

---

## IASB<sup>®</sup> meeting

Date **October 2025**  
Project **Business Combinations—Disclosures, Goodwill and Impairment**  
Topic **Performance information—other topics**  
Contacts Dehao Fang ([fdehao@ifrs.org](mailto:fdehao@ifrs.org))

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

---

## Introduction

1. As Agenda Paper 18 explains, this paper analyses feedback specific to the proposed requirement to disclose information about the performance of a business combination (performance information) that has not previously been analysed.
2. This paper does not ask the International Accounting Standards Board (IASB) to make any decisions.

## Background and structure

3. The [Exposure Draft](#) *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed to require an entity to disclose information about the performance of a strategic business combinations (performance information) including:
  - (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.
4. Agenda Paper 18B and 18D to the IASB's December 2024 meeting ([December paper 18B](#) and [December paper 18D](#)) summarised feedback on the Exposure Draft that was

specific to some aspects of the proposals to require an entity to disclose performance information.

5. This paper analyses feedback on:
  - (a) integration of acquiree (paragraphs 7–11);
  - (b) clarification requests (paragraphs 12–37); and
  - (c) suggestions (paragraphs 38–62).
6. Paragraphs 63–65 summarise our initial views on the topics discussed in this paper.

## Integration of acquiree

### ***Background***

7. Paragraph BC146–BC147 of the [Basis for Conclusions](#) on the Exposure Draft (Basis for Conclusions) state:

BC146        The preliminary views in the Discussion Paper took into account situations in which an acquired business is integrated. The IASB decided to follow the same approach in developing its proposals in this Exposure Draft. In particular, the IASB expects that, for a strategic business combination, even if management's intention is to quickly integrate the acquired business into an entity's existing business, the entity's key management personnel are likely to be reviewing some information to assess the performance of the business combination—for example by using information about the combined business.

BC147        The IASB's proposals:

- (a) follow a management approach—if an entity's management intends to review information about a combined business to

assess the performance of the business combination, then this information is what an entity would be required to disclose.

(b) would not require an entity to create information about the acquired business in isolation if its management assesses the performance of a business combination in a different way. If an entity does not review the performance of the business combination because of integration, it would be required to disclose that fact.

### **Feedback**

8. As paragraphs 22–23 of the [December paper 18D](#) meeting state:
- (a) some respondents expressed concerns about integration, saying it would be difficult to track and report the performance of a business combination in isolation.
  - (b) a few stakeholders acknowledged and welcomed the clarifications in the [Exposure Draft](#). However, these respondents said information about the performance of the combined business might not be representative of the performance of the business combination and could confuse and mislead users.

### **Analysis**

9. We agree it could be difficult to track and report the performance of a business combination in isolation when an acquired business is integrated with existing operations. However, the [Exposure Draft](#)'s proposals would not require an entity to track and report the performance of a business combination in isolation. As paragraph BC147(a) of the [Basis for Conclusions](#) (reproduced in paragraph 7) explains, if an entity's management intends to review information about the combined business to assess the performance of a business combination, this information is what an entity would disclose. Paragraph IE72 of the proposed amendments to *Illustrative Examples*

---

*accompanying IFRS 3* in the [Exposure Draft](#) illustrates how an entity would disclose performance information in such a situation.

10. We disagree with feedback suggesting that information about the performance of the combined business might not be representative of the performance of the business combination. KOTs are used by KMP to measure performance of a key objective. Appendix A to the [Exposure Draft](#) defines a key objective as an objective that is ‘critical to the success of the business combination’. The proposed management approach means an entity would disclose information that KMP use to assess the performance of the business combination against KOTs, so we would expect that information to be representative of the performance of the business combination. We also note that disclosure of performance information would be required for only a subset of material business combinations—the most important business combinations.

### ***Staff initial view***

11. We think no changes are needed to the proposals in respect of feedback on the integration of an acquiree.

## **Clarification requests**

12. As paragraph 25 of the [December paper 18D](#) notes, some respondents requested clarifying various aspects of the proposals to require disclosure of performance information:
- (a) an entity may have multiple acquisition-date objectives for a business combination, and it is unclear how an entity should determine which of those objectives are key objectives (paragraphs 14–19);
  - (b) how an entity should determine whether the performance of a business combination is meeting the KOTs (paragraphs 20–28); and
  - (c) the relationship between KOTs and management-defined performance measures (paragraphs 29–31).

