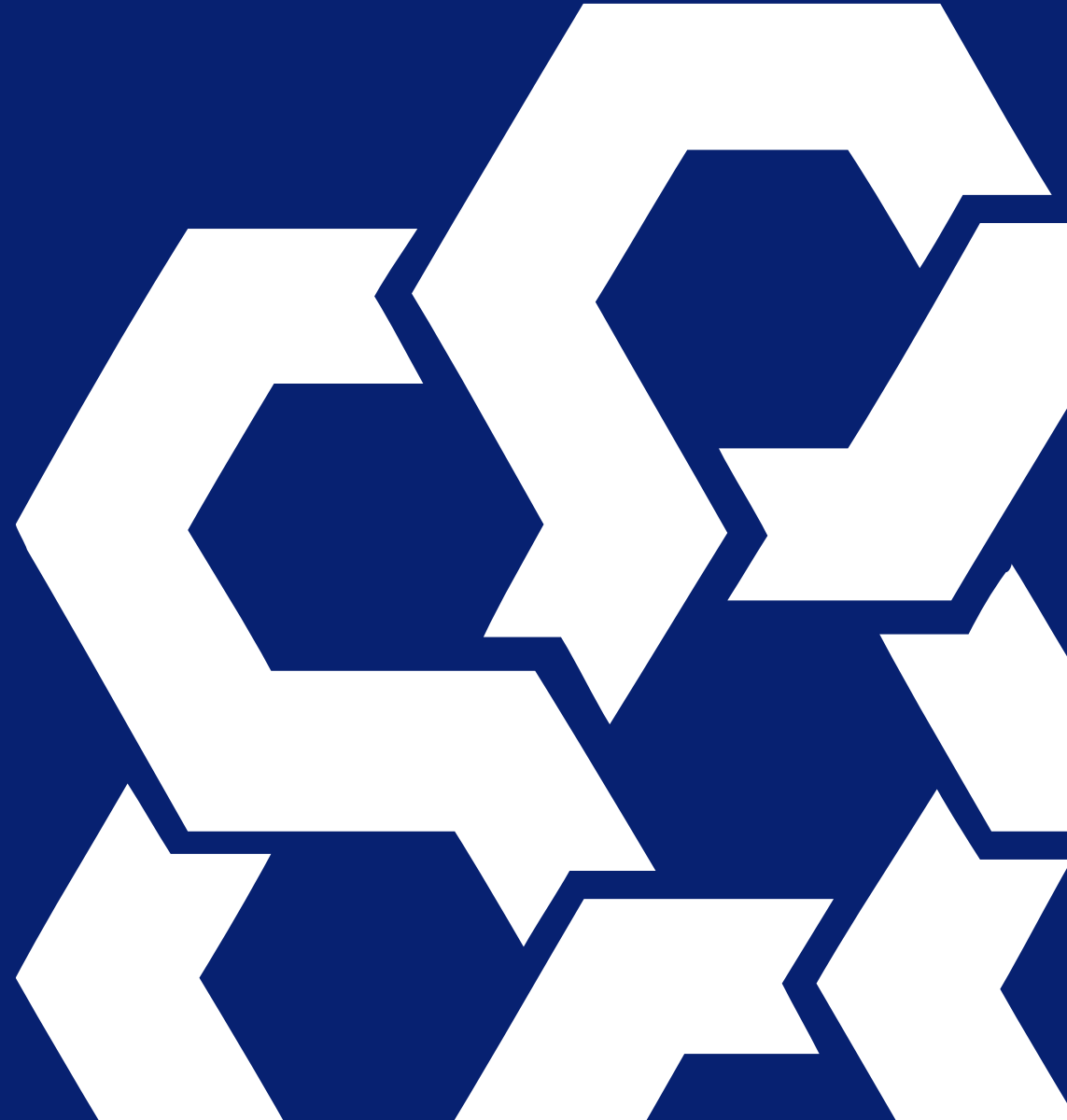
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## Questions

1. How would you use the information provided by a statement disclosing whether actual performance of an M&A is meeting or has met its targets?
2. Are there particular situations in which you would find such a statement more useful than in other situations?

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## Topic II—Population of M&As for expected synergy information



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

The Exposure Draft proposed requiring an entity to:

- (a) describe expected synergies from an M&A 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 material M&A that occurs during a reporting period and in aggregate for individually immaterial M&As that are material collectively.

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## Expected synergy information: Staff initial analysis

The IASB will discuss 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 the entity's management considered that information as part of the acquisition decision (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 M&As.

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## Restricting the population of M&As: Strategic M&As only

- Some respondents, particularly preparers and preparer groups suggested requiring expected synergy information only for strategic M&As.
- We acknowledge requiring expected synergy information only for strategic M&As 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).
- We would like to understand whether users would find expected synergy information for material, but not strategic, M&As as useful as they would find expected synergy information for strategic M&As.

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

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## Restricting the population of M&As: 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 M&As or only M&As 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 in most M&As, expected synergies would be reflected in recognised goodwill and while possible, it is unlikely for an entity to expect synergies in a bargain purchase.
- We would therefore like to understand the usefulness of requiring an entity to disclose expected synergy information for an M&A for which an entity has not recognised goodwill.

