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## IASB® meeting

Date	<b>April 2026</b>
Project	<b>Business Combinations—Disclosures, Goodwill and Impairment</b>
Topic	<b>Performance information subset—A potential threshold approach</b>
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## Introduction

1. As Agenda Paper 18B explains, this paper provides the International Accounting Standards Board (IASB) with our updated analysis and views on how the IASB could design a threshold approach to identify the subset of business combinations for which an entity would be required to disclose performance information<sup>1</sup> (subset).
2. Agenda Paper 18B to this meeting analyses whether to retain a subset approach and, if so, whether to choose a threshold approach (analysed in this agenda paper) or a principle-based approach (analysed in Agenda Paper 18D) to identify the subset.
3. This paper provides detailed analysis on how to design a threshold approach to identify the subset if the IASB decides to do so. This paper does not include questions for IASB members because Agenda Paper 18B asks for questions or comments on the analysis in Agenda Papers 18B–18D collectively.
4. The paper is structured as follows:
  - (a) quantitative thresholds (paragraphs 5–32);
  - (b) qualitative thresholds (paragraphs 33–42);

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<sup>1</sup> Paragraph 5 of Agenda Paper 18B explains what performance information is.

- (c) other topics (paragraphs 43–55);
- (d) summary of staff views (paragraph 56); and
- (e) Appendix A—Clarification requests on application of thresholds.

## Quantitative thresholds

5. The IASB proposed three quantitative thresholds for identifying strategic business combinations<sup>2</sup> in paragraph B67C of the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* ([Exposure Draft](#)), based on operating profit, revenue and total assets.
6. This section analyses:
  - (a) the measures on which the thresholds are based (paragraphs 7–19);
  - (b) setting the thresholds at 10% (paragraphs 20–31); and
  - (c) requests for clarification (paragraph 32).

### ***Measures on which the thresholds are based***

#### ***Background***

7. As paragraphs BC64–BC65 of the Basis for Conclusions on the Exposure Draft ([Basis for Conclusions](#)) explain, developing quantitative thresholds based on measures defined in IFRS Accounting Standards would allow the IASB to leverage the definitions in IFRS Accounting Standards and avoid having to define new criteria (for example, one based on the value of an entity). Using a mix of measures would also help to take into account different motives for entering into a business combination.

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<sup>2</sup> The [Exposure Draft](#) referred to the subset as 'strategic' business combinations. However, we acknowledge concerns raised by respondents concerning relating to the use of the term 'strategic'. We have considered the use of this term in paragraphs 37 of Agenda Paper 18B. This paper uses the term 'strategic' for simplicity.

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*Exposure Draft feedback summary*

8. Paragraph 10 of Agenda Paper 18B to the IASB's April 2025 meeting ([April Paper 18B](#)) summarises respondents' feedback on the measures on which the proposed quantitative thresholds are based. In summary:
  - (a) many respondents did not specifically comment on the measures;
  - (b) some respondents explicitly agreed with the measures (that is, revenue, total assets and operating profit);
  - (c) many respondents disagreed with at least one of the measures and most respondents express at least some concerns with the measures (most commonly, the operating profit measure).
9. Many respondents suggested changes to the measures on which the proposed quantitative thresholds are based (summarised in paragraph 11 of [April Paper 18B](#)) and some respondents suggested considering additional or alternative measures (summarised in paragraph 17 of [April Paper 18B](#)).

*Redeliberation status*

10. Based on our analysis in paragraphs 13–18 of [April Paper 18B](#), if the IASB retains a threshold approach it was our initial view that:
  - (a) the IASB should retain both the revenue and asset measures;
  - (b) if the IASB retains an operating profit measure (analysed in paragraphs 16–17), the IASB should not require an entity to adjust operating profit for unusual items or non-controlling interests; and
  - (c) the IASB should not consider adding additional or alternative measures.
11. Following the IASB's discussion in its April 2025 meeting, we continue to hold our views as described in paragraph 10 above and we have no further analysis to add on those views.