- 
13. We also received some feedback on the definition of targets which paragraphs 32–37 analyse.

### ***Multiple objectives***

#### ***Feedback***

14. As paragraph 25(a) of the [December paper 18D](#) notes, a few respondents said management might have multiple-acquisition date objectives for a business combination and it is unclear how an entity should determine which of those objectives are key objectives.
15. Linked to this feedback, we also heard that an entity could have multiple acceptable outcomes under which it might consider a business combination to be a success, and it might be unclear how to determine the key objective in this situation. For example, management might consider a business combination a success if it either operates the acquiree at or above a particular level of profitability on an ongoing basis or if it disposes of the acquiree in a few years' time at a particular profit.

#### ***Analysis***

16. The IASB considered situations in which an entity might have multiple objectives for a business combination when developing the [Exposure Draft](#). As paragraph BC36 of the [Basis for Conclusions](#) notes, 'an entity's management might have multiple objectives for a business combination...an entity would be required to disclose only the key objectives—those that are critical to the success of the business combination'.
17. With respect to the situations noted in paragraph 15, we think in most of these situations, the multiple outcomes would be linked to an overarching objective. In the example described in paragraph 15, we think both outcomes described would generally be linked to an overarching objective of generating a particular return on investment, which might be achieved by either operating the acquiree on an ongoing basis or selling it to a third party.

- 
18. We acknowledge management might need to apply judgement in both situations—that is, when there are multiple objectives and when there are multiple outcomes under which a business combination might be considered a success—to identify the ‘key objective(s)’. However, the application of judgement is an integral part of the management approach.

*Staff initial view*

19. We think no specific changes to the proposals are needed in respect of feedback about multiple objectives for a business combination or multiple outcomes under which a business combination would be considered a success.

***Determining whether performance is meeting KOTs***

*Background*

20. Paragraph B67A(b)(ii) of the [Exposure Draft](#) requires an entity to disclose a statement of whether actual performance is meeting or has met the KOTs.
21. Paragraphs BC42–BC44 of the [Basis for Conclusions](#) state:

BC42 In some circumstances, information about the actual performance might not be enough to convey whether a business combination has been successful. Therefore, the IASB decided to propose that an entity be required to disclose a qualitative statement about whether that performance is meeting or has met the acquisition-date key objectives and the related targets. For example, this statement might be particularly useful if an entity has applied the proposed exemption (see paragraphs BC74–BC107) to information about an acquisition-date key objective or related target. In these circumstances, users would be unable to assess the performance of a business combination using only the information about its actual performance; users also need the

---

contextual information provided by either the acquisition-date key objective and the related targets, or a qualitative statement about actual performance.

BC43 The intention of the qualitative statement would be for an entity to disclose only whether it is meeting or has met its key objectives and targets. The IASB's proposals would not require an entity to disclose an explanation of differences between the actual performance and the key objective.

BC44 In the view of some IASB members, the IASB should not require an entity to disclose a qualitative statement about actual performance because those IASB members were concerned that an entity would find it difficult to disclose only a statement of whether actual performance is meeting or has met the acquisition-date key objectives and the related targets. These IASB members think users will ask the entity to provide further analysis or explanations of how far the actual performance was from meeting the key objective. Some IASB members consider such an analysis to be commercially sensitive because it could indirectly require the entity to disclose information about an acquisition-date key objective or related target even though that information was exempt. Other IASB members think the entity is likely to apply the exemption to the qualitative statement about actual performance. These IASB members therefore question how useful a requirement to disclose this information would be—users are unlikely to receive the context needed if the entity applies the exemption to a qualitative statement about actual performance.

### *Feedback*

22. A few respondents said it may be difficult to determine whether performance of a business combination is meeting a KOT. Respondents said it may be difficult to

determine, for example, whether the performance of the business combination in the first financial period after the business combination—an increase in revenue of X%—is meeting a KOT to increase in revenue by Y% by year 3 (3-year revenue target).