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## Restricting the population of M&As: Individually immaterial M&As

**This slide has been added after the IASB's October 2025 meeting.** For some information about M&As (for example, the transaction price and combined entity information), entities disclose aggregated information for individually immaterial M&As. Our initial view was to not require entities to disclose aggregated expected synergy information for individually immaterial M&As 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 M&As, the resulting disclosure of aggregate information would be less useful.

Some IASB members suggested we consult on this topic. We would therefore like to understand the usefulness of aggregated information about individually immaterial M&As.

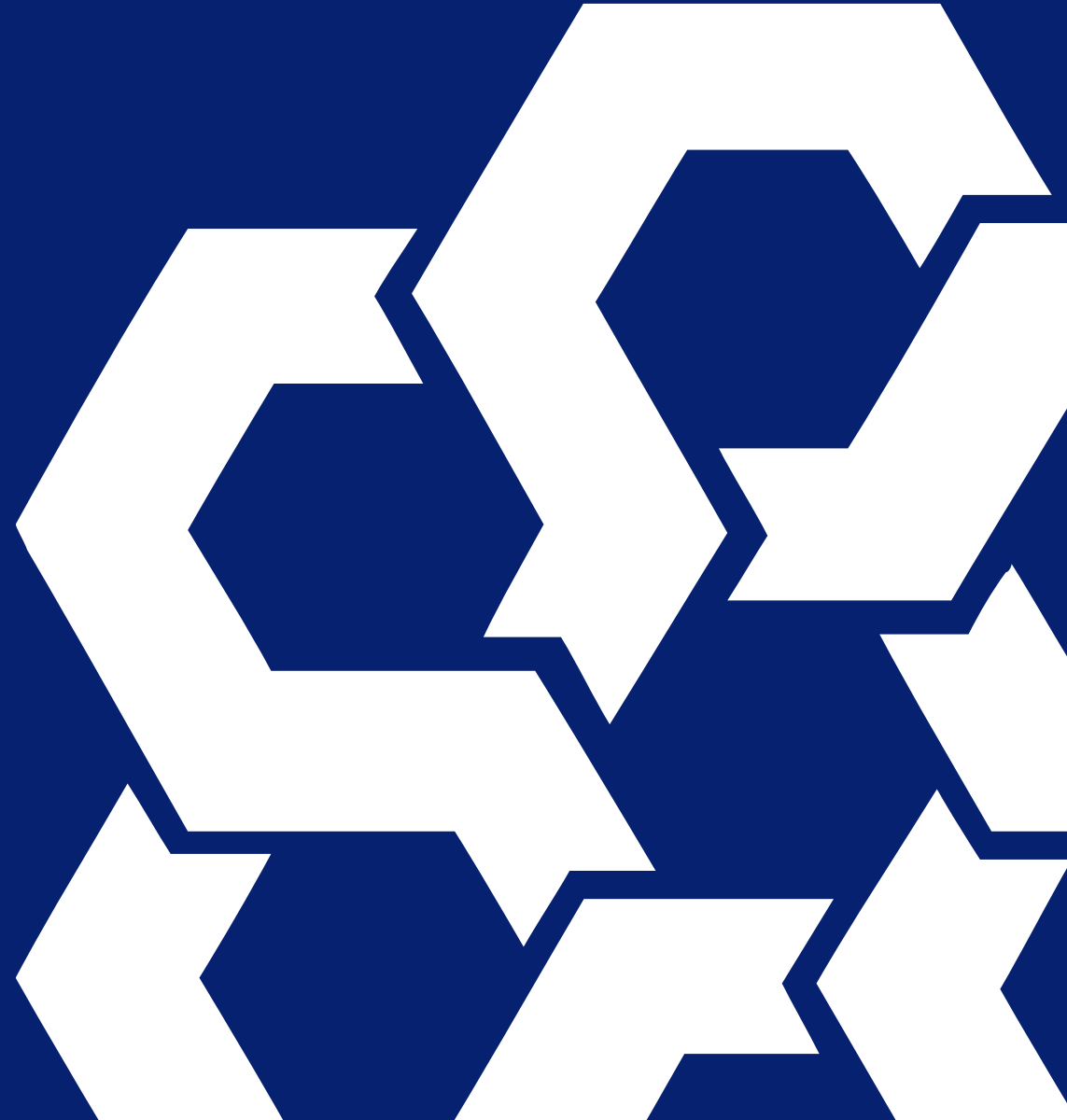
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## Questions

1. Considering the challenges in calculating expected synergy information, do you need this information for all material M&As or would receiving this information only for strategic M&As (as illustrated on slide 3) address your needs?
2. Does whether or not goodwill is recognised affect how useful you would find information about expected synergies?
3. Would you find aggregated information about individually immaterial M&As useful? The aggregated information would only include M&As if the entity considered that information when agreeing the price for the M&A.

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## Topic III—Basis of preparation for targets and expected synergy information



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## Basis of preparation—Exposure Draft proposal and feedback received

The Exposure Draft proposed requiring an entity to disclose:

- information about targets (see slide 6) for a subset of M&As; and
- expected synergy information (see slide 11) for all material M&As.

Feedback on the Exposure draft included:

- Targets for M&As 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.

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## Basis of preparation—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. However, we are consulting with preparers to identify any concerns in disclosing this information.

We would also like to understand how useful this information is to you.

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## Questions

1. How useful would you find information about the basis of preparation for:
  - (a) targets?
  - (b) expected synergy information?
2. How would you use this information?

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