
IASB[®] meeting

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

Topic **Performance information—time period**

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Purpose and structure

1. As Agenda Paper 18 explains, this paper provides the International Accounting Standards Board (IASB) with our analysis of feedback on the time period for which entities would be required to disclose information about the performance of a business combination (performance information). This paper assumes the IASB retains a management approach for performance information (analysed in Agenda Paper 18A).
2. This paper is structured as follows:
 - (a) background and key messages from feedback (paragraphs 4–6);
 - (b) analysis (paragraphs 7–32);
 - (c) summary of staff initial views (paragraphs 33–34);
 - (d) questions for the IASB; and
 - (e) Appendix A—Situations without a specific disclosure requirement.
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. As Agenda Paper 18A explains, the Exposure Draft [*Business Combinations—Disclosures, Goodwill and Impairment*](#) (Exposure Draft) proposed a management approach for performance information. 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*.
5. The Exposure Draft proposed requiring an entity to disclose performance information for a core time period—that is, for as long as the entity's KMP continue to review whether the objectives for a business combination are being met. The Exposure Draft also proposed that if an entity's KMP:
 - (a) do not start reviewing, and do not plan to review, whether a KOT is being met, the entity would be required to disclose that fact and the reasons for not doing so;
 - (a) stop reviewing whether a KOT is met before the end of the second annual reporting period after the year of acquisition (two-year period), the entity would be required to disclose that fact and the reasons it stopped doing so; and
 - (b) have stopped reviewing whether a KOT is met but still receive information about the metric that was originally used to measure the achievement of that KOT, the entity would be required to disclose information about the metric during the two-year period.
6. Paragraphs 13–19 of [*Agenda Paper 18D*](#) of the IASB's December 2024 meeting (December agenda paper) explain respondents' feedback. In summary:
 - (c) some respondents did not comment on the time period for which an entity would be required to disclose performance information. Many respondents agreed with requiring an entity to disclose performance information for as long as KMP review that information. On the other hand, some respondents

disagreed for various reasons as set out in paragraph 14 of the [December agenda paper](#).

- (d) most respondents agreed that entities should be required to disclose the fact and reasons if KMP do not start reviewing (and do not plan to review), or if they stop reviewing an acquisition-date key objective and related target for a business combination (KOT) within a specified time period. However, some respondents disagreed.
- (e) some respondents agreed with the proposed two-year time period to require information about KMP stopping review. However, some respondents disagreed.
- (f) some respondents said the proposed requirements relating to the time period for disclosing performance information are too complex.

Analysis

- 7. This section includes our analysis of feedback on the proposals relating to:
 - (a) the core time period (paragraphs 10–16); and
 - (b) disclosures for not starting or stopping review (paragraphs 17–32).
- 8. Some feedback suggests that the situations in which disclosure would be required for not starting or stopping review might not have been clear. Appendix A analyses whether the IASB should add a specific disclosure requirement for situations for which the Exposure Draft did not propose a specific disclosure requirement. Our analysis of the proposed disclosure requirements also identified an apparent inconsistency in the proposed requirements to disclose the fact and reason if KMP do not start and do not plan to review the performance of a KOT.
- 9. Based on our analysis in Appendix A, we think:
 - (a) no additional specific disclosure requirements are necessary in respect of those matters; and

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- (b) the IASB should clarify that the disclosure requirement in paragraph B67B(a)—if KMP do not start reviewing, and do not plan to review, whether a KOT is being met—is applicable not only in the year of acquisition but also in subsequent reporting periods.

Core time period

Background

10. As paragraphs BC119–BC120 of the Basis for Conclusions note:

BC119 The IASB proposes to proceed with specifying the core time period for disclosure as being for as long as an entity's management reviews whether the acquisition-date key objectives and the related targets for a business combination are being met...

BC120 In the IASB's view, specifying a fixed time period for disclosure could be viewed as arbitrary whereas specifying the core time period is better because it:

(a) would require an entity to disclose information based on what is used internally by the entity's management. This information would be less costly because it already exists. On the other hand, specifying a fixed time period could result in the entity being required to develop information specifically to meet disclosure requirements.