### *Analysis*

23. Applying the proposals, an entity would be required to disclose actual performance and a qualitative statement of whether actual performance is meeting or has met the KOTs in a reporting period if it has reviewed the performance of the business combination in that reporting period.<sup>1</sup>
24. Similar to our analysis in paragraph 18, we acknowledge that an entity's management might have to apply judgement to determine whether the performance of a business combination is meeting its KOT, which is an integral part of the proposed management approach.
25. We think the level of judgement management would need to apply in disclosing the statement could depend on various factors such as whether management has prepared, at acquisition date, a forecast showing the expected progression of the business combinations towards meeting the KOT each period—if so, management could assess whether actual performance is meeting the KOT by comparing the actual performance to the forecast for that period.
26. We understand the IASB's reasons for proposing the requirement to disclose a qualitative statement of whether performance is meeting the target (see paragraph BC42 of the [Basis for Conclusions](#) reproduced in paragraph 21 of this paper), particularly when an entity has applied the proposed exemption to the acquisition-date KOT. Whilst we think an entity would be able to assess whether actual performance is meeting KOTs, we understand the challenges in making this statement (for example,

---

<sup>1</sup> The exemption proposed in the Exposure Draft (analysed in Agenda Papers [18A](#) and [18B](#) of the IASB's June 2025 meeting) could apply to the statement of whether actual performance is meeting or has met a KOT. The analysis in this paper assumes an entity does not apply the exemption.

auditability challenges) and the view of some IASB members—set out in paragraph BC44 of the [Basis for Conclusions](#)—about the usefulness of this statement.

27. We plan to consult:
- (a) with auditors about the auditability of this requirement; and
  - (b) with users about the usefulness of this statement—in particular, whether users might be able to form their own assessment of whether actual performance is meeting KOTs without this statement.

***Staff initial view***

28. We will form a view on whether to retain the requirement to disclose a qualitative statement of whether performance is meeting the target after analysing the cost-benefit trade-off of requiring the statement. To inform our cost-benefit analysis, we plan to consult with users and auditors as described in paragraph 27.

***Relationship between KOTs and MPMs***

29. A few respondents suggested clarifying the relationship between KOTs and management-defined performance measures (MPMs)<sup>2</sup> as required by IFRS 18 *Presentation and Disclosure in Financial Statements* because the metrics used for measuring a target may be related to an MPM.
30. We agree it is possible for a metric used to measure a target to be related to an MPM. For example, an entity could use adjusted profit as an MPM and set an acquisition-date target for a business combination that is also based on the acquiree's adjusted profit.

---

<sup>2</sup> Appendix A to IFRS 18 defines a management-defined performance measure as 'A subtotal of income and expenses that: (a) an entity uses in public communications outside financial statements; (b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and (c) is not listed in paragraph 118 of IFRS 18, or specifically required to be presented or disclosed by IFRS Accounting Standards.'

- 
31. However, we think the disclosure requirements are distinct with different objectives and it is unnecessary to further clarify the relationships between KOTs and MPMs. The objective of an MPM is to communicate management's view of an aspect of the entity's financial performance while the objective of a KOT is to help users understand why management paid the price they did for a business combination.

***Definition of 'targets'***

32. Appendix A to IFRS 3 *Business Combinations* in the [Exposure Draft](#) defines a target as:

A target describes the level of performance that will demonstrate whether a key objective for a business combination has been met.

A target shall be specific enough for it to be possible to verify whether the related key objective is being met. A target is measured using a metric that could be denominated in currency units or another unit of measurement.

33. A few respondents said applying this definition could be challenging. These respondents said the [Exposure Draft](#) uses the phrase 'related target' and it is unclear how targets relate to the 'key objectives' for a business combination.
34. The definition of a target included in Appendix A to the [Exposure Draft](#) describes its relationship with a key objective—it states that a 'target describes the level of performance that will demonstrate whether a key objective for a business combination has been met'.
35. We think no changes are needed to the proposals in respect of the definition of 'targets'.

---

***Staff initial view and suggested next steps***

36. For the proposed requirement to disclose a qualitative statement of whether the actual performance of a business combination is meeting or has met the KOTs, we plan to consult:
- (a) with audit professionals on the auditability of that statement; and
  - (b) with users to understand how useful that statement would be.
37. We think no changes to the proposals are needed in respect of the other clarification requests.

