
IASB[®] meeting

Date **October 2025**

Project **Business Combinations—Disclosures, Goodwill and Impairment**

Topic **Performance information—management approach**

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Purpose and structure

1. As Agenda Paper 18 explains, Agenda Papers 18A and 18B provide the International Accounting Standards Board (IASB) with our analysis of feedback on the proposed management approach for disclosing information about the performance of a business combination (performance information). Specifically:
 - (a) this paper analyses whether to retain the proposed management approach and which level of management to use; and
 - (b) Agenda Paper 18B analyses feedback on the time period for which entities would be required to disclose performance information.
2. This paper is structured as follows:
 - (a) background and key messages from feedback (paragraphs 4–6);
 - (b) analysis (paragraphs 7–23);
 - (c) summary of staff initial views (paragraph 24);
 - (d) questions for the IASB; and
 - (e) Appendix A—Excerpts from the Basis for Conclusions.
3. This paper does not ask IASB for any decisions. Although we do not plan to analyse further or consult on any aspects of this paper, we are not asking the IASB for any

decisions because of the strong interdependencies with other aspects of the proposals for performance information. For more details, see paragraphs 7–14 of [Agenda Paper 18G](#) of the IASB’s January 2025 meeting.

Background and key messages from feedback

4. The Exposure Draft [Business Combinations—Disclosures, Goodwill and Impairment](#) (Exposure Draft) proposed to require an entity to disclose performance information for a subset of business combinations. This includes information about:
 - (a) an entity’s acquisition-date key objectives and related targets (KOTs); and
 - (b) the extent to which those KOTs are being met in subsequent periods.
5. The Exposure Draft proposed that the information an entity would be required to disclose about the performance of a business combination reflects information the entity’s management uses to review and measure the success of a business combination (management approach). Specifically, the Exposure Draft proposed to require an entity to disclose performance information based on the information reviewed by the entity’s key management personnel (KMP) as defined in IAS 24 *Related Party Disclosures*.
6. Paragraphs 7–10 of [Agenda Paper 18D](#) of the IASB’s December 2024 meeting (December agenda paper) explain respondents’ feedback. In summary, most respondents agreed with using a management approach and identifying management as an entity’s KMP. However, some respondents disagreed.

Analysis

Approach

7. This section includes:
 - (a) background and feedback (paragraphs 8–11);

- (b) analysis (paragraphs 12–13); and
- (c) staff initial view (paragraph 14).

Background and feedback

8. Paragraphs BC34 of the Exposure Draft explains the IASB's rationale for proposing a management approach to identifying performance information. As that paragraph notes, the IASB expected that applying the management approach would:
 - (a) result in an entity disclosing the most useful information about business combinations. Information that is used by the entity's management for decision-making will probably also be relevant to users of financial statements (users).
 - (b) minimise the cost of disclosing the information because the information is already being used by an entity.
9. Most respondents agreed with using a management approach for reasons considered by the IASB.
10. Some respondents disagreed with using a management approach. Most of these respondents disagreed more generally with requiring an entity to disclose performance information in financial statements for reasons explained in [Agenda Paper 18B](#) of the IASB's December 2024 meeting. We have separately analysed feedback on those reasons (see Appendix A of Agenda Paper 18 for details).
11. A few respondents suggested not adopting a management approach and instead prescribing the information an entity should disclose (for example, profit, return on investment or estimated break-even period). In particular, they said:
 - (a) such an approach would be easier to apply and could ensure consistency and comparability across different entities.
 - (b) information typically reviewed by management is not relevant for users. They say information management review may not be designed to convey

the outcomes of business combinations, and therefore, may not be relevant for investment decisions.

- (c) such an approach would minimise the amount of management judgment involved and would help portray an objective picture of the business combination performance.

Analysis

12. We think a management approach would achieve the project objective ‘to develop requirements for entities to provide more useful information to users about business combinations, at a reasonable cost’.¹ For reasons previously considered by the IASB (see paragraph 8) and considering feedback on the Exposure Draft, we continue to think a management approach would:
- (a) result in entities providing useful information to users; and
 - (b) minimise the cost of disclosing the information because the information is already being used by an entity.
13. In developing the [Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment](#) (Discussion Paper) and its proposals in the Exposure Draft, the IASB considered and consulted on whether to require an entity to disclose specified metrics. Respondents have not provided information not previously considered by the IASB on this matter. As paragraphs 29–33 of [Agenda Paper 18A](#) to the IASB’s September 2022 meeting note:

29. Applying this alternative [that is, prescribing the information an entity should disclose], the IASB would replace its preliminary view of requiring entities to disclose information about business combinations reviewed by management (a management approach) with a requirement for entities to disclose specific

¹ [Agenda Paper 18](#) of the IASB’s February 2025 meeting analysed the project objective. The IASB [tentatively decided](#) to retain the project’s objective but to adjust its wording to reflect the stage of the project.

metrics for all business combinations. For example, paragraph B64(q) of IFRS 3 requires an entity to disclose information about the revenue and profit of an acquired business in the year of acquisition—the IASB could require an entity to continue to provide this information for a specified period of time after the acquisition.