(b) takes into account the fact that the management of different entities review the performance of business combinations differently. If an entity's management reviews information internally, that information is also likely to be useful to users [of financial statements (users)].

(c) would capture ad hoc information reviewed by an entity's management—for example, from 'post-acquisition reviews' described in paragraph BC118(b) [of the Basis for Conclusions].

Feedback

11. Many respondents agreed with requiring an entity to disclose performance information for as long as KMP review that information. They said this would be in line with the management approach and can provide useful information. Some respondents said such an approach offers flexibility because an entity can stop disclosing information if management stop reviewing the information because the information is no longer important.
12. On the other hand, some respondents disagreed¹ with requiring an entity to disclose performance information for as long as KMP review that information because:
 - (a) some respondents suggested not requiring indefinite disclosure of performance information for a business combination, saying the information becomes irrelevant after a period of time. They proposed allowing entities to stop disclosing this information when management no longer considers the information relevant for users or after a specified period, such as 2–5 years. Paragraph 15 analyses these suggestions.
 - (b) respondents provided other reasons, which paragraph 16 explains and analyses.

Analysis

13. For reasons previously considered by the IASB (see paragraph 10), we continue to agree with the proposal to specify the core time period for disclosure of performance

¹ Some other respondents did not provide feedback on whether to require an entity to disclose performance information for as long as KMP review that information.

information as being for as long as an entity's KMP reviews whether the KOTs are being met.

14. We accept that performance information could become irrelevant after a period of time. However, if an entity's KMP review the performance of a business combination internally against KOTs they would likely do so only if the information is relevant to the entity's KMP—in which case we think that information is also likely to be useful to users. We note that many respondents agreed with the IASB's proposal on this matter.
15. We disagree with the suggestions to:
 - (a) allow entities to stop disclosing this information when management no longer considers the information relevant for users. We think this would introduce complexity and subjectivity in determining when to stop disclosing performance information. As paragraph 14 notes, we think information is likely to be useful for users if it continues to be reviewed by an entity's KMP.
 - (b) allow entities to stop disclosing information after a fixed time period for reasons previously considered by the IASB (see paragraph BC120 of the Basis for Conclusions—reproduced in paragraph 10 of this paper).
16. The table below summarises and analyses other reasons for which respondents disagreed with requiring an entity to disclose performance information for the core time period:

Suggestions/comments	Staff analysis
(a) One respondent said requiring an entity to disclose performance information for as long as management	We disagree that the proposed requirement is vague and could be difficult to apply. We note only one respondent has raised this concern. The proposal specifies how to identify the information to disclose and includes some requirements for disclosing

reviews that information is vague and could be difficult to apply.	information when management does not start, or stops, reviewing acquisition-date key objectives.
(b) One respondent said performance information is so important that an entity should be required to disclose that information even if management does not review the information.	We understand performance information is important for users. However, the suggestion from the respondent could result in entities having to disclose performance information for an indefinite time period which would be costly, and impractical. Management could be required to produce information only to meet the disclosure requirement.
(c) One respondent said the proposal could disincentivise management from monitoring the performance of a business combination.	We disagree. As paragraph 5 explains, the proposal requires an entity to disclose if its management has not started and does not plan to review the performance of a business combination (or stops within the two-year period), along with the reasons for this decision. As paragraph BC122 of the Basis for Conclusions notes, this disclosure would in itself provide users valuable insights into management's stewardship of the entity's resources.

Disclosures for not starting or stopping review

Background

17. As paragraphs BC121–BC123 of the Basis for Conclusions note:

BC121 The IASB decided to propose that an entity be required to disclose if its management does not start reviewing or has stopped reviewing the performance of an acquisition-date key objective and the related targets before the end of the second annual reporting period after the year of acquisition... Although the time period is arbitrary, in the IASB's view, this time frame is an appropriate balance between requiring an entity to disclose relevant information and the risk of imposing a time frame that is too long and onerous for preparers.

BC122 In the IASB's view, this information is useful because users said knowing that an entity's management is not reviewing or has stopped reviewing the performance of an acquisition-date key objective and the related targets helps them assess management's stewardship of the entity's resources.