**Suggestions**

38. Some respondents suggested requiring an entity to disclose additional information about the performance of a business combination, including:
- (a) the basis of preparation for a target (paragraphs 40–45);
  - (b) a reconciliation of targets and actual performance figures to measures defined in IFRS Accounting Standards (paragraphs 46–50);
  - (c) if management revises its target, the updated target (paragraphs 51–52); and
  - (d) when a business combination is not meeting management’s KOT, the reason for deviation from the KOT (paragraphs 53–56).
39. Some respondents suggested requiring an entity to disclose only qualitative information (analysed in paragraphs 57–60).

***Basis of preparation for a target***

40. A few respondents suggested requiring an entity to disclose the basis of preparation for targets.

- 
41. Paragraph 35(b) of [Agenda Paper 18A](#) to the IASB's July 2025 meeting analysed a suggestion to disclose the basis of preparation for targets based on measures not defined in IFRS Accounting Standards in the context of addressing auditability concerns. As that agenda paper explains, we think this suggestion could mitigate stakeholders' concerns relating to auditability and audit expectation gap and we planned to consult with audit professionals to assess the feasibility of the suggestion.
42. Beyond addressing auditability concerns, we can also see the benefits of requiring an entity to disclose the basis of preparation for all targets. We think:
- (a) for targets based on measures not defined in IFRS Accounting Standards, users might otherwise be unaware of how the target will be measured and there could be differences between entities in how they measure targets that might otherwise appear to be similar.
  - (b) for targets based on measures defined in IFRS Accounting Standards, an entity might need to apply judgements in determining the amount because targets will typically not be for the entire entity (for example, the target might relate only to the acquiree or the operating segment which the acquiree will be integrated into). These judgements could include, for example, allocation of central costs or accounting for transactions between operating segments, and users would benefit from understanding how management determine the amounts to include in the KOT and actual performance.
43. We expect that disclosing the basis of preparation for targets will not be costly for preparers because, applying the management approach, we think management would know how they plan to measure the achievement of KOTs (at the acquisition date) or how they actually measure KOTs after the acquisition date.
44. A disadvantage of requiring entities to disclose the basis of preparation for targets would be the increased amount of information an entity would need disclose.

- 
45. In addition to consulting with audit professionals on disclosing the basis of preparation for targets based on measures not defined in IFRS Accounting Standards as discussed at the IASB's July 2025 meeting, we plan to consult with:
- (a) users to understand if they would find information about the basis of preparation for all targets useful; and
  - (b) preparers to understand whether they might have any concern with disclosing this information.

***Reconciliation to measures defined in IFRS Accounting Standards***

46. A few respondents suggested requiring an entity to disclose a reconciliation of a target and actual performance information to measures defined in IFRS Accounting Standards if those targets are based on measures not defined in IFRS Accounting Standards. These respondents said such a reconciliation would help users better understand the performance information for a business combination.
47. Applying the IASB's proposals, targets and actual performance information for a business combination might be measures that can be reconciled to measures defined in IFRS Accounting Standards (for example, adjusted operating profit) or measures that cannot be reconciled (for example, market share).
48. We think management's acquisition-date target for a business combination would likely relate to the expected performance of the business combination in a future period. We think it is unlikely for there to be a publicly available measure defined in IFRS Accounting Standards relating to that future period that the entity could reconcile the target to. For example, an entity would not be able to reconcile its target of adjusted operating profit in the third year after acquisition to operating profit as defined in IFRS Accounting Standards for the same period because that latter measure is unlikely to be publicly available. As paragraphs 40–45 explain, we think instead disclosing the basis of preparation for the target (for example, the nature of adjustments that will be made to operating profit) could be useful to users.

- 
49. For the actual performance of a business combination, we think requiring entities to disclose a reconciliation to a measure in an entity's financial statements defined in IFRS Accounting Standards could have similar benefits to disclosing the basis of preparation for a target (see paragraphs 41–43). Understanding the basis of preparation for a target will help users understand how an entity has determined actual performance information. Therefore, we think it would be unnecessary to pursue both suggestions. Requiring an entity to disclose the basis of preparation for a target (paragraphs 40–45) would in our view be more beneficial because that disclosure would apply to all targets and not only to those that can be reconciled to measures defined in IFRS Accounting Standards.
50. We think the IASB should not pursue further the suggestion to require an entity to disclose a reconciliation of a target or actual performance information to measures defined in IFRS Accounting Standards.