30. As noted in paragraph 62 of [Agenda Paper 18B](#) to the IASB's April 2022 meeting, we think this alternative can respond to practical concerns about commercial sensitivity and forward-looking information because (a) information about specified metrics might not be linked to management's strategy; and (b) no information about management's targets would be provided. However, applying this alternative could exacerbate the practical concern about the integration of businesses because management might not be able to isolate the performance of the acquired business from that of its existing business once the acquired business is integrated.

31. As noted in paragraphs 81–82 of [Agenda Paper 18C](#) to the IASB's April 2021 meeting, most respondents to the Discussion Paper agreed with using a management approach. Only a few respondents said the IASB should specify metrics all entities would be required to disclose.

32. In addition, at their joint meeting in June 2022 CMAC and GPF members generally disagreed with this alternative. Those members said management should determine the metrics that best reflect the objective of the business combination rather than the IASB specifying metrics all entities would be required to disclose.

33. As a result of this feedback, we think the IASB should not consider this alternative further. We think it is questionable

whether this alternative would provide useful information and requiring entities to track specific metrics for every business combination could be more costly than a management approach.

Staff initial view

14. We think the IASB should retain the proposed management approach because it is the most appropriate approach to identifying performance information an entity should be required to disclose.

Level of management

15. This section includes:
- (a) background and feedback (paragraphs 16–18);
 - (b) analysis (paragraphs 19–22); and
 - (c) staff initial views (paragraph 23).

Background and feedback

16. The IASB concluded it would be beneficial to specify the level of management to be used in identifying the information required to be disclosed and that the level of management should be KMP. Paragraphs BC110–BC114 (reproduced in Appendix A) explain the IASB’s considerations on whether and, if so, how to define management.
17. As paragraphs 7–10 of the [December agenda paper](#) note:
- (a) most respondents agreed with using KMP as the level of management for the management approach to disclosing performance information. Those respondents said disclosing performance information reviewed by KMP would provide relevant information for users, help users assess management stewardship, and utilise terms that are well understood by users.

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- (b) some of the respondents who agreed with a management approach disagreed with using KMP. A few of these respondents said IAS 24 defines KMP² for the purpose of identifying related party transactions and not to provide information about transactions involving third parties. Applying a concept not designed specifically for disclosures about business combinations could lead to practical complications and unintended consequences. Many of these respondents suggested alternative approaches to define management. These included:
- (i) reverting to the preliminary view in the Discussion Paper and identifying management as an entity's chief operating decision maker for reasons explained in paragraph 9(a) of the [December agenda paper](#) (some respondents);
 - (ii) not defining management to provide flexibility for entities that have different corporate structures (some respondents);
 - (iii) focusing on information reviewed by 'those charged with governance'—a term commonly used in corporate governance codes in various jurisdictions (a few respondents); and
 - (iv) requiring an entity to consider information disclosed outside financial statements, information regularly reviewed by CODM and other similar types of information when considering what information to disclose (similar to paragraph B88 of IFRS 15 *Revenue from Contracts with Customers*) (one respondent).
18. Furthermore, some respondents suggested clarifying whether the requirements refer to information reviewed collectively by the entire group of KMP or whether it applies to information reviewed by any individual member within the group.

² Paragraph 9 of IAS 24 defines KMP as '...persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity'.

Analysis

19. For reasons previously considered by the IASB (see Appendix A), we continue to agree that:
- (a) it would be beneficial to specify the level of management to be used in identifying the performance information to be disclosed and that level of management should be at a senior level; and
 - (b) that level of management should be an entity's KMP.
20. Respondents have not provided new information not previously considered by the IASB in respect of this matter. Although a few respondents said applying a concept (KMP) not designed specifically for disclosures about business combinations could lead to practical complications and unintended consequences, as paragraph BC114 of the Basis for Conclusions (reproduced in Appendix A) explains, other IFRS Accounting Standards already use KMP to identify information to disclose. For example:
- (a) disclosure of summary quantitative data about an entity's exposure to risks arising from financial instruments at the end of the reporting period (paragraph 34(a) of IFRS 7 *Financial Instruments: Disclosures*); and
 - (b) disclosures about an entity's objectives, policies and processes for managing capital (paragraph 128 of IFRS 18 *Presentation and Disclosure in Financial Statements*).
21. Because other IFRS Accounting Standards already use KMP to identify information to disclose, we think it is unnecessary to clarify whether the requirements refer to information reviewed collectively by the entire group of KMP or whether it applies to information reviewed by any individual member within the group. Doing so could have unintended consequences on entities' application of these other requirements.