BC123 The IASB acknowledged the concern raised by respondents as described in paragraph BC118(a) [of the Basis for Conclusions]². The IASB agreed that in those circumstances a user might not receive useful information if the preliminary view was implemented. In response the IASB proposes to add a requirement that would apply if an entity's management stops reviewing the achievement of an acquisition-date key objective and the related targets before the end of the second annual reporting period after the year of acquisition. This proposal would require an entity to disclose information about actual performance

² Paragraph BC118(a) of the Exposure Draft states: '...some respondents said an entity's management reviews the performance of a business combination against the business plan developed during the acquisition process only for up to one year after the business combination. After that, the business combination is reviewed as part of the entity's annual budgeting process whereby the [Chief Operating Decision Maker] reviews the performance of the business as a whole against an updated business plan instead of against the assumptions made at the time the business combination occurs. These respondents said that, in this circumstance, if the preliminary views were implemented, an entity would disclose performance against its acquisition-date key objectives and the related targets for up to a year after the business combination occurs. However, when the next annual budgeting cycle starts, the entity would disclose that it has stopped reviewing the performance of an acquisition-date key objective and the related targets because it is no longer reviewing performance against its acquisition-date objectives and the related targets.'

using the metric set out in the year of acquisition if (and only if) information about the business combination's subsequent performance measured using that metric is still being received by the entity's management in a different context.

18. Our analysis below considers separately feedback on:
- (a) disclosing the fact and reason for not starting, or stopping, review (paragraphs 19–22);
 - (b) using a two-year period to require information about stopping review (paragraphs 23–28); and
 - (c) disclosing if management receive information based on the same metric during the two-year period (paragraphs 29–31).

Disclosing fact and reason for not starting or stopping review

Feedback

19. Most respondents agreed that entities should be required to disclose the fact and reasons if KMP do not start reviewing (and do not plan to review), or if they stop reviewing the performance of a KOT within the two-year time period. They said the proposal would provide transparency. However, some respondents disagreed, and said:
- (a) requiring entities to disclose the reason for not starting to, or stopping to, review performance of a KOT could result in unhelpful, boiler plate information. They suggest requiring an entity to disclose only the fact and not the reason.
 - (b) the requirement could force management to change how they manage an entity—for example, KMP continuing to review a KOT to avoid needing to disclose that they have stopped reviewing it.

Analysis

20. For reasons considered by the IASB (see paragraph 17), we continue to agree with the IASB's proposals that if an entity's KMP:
- (a) do not start reviewing, and do not plan to review, performance of a KOT, the entity should be required to disclose that fact and the reasons for not doing so; and
 - (b) stop reviewing the performance of a KOT during the two-year period, the entity should be required to disclose that fact and the reasons it stopped doing so.
21. We acknowledge there is a risk some entities might disclose boilerplate information about its reasons for not starting to monitor, or stopping monitoring, the performance of a KOT. However, we think:
- (c) users might view boilerplate reasons negatively, which might encourage entities to disclose the actual reason; and
 - (d) removing the proposed requirement to disclose the reason would result in users receiving less useful information (from entities that would disclose the actual reason).
22. We disagree with feedback suggesting the proposals would 'force' management to alter their behaviour. Applying the proposals, management could choose whether to continue reviewing the performance of a KOT (and disclose it) or stop reviewing the performance of a KOT (and disclose the fact and reason). We think not requiring an entity to make the specified disclosures within the two-year period could risk some entities choosing to stop monitoring performance of a KOT simply to avoid disclosing that information.

*Using a two-year period***Feedback**

23. Some respondents agreed with using the two-year period for requiring entities to disclose information if the entity stops reviewing the performance of a KOT. They said this time period is practical and provides a reasonable timeframe for evaluating the performance and outcomes of a business combination without imposing excessive demands. They said demand for information about a business combination typically falls after a few years, and that two years appears to be about the right length of time.
24. Some other respondents disagreed:
- (a) a few said two years is too short. They said large and complex business combinations, such as those relating to infrastructure and extractive industries often take longer than two years to evaluate.
 - (b) a few said two years is too long. They said entities often integrate acquirees soon after a business combination, often within a year.
25. Some other respondents said the requirements for disclosing performance information are too complex. They said is unclear why the IASB would require an entity to disclose performance information for the two-year period. In their view, this requirement is inconsistent with goodwill having an indefinite useful life.