***Updated targets***

51. One respondent suggested requiring an entity to disclose updated targets and the reason for updating the target if management update a target after the acquisition date. The respondent said this would provide users with more useful information.
52. We think the IASB should not require an entity to disclose updated targets. This suggestion is similar to disclosing information about a change in metrics which the IASB considered in developing the [Exposure Draft](#) (see paragraphs BC124–BC130 of the [Basis for Conclusions](#)). As paragraph BC129(a) explains, an updated target would not provide information about the acquisition price and would not be reflective of management's acquisition-date estimates for the business combination. As paragraphs 21–25 of [Agenda Paper 18A](#) to the IASB's March 2025 meeting note, we think information about KOTs can be included in financial statements because KOTs provide information about the acquisition price for the business combination. We think information about updated targets, while useful to users, would go beyond what can be included in financial statements.

---

***Reason for deviation from KOT***

53. One respondent suggested requiring an entity to disclose reasons for any significant deviations of actual performance from targets. They said this information would help users understand the reason for not achieving a target.
54. The IASB considered adding such a requirement when developing the Exposure Draft but decided not to—paragraph BC43 of the [Basis for Conclusions](#) (reproduced in paragraph 21) notes the IASB’s proposals would not require an entity to disclose an explanation of differences between the actual performance and the key objective.
55. We note that only one respondent has made this suggestion and we think requiring an entity to disclose the reason for deviation from an entity’s KOT could result in boilerplate information.
56. Accordingly, we think the IASB should not require an entity disclose the reason for deviation from a KOT.

***Disclose only qualitative information***

57. Some respondents suggested requiring entities to disclose only qualitative information about the performance of a business combination. In their view, such an approach would offer entities flexibility to avoid practical challenges that they might encounter in disclosing quantitative information, including commercial sensitivity and litigation risk.
58. The IASB considered but decided not to require an entity to disclose only qualitative information in the year of acquisition when developing the Exposure Draft. Paragraph BC77 of the [Basis for Conclusions](#) states:

...the IASB considered but rejected other alternatives, such as:

(a) requiring an entity to disclose only qualitative information in the year of acquisition—this alternative would fail to adequately resolve all preparers’ concerns about information being

commercially sensitive. It could also result in users receiving insufficient information to allow them to understand the benefits expected from a business combination and the extent to which the objectives for a business combination are being met.

...

59. We have not received new evidence on this approach and continue to think that requiring an entity to disclose only qualitative information about the performance of a business combination will:
- (a) result in users receiving insufficient information; and
  - (b) not adequately resolve preparers' concerns about information being commercially sensitive.
60. We think the IASB should not explore further the suggestion to require entities to disclose only qualitative information about the performance of a business combination.

### ***Staff initial views and suggested next steps***

61. We plan to consult with users to understand the usefulness of an entity disclosing its basis of preparation for targets and with preparers to understand any concerns they might have with disclosing the information.
62. We think the IASB should not pursue other suggestions further.

### **Summary of staff initial views and suggested next steps**

63. For the proposed requirement to disclose a qualitative statement of whether the actual performance of a business combination is meeting or has met the KOTs, we plan to consult:
- (a) with audit professionals on the auditability of that statement; and

- (b) with users to understand how useful that statement would be.
64. We also plan to consult with users to understand if they would find information about the basis of preparation for targets useful and with preparers to understand whether they might have any concern with disclosing this information (paragraphs 40–45).
65. In our initial view:
- (a) no changes are needed to the proposals in respect of feedback on the integration of an acquiree (paragraphs 7–11); and
  - (b) no changes are needed to the proposals in respect of the other requests for clarification or suggestions analysed in this paper.

#### 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 initial staff views summarised in paragraphs 63–65?
- (b) is there anything IASB members would like us to research, consult on or analyse further, apart from matters identified in this paper?