22. In respect of the suggestions in paragraph 17(b) of this paper, we think:

- (a) the IASB should not revert to the preliminary view in the Discussion Paper and identify management as an entity's chief operating decision maker for the reasons in paragraph BC113 of the Exposure Draft (reproduced in Appendix A).
- (b) for the reasons in paragraph BC111 (reproduced in Appendix A), the IASB should define a level of management. We accept that entities may have different corporate structures—however, this is why specifying a level of management is helpful because, as paragraph BC111(a) notes, there might be different levels of management within an entity that review the performance of a business combination using information with varying levels of detail which could lead to questions about how to apply the requirements.
- (c) the IASB should not specify management as 'those charged with governance'. The term 'those charged with governance' is not defined in IFRS Accounting Standards. It is a term used in local corporate governance codes, however, it might not be used or consistently defined across different jurisdictions. Developing a standardised definition could involve significant costs without providing additional benefits.
- (d) requiring entities to consider multiple factors in deciding which information should be disclosed as KOTs (see suggestion in paragraph 17(b)(iv)) would be judgemental, add complexity and cost for preparers and reduce consistency between entities.

Staff initial views

23. We think the IASB should retain its proposals to specify:

- (a) the level of management to be used in identifying the performance information to be disclosed and that level of management should be at a senior level; and

- (b) that level of management should be an entity's KMP.

Summary of staff initial views and questions for the IASB

24. In our initial view, the IASB should retain the proposals:

- (a) to use a management approach for performance information; and
- (b) to specify KMP as the level of management to be used in identifying the performance information to be disclosed.

Questions for the IASB

Do IASB members have any questions or comments on the analysis in this agenda paper?

Specifically:

- (a) do IASB members have any comments or questions on the analysis in this paper or the staff initial views summarised in paragraph 24?
- (b) is there anything IASB members would like us to research, consult on or analyse further?

Appendix A—Excerpts from the Basis for Conclusions

A1. Paragraphs BC110–BC114 explain the IASB’s considerations on whether and, if so, how to define management. As those paragraphs note:

BC110 In the Discussion Paper the preliminary view was to require an entity to disclose information reviewed by the entity’s CODM. CODM is a term that stakeholders are familiar with and the IASB viewed the use of the CODM as an effective method of identifying the most important information about the most important business combinations. As discussed in paragraph BC50, the IASB received mixed feedback on that preliminary view.

BC111 After considering feedback, the IASB concluded it would be beneficial to specify the level of management to be used in identifying the information required to be disclosed and that the level of management be at a senior level because:

(a) requiring an entity to disclose information reviewed by senior management would help identify the most important information about a business combination. Specifying senior management in this requirement would be helpful when different levels of management within an entity review the performance of a business combination using information with varying levels of detail.

(b) as noted in paragraphs BC121–BC123, if an entity’s management is not reviewing or has stopped reviewing the performance of an acquisition-date key objective and the related targets, the entity would be required to disclose that fact. In the IASB’s view, specifying a senior level of management would help users better assess management’s stewardship of resources used for strategic business combinations. Being made aware that senior management is not reviewing or has stopped reviewing the

performance of an acquisition-date key objective and the related targets could provide more useful information to users than receiving information about the performance of a strategic business combination that is reviewed only by a more junior level of management.

(c) defining the level of management could help distinguish the information an entity would disclose about a business combination from information the entity uses to review the performance of the business as a whole, and therefore could help identify when an entity stops disclosing information. The IASB concluded that defining management is an easier way to make this distinction than defining in detail what reviewing a business combination's performance means.

BC112 In defining a senior level of management, the IASB considered whether to continue using an entity's CODM or whether to refer instead to an entity's key management personnel, as defined in IAS 24 *Related Party Disclosures*.

BC113 Analysing feedback on the Discussion Paper, the IASB identified two main drawbacks with continuing to use an entity's CODM to identify information. In particular:

(a) the entity's CODM is linked with the information the entity is required to disclose in accordance with IFRS 8. Although the preliminary view, if implemented, would not preclude the entity from reporting information about a reportable segment when assessing the performance of a business combination, entities might not always assess performance at a reportable segment level. Some stakeholders expressed confusion about how information about the performance of a business combination would differ from the information disclosed applying IFRS 8.

(b) there is diversity in the application of CODM in different entities—feedback on the Discussion Paper indicated that there is diversity in the role the CODM plays in reviewing the performance of business combinations. Therefore, continuing to use CODM to identify information might not result in consistent application of the proposed requirements by entities.

BC114 The IASB proposes to specify management as an entity's key management personnel. In the IASB's view:

(a) using key management personnel has similar benefits to using CODM because:

(i) it would utilise terminology within IFRS Accounting Standards; and

(ii) disclosing that key management personnel—a senior level of management—do not start reviewing or stop reviewing the performance of a key objective for a strategic business combination is likely to be useful information (see paragraph BC111(b)).

(b) an entity's key management personnel are not linked with segment reporting. The confusion noted in paragraph BC113(a) regarding the relationship between the proposed disclosure requirements and disclosure requirements in IFRS 8 would therefore be avoided.

(c) other IFRS Accounting Standards use key management personnel to identify information to be disclosed by an entity—for example, paragraph 34(a) of IFRS 7 *Financial Instruments: Disclosures*. The IASB is not aware of concerns about the use of key management personnel in these IFRS Accounting Standards.