Analysis

26. As paragraph BC121 of the Basis for Conclusions (reproduced in paragraph 17) notes, the two-year period is arbitrary and aimed to set an appropriate balance between requiring an entity to disclose relevant information and the risk of imposing a time frame that is too long and onerous for preparers. Any time period would be arbitrary, and the fact that feedback included a few respondents who said it was too short, a few respondents who said it was too long and other respondents who did not suggest changing the two-year period suggests that the two-year period is appropriate.

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27. Considering the specific concerns raised with setting the period as two years:
- (a) a few said two years is too short because some business combinations take longer to evaluate—if KMP review performance of a KOT for a longer period, the entity would continue to disclose that information. The two-year period applies only if KMP stop reviewing performance of a KOT within the two-year period.
 - (b) a few said two years is too long because entities often integrate acquirees within a year—as paragraphs 7–11 of Agenda Paper 18C explain, if an entity intends to review information about the combined business to assess the performance of a business combination, the entity would set KOTs and monitor performance of that KOT on that combined basis.
 - (c) as [Agenda Paper 18A](#) to the IASB’s March 2025 meeting notes, performance information provides information about the acquisition price for the business combination. The acquisition price is reflected in the financial statements through the recognition of assets acquired and liabilities assumed in the business combination, which may include goodwill. It is unnecessary for the time period for requiring performance disclosures to be consistent with the useful life of goodwill.
28. We acknowledge that combining a principle-based requirement (‘as long as KMP review’) with additional specific requirements that apply when KMP do not start or stop monitoring a KOT may appear complex. However, we think the information is useful and note the additional specific requirements would apply only in limited cases—specifically:
- (a) only for a subset of business combinations, for which performance information would be required; and
 - (b) only if KMP set a key objective (critical to the success of the business combination) and related target but then do not start, or stop within the two-year period, monitoring performance against that target.

*Information based on the metric***Feedback**

29. Some respondents suggested removing the requirement to disclose information if KMP do not review the performance of a KOT but continue to receive information about the metric that was originally used to measure the performance of that KOT within the two-year period. In their view:
- (a) information not reviewed by management to assess the performance of a KOT would not be useful; and
 - (b) the requirement would be difficult to implement because KMP typically have access to all information, and it would be difficult to tell whether KMP still ‘receive’ that information.

Analysis

30. We continue to agree with the IASB’s rationale—as set out in paragraph BC123 of the Exposure Draft (reproduced in paragraph 17) for requiring an entity to disclose information about the metric originally used to measure a KOT if (and only if) KMP still receive information about that metric in a different context. For reasons previously considered by the IASB, we think the information would be useful.
31. Regarding feedback that it would be difficult to tell whether KMP ‘receive’ information they have access to, we think this does not result from the proposed requirements. Such challenges, if any, would also arise in the context of other requirements in which an entity discloses information received by KMP (see paragraphs 20–21 of Agenda Paper 18A for this meeting). Clarifying this requirement could have unintended consequences on entities’ application of these other requirements.

Staff initial views

32. Our initial views are to retain the proposals:

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- (a) to specify the core time period for disclosure of performance information as being for as long as an entity's management reviews the performance of a KOT.
 - (b) to specify that if an entity's KMP:
 - (i) do not start reviewing, and do not plan to review, whether the performance of a KOT, the entity would be required to disclose that fact and the reasons for not doing so;
 - (ii) stop reviewing the performance of a KOT during the two-year period, the entity would be required to disclose that fact and the reasons it stopped doing so; and
 - (iii) have stopped reviewing the performance of a KOT but still receive information about the metric that was originally used to measure the performance of that KOT, the entity would be required to disclose information about the metric during the two-year period.