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12. In [April Paper 18B](#) we did not reach a staff view on whether to retain the operating profit threshold. We planned to consult on the usefulness of having an operating profit threshold and whether using average operating profit as the threshold could address respondents' concern relating to its volatility.

*Updated feedback and analysis*

***Operating profit threshold***

13. As discussed at the IASB's April 2025 meeting, we consulted with the IASB's consultative bodies (see paragraphs 18–20 of Agenda Paper 18B for details) on the operating profit threshold. On whether to retain or remove the operating profit threshold:
- (a) many stakeholders supported removing the operating profit threshold because:
    - (i) it could inappropriately capture business combinations that are not important; and
    - (ii) it is unlikely to capture additional business combinations that are not captured by either the revenue or asset thresholds.
  - (b) some stakeholders disagreed with removing the operating profit threshold and said in their view, removing the threshold might result in failure to capture some important business combinations.
  - (c) some stakeholders said the IASB could retain an operating profit threshold if it adopts a rebuttable presumption approach, because entities could rebut the presumption if the operating profit threshold inappropriately captured business combinations.
14. We asked stakeholders for examples of business combinations important to users that would be captured by the operating profit threshold and not captured by the asset or revenue thresholds, to understand the impact of removing the operating profit threshold. Some stakeholders said the operating profit threshold could capture an acquisition of a high-margin business by an asset intensive business, which might not

have been captured by either the asset or revenue threshold. However, respondents did not provide real life examples of such business combinations.

15. We agree with feedback that the operating profit threshold could, in theory, capture the acquisition of a high-margin business by an asset-intensive business, which could be important to users and might not be captured by either the asset or revenue thresholds. However:
  - (a) stakeholders did not identify any real-life examples of such business combinations. Therefore, we think there is no evidence that an operating profit threshold would help capture business combinations that would not have otherwise been captured by the revenue or asset threshold.
  - (b) as paragraph 10(c) of April paper 18B explains, feedback on the [Exposure Draft](#) suggested an entity's operating profit can be volatile so the operating profit threshold could inappropriately capture business combinations that are not important. Many members confirmed this view at the consultative meetings.
16. We did not ask stakeholders specific questions on using average operating profit, but a few stakeholders commented, and expressed mixed views. We think that averaging operating profit could partially address concerns about volatility of operating profit. However, we suggest not pursuing such an approach because doing so would introduce further complexity.
17. Overall, we agree that the operating profit threshold could inappropriately capture business combinations that are not important. We think changing the operating profit threshold to use adjusted operating profit or average operating profit could reduce this but would add complexity. Feedback suggests that the operating profit threshold would not frequently capture important business combinations which would not have been captured by the revenue or asset thresholds, and therefore we think the IASB should remove the operating profit threshold.

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**Feedback on other measures**

18. We have also received research performed by a board member of a national standard setter who suggested some changes to the thresholds. We noted that the suggestions are consistent with matters the IASB previously considered (for example, using different measures considered in paragraph BC64 of the [Basis for Conclusions](#)) or are related to the operating profit threshold which we suggest removing (see paragraph 19(b)).

**Staff view**

19. Based on our analysis, we think that if the IASB retains a threshold approach, the IASB should:
- (a) retain the asset and revenue measures (paragraphs 10–11); and
  - (b) remove the operating profit measure (paragraphs 13–17).

**Setting the thresholds at 10%****Background**

20. As paragraphs BC67 of the [Basis for Conclusions](#) explains, the IASB proposed to set the quantitative thresholds at 10% because:
- (a) it sits within the range used for quantitative thresholds in local regulations for additional disclosure (which are usually set between 5% and 30%);
  - (b) the IASB's research suggests the number of business combinations captured by regulators' thresholds is fewer than the number of business combinations for which entities disclose information separately in financial statements;
  - (c) limited feedback from outreach suggested a 5% threshold might be too low and would capture too many business combinations; and
  - (d) IFRS 8 *Operating Segments* uses a 10% threshold to identify the operating segments about which an entity is required to disclose information separately.