Summary of staff initial views and questions for the IASB

33. In our initial view, the IASB should retain the proposals:
- (c) requiring an entity to disclose performance information for as long as the entity's KMP continue to review whether the objectives for a business combination are being met; and
 - (d) that if an entity's KMP:
 - (i) do not start reviewing, and do not plan to review, the performance of a KOT, the entity would be required to disclose that fact and the reasons for not doing so;
 - (ii) stop reviewing the performance of a KOT during the two-year period, the entity would be required to disclose that fact and the reasons it stopped doing so; and

- (iii) have stopped reviewing the performance of a KOT but still receive information about the metric that was originally used to measure the achievement of that KOT, the entity would be required to disclose information about the metric during the two-year period.

34. The Exposure Draft did not include specific disclosure requirements in some situations (explained in Appendix A) but we think no specific disclosure requirements are necessary for those situations. However, we think the IASB should clarify that the disclosure requirement in paragraph B67B(a) is applicable not only in the year of acquisition but also in subsequent reporting periods

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 paragraphs 33–34?
- (b) is there anything IASB members would like us to research, consult on or analyse further?

Appendix A—Situations without a specific disclosure requirement

- A1. Some feedback suggests that the situations in which an entity is required to disclose performance information might not have been clear. For example, one preparer said an entity might not always have KOTs for a business combination even if that business combination is strategic. This could happen, for example, when a government forces an entity to take over a competitor within a short time frame.
- A2. Considering the specific disclosure requirements proposed in the Exposure Draft, we identified the following scenarios for which the Exposure Draft did not propose a specific disclosure requirement:
- (a) KMP did not set any key objectives for a strategic business combination;
 - (b) KMP did not set any related targets for a key objective;
 - (c) KMP did not review a KOT in the current reporting period but plan to review it in the future; and
 - (d) KMP stop reviewing a KOT after the two-year period.
- A3. We think no specific disclosure requirements should be added for these situations because:
- (a) these situations would not occur frequently—for example, only one preparer said an entity might not have KOTs for a strategic business combination;
 - (b) although there are no specific disclosure requirements, entities might disclose information to meet the overall disclosure objectives³; and
 - (c) adding a specific disclosure requirement:
 - (i) would make the requirements more complex; and
 - (ii) might result in boilerplate disclosures.

³ [Agenda Paper 18A](#) of the IASB's May 2025 meeting explains and analyses feedback on the proposed disclosure objectives.

Apparent inconsistency in proposed requirements

- A4. When analysing the Exposure Draft's disclosure requirements to write this appendix, we noticed an apparent inconsistency in paragraph B67B(a)'s requirement to disclose the fact and reason if KMP do not start and do not plan to review the performance of a KOT. Specifically:
- (a) the requirement to disclose the fact and reason if KMP do not start and do not plan to review is part of paragraph B67B which refers back to the requirement in paragraph B67A(b) to disclose performance information 'in the year of acquisition and in each subsequent reporting period'; but
 - (b) the flowchart in Figure 1 on page 23 of the Exposure Draft has a question which only mentions 'in the year of acquisition', which could imply that the requirement in B67B(a) applies only in the year of acquisition.
- A5. We think it is possible that KMP might not start reviewing the performance of a KOT and then only in a subsequent period decide they do not plan to review it. For example, this situation would occur if:
- (a) management intend to review performance as part of a one-off post-acquisition review (as explained in paragraph BC118(b) of the Basis for Conclusions) after two years;
 - (b) in the year of acquisition, KMP did not start reviewing whether the KOT is being met but plan to do so after two years (so paragraph B67B(a) does not apply); and
 - (c) in the subsequent reporting period, KMP change their plans and no longer plan to review whether the KOT is being met.
- A6. In such a situation, we think users would find it useful to know the fact and reason that KMP no longer plan to review the KOT. We therefore think the IASB should:
- (a) retain the requirement in paragraph B67B(a); and

- (b) update the flowchart in Figure 1 on page 23 of the Exposure Draft to clarify that the disclosure requirement in paragraph B67B(a) is applicable not only in the year of acquisition but also in subsequent reporting periods.