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*Exposure Draft feedback summary*

21. Paragraphs 19–20 of [April Paper 18B](#) summarise feedback on the IASB’s proposal to set the quantitative thresholds at 10%. As those paragraphs note:
- (a) some respondents did not specifically comment on setting the quantitative thresholds at 10%.
  - (b) some respondents, including most users and both organisations representing groups of securities regulators, agreed with setting the quantitative thresholds at 10%; and
  - (c) many other respondents said the 10% thresholds are too low and would inappropriately capture too many business combinations.
22. Agenda Paper 18C to the IASB’s April 2025 ([April paper 18C](#)) meeting summarised evidence-based feedback about the proportion of business combinations that would be captured applying the thresholds from our prior research, outreach with preparers and comment letters. It also discussed an academic study that attempted to quantify the proportion of business combinations that would be captured by the quantitative thresholds.

*Redeliberation status*

23. As paragraphs 22–24 of [April Paper 18B](#) explain, we think the IASB’s rationale for setting the percentage at 10% as set out in paragraph BC67 remains relevant. We noted feedback (including evidence-based feedback) suggested the proportion of business combinations that would be captured applying the quantitative thresholds set at 10% are within the range the IASB considered when developing the thresholds.
24. However, we did not reach a staff view on the percentage at which to set the threshold. We thought determining the percentage for the threshold would depend on, for example:
- (a) the approach used to identify the subset;

- (b) the measures on which the thresholds are based; and
- (c) the type of performance information that the IASB would require an entity disclose for the subset.

#### *Updated feedback and analysis*

25. Subsequent to the IASB's April 2025 meeting, we have updated our analysis on matters that might affect the percentage for the threshold. Specifically:
- (a) approach used to identify the subset of business combination—this paper assumes the IASB proceeds with a threshold approach;
  - (b) measures on which the thresholds are based—as paragraph 19 explains, we think the IASB should retain the asset and revenue measures but remove the operating profit measures; and
  - (c) type of performance information required— although we have not yet asked the IASB to make any decisions on this matter, at its October 2025 meeting the IASB had an initial discussion of the type of performance information to require an entity to disclose.
26. This section further includes:
- (a) additional research (paragraphs 27–30); and
  - (b) our staff view (paragraph 31).

#### ***Additional research***

27. [April paper 18C](#) included evidence-based feedback from research by the Korea Accounting Institute (KAI) on the percentage of business combinations undertaken by domestic listed companies that would be captured by the proposed quantitative thresholds. Since the IASB's April 2025 meeting, KAI has revised their research methodology and updated their findings. Based on business combination transactions filed with Korean regulators in 2021 (mandatory for acquisitions where the purchase represents at least 2.5% of the listed entity's equity), about 50% of 244 business

combinations reported would be captured by the quantitative thresholds proposed by the IASB (118 and 119 transactions meeting the proposed asset and revenue thresholds respectively and 47 transactions meeting the operating profit threshold). The updated KAI findings suggest a higher proportion of transactions would be captured than other evidence-based feedback reported in [April paper 18C](#).

28. We think the variation in evidence-based feedback could be affected by the methodology used. For example, the population for the updated KAI research was business combinations that already met a quantitative threshold to require mandatory reporting.
29. To understand the burden of the disclosures on preparers, we considered an alternative way to quantify the transactions that would be captured by the proposed 10% quantitative thresholds. We assessed how frequently an average entity would undertake a business combination that exceeded the proposed 10% quantitative thresholds. We observed that:
- (a) of the preparers who participated in our outreach (paragraph 10 of [April paper 18C](#)):
    - (i) most preparers did not have any business combinations that would have met the quantitative thresholds in the last three years; and
    - (ii) many preparers had one or two business combinations that would have met the thresholds in the last ten years (of which more would have met the qualitative thresholds than the quantitative thresholds);
  - (b) the updated research by KAI (explained in paragraph 27) identified approximately 120 transactions exceeding the thresholds in one year. There are approximately 2,600 listed Korean entities<sup>3</sup>, suggesting that an average listed entity would undertake one transaction that met the thresholds in every twenty years; and

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<sup>3</sup> According to the GlobalEconomy.com ([South Korea Listed companies - data, chart | TheGlobalEconomy.com](#)), there are 2599 listed entities in Korea in 2024.

- (c) research performed by an IASB member on German and Swedish listed entities suggests that, on average, DAX 40 and OMX 30 constituents would exceed a 10% revenue or asset threshold once every 12 and 14 years, respectively.<sup>4</sup>
30. We acknowledge that some entities might be affected more frequently than others, for example, entities whose overall business strategy was to achieve growth via business combinations might be affected more frequently than an entity whose overall strategy is to achieve growth organically. However, we think the effect of the subset is consistent with the IASB's intent in developing the thresholds.

#### *Staff view*

31. Considering our analysis, we think the IASB should retain the proposal to set the quantitative thresholds at 10%.

#### ***Requests for clarification***

32. As paragraph 26 of [Agenda Paper 18C](#) to the IASB's December 2024 meeting explains, many respondents suggested clarifying how an entity should apply the quantitative thresholds. Appendix A analyses those requests for clarifications. Based on our analysis in Appendix A, we think no changes to the proposals are needed to address these requests.

## **Qualitative thresholds**

### ***Background***

33. The IASB proposed two qualitative thresholds for identifying strategic business combinations. A business combination would be a strategic business combination if

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<sup>4</sup> This research analysed the financial statements for DAX 40 and OMX 30 constituents with a primary listing in Germany / Sweden over a 10-year period. This research did not consider a profit-based threshold.

the business combination resulted in the acquirer entering a new major line of business or geographical area of operations. As paragraph BC69 of the [Basis for Conclusions](#) explains, the IASB developed these qualitative thresholds based on the thresholds in paragraph 32 of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* used to identify discontinued operations. The thresholds have been adapted to reflect the purchase of a business instead of the discontinuance of an operation.

### **Exposure Draft feedback summary**

34. Paragraphs 30–33 of [April Paper 18B](#) summarise feedback on the proposed qualitative thresholds, including:
- (a) many respondents highlighted challenges in applying the proposed qualitative thresholds;
  - (b) some respondents said a business combination allowing an entity to enter a new geographical area of operations or a line of business does not necessarily mean the business combination is strategic and the proposed qualitative thresholds would therefore inappropriately capture many business combinations; and
  - (c) a few respondents disagreed with basing the qualitative thresholds on thresholds in IFRS 5. These respondents highlighted application challenges in applying the IFRS 5 thresholds and said acquisition transactions differ from disposal transactions and using the same criteria can lead to new challenges.

### **Redeliberation status**

35. As paragraph 39–41 of [April Paper 18B](#) explain, we did not reach a staff view on whether to retain the proposed qualitative thresholds because our view could depend on the approach to identify business combinations for which performance information would be required. For example, if the IASB decides to pursue a rebuttable

presumption approach, the basis for the rebuttal could influence the need for, and our view on, any qualitative thresholds.

36. We acknowledged feedback about potential challenges including applying the proposed requirements and whether the qualitative thresholds could inappropriately capture business combinations that are not strategic. However:
- (a) in our view, most of the challenges in applying the proposed requirements relate to the application of wording already in IFRS 5 and are not new challenges and concerns created by the proposals;
  - (b) we thought an entity would still assess whether information is material to disclose, to address feedback about inappropriately capturing business combinations that are not strategic—we said we could consider clarifying this further through drafting; and
  - (c) we accepted that acquisition transactions differ from disposal transactions and using the same criteria might lead to new challenges, for example, in assessing the significance of a new line of business or geographical area.
37. Our view was that the IASB should not consider further adding additional qualitative thresholds (such as acquiring new technologies and industry-specific considerations) for the reasons explained in paragraph 39 of [April Paper 18B](#) and therefore the IASB should either:
- (a) continue with the proposed qualitative thresholds; or
  - (b) not include any qualitative thresholds.

### ***Updated feedback and analysis***

38. Following the IASB's discussion in its April 2025 meeting, we have not identified any new evidence or suggestions from stakeholders relating to qualitative thresholds.
39. Reflecting on feedback, we agree that acquisition transactions differ from disposal transactions and using the same criteria might lead to new challenges. For example,

when an entity first enters a new line of business or a new geographical area of operations, it may be difficult to assess the significance of that new business or geographical area. We acknowledge the limitations of qualitative thresholds in helping to identify the subset that would be most important to users.

40. Overall, we think the cost to apply the qualitative thresholds to all business combinations would outweigh the benefit of information. We acknowledge that removing the qualitative thresholds could result in fewer business combinations being captured and, consequently, less information being provided to users.

### ***Staff view***

41. In our view, the IASB should remove the qualitative thresholds.

### ***Request for clarification***

42. As paragraph 36 of [Agenda Paper 18C](#) to the IASB's December 2024 meeting explains, some respondents requested clarifying how an entity should apply the qualitative thresholds. Notwithstanding our view that the IASB should not retain the qualitative thresholds, Appendix A analyses those requests for clarifications. Based on our analysis in Appendix A, even if the IASB decides to retain the qualitative thresholds no changes to the proposals are needed to address these requests.

### **Other topics**

43. This section analyses other topics related to a potential threshold approach, including:
  - (a) multiple thresholds (paragraphs 44–48); and
  - (b) series of business combinations (paragraphs 49–55).

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### ***Multiple thresholds***

#### *Exposure Draft feedback summary*

44. Some respondents said it would be inappropriate to identify a business combination as strategic based on meeting only one threshold because entities operating in asset intensive or low margin industries are likely to meet specific thresholds even for ‘insignificant’ business combinations. These respondents suggested variations of a threshold approach. For example, identifying a business combination as strategic only if the business combination:
- (a) meets at least two quantitative thresholds; or
  - (b) meets at least one quantitative threshold and one qualitative threshold.

#### *Redeliberation status*

45. As paragraph 43–46 of [April Paper 18B](#) explain, we think respondents who proposed multiple thresholds may have other underlying concerns that could be more effectively addressed through alternative means, rather than requiring a business combination to meet multiple thresholds.
46. We did not reach a staff view on whether to require a business combination to meet multiple thresholds because our view could depend on the approach to identify business combinations for which performance information would be required, as well as the measures and percentages of the thresholds.

#### *Updated feedback and analysis*

47. We think the IASB should not require a business combination to meet multiple thresholds because:
- (a) we think respondents who proposed multiple thresholds may have other underlying concerns—for example, thresholds inappropriately capturing business combinations that are not important—that could be more effectively

addressed through alternative means (for example, by dropping the operating profit threshold), rather than requiring a business combination to meet multiple thresholds.

- (b) we continue to agree with the analysis in paragraph BC65 of the [Basis for Conclusions](#) that an entity might enter into a business combination for different reasons and we think meeting any one of the thresholds suggests that the business combination is important.
- (c) we think requiring a business combination to meet multiple thresholds would make the model for identifying the subset unduly complex.
- (d) considering the approaches using multiple thresholds suggested in paragraph 44:
  - (i) meeting at least one quantitative threshold and one qualitative threshold<sup>5</sup>—requiring a business combination to meet at least one qualitative threshold would rule out all business combinations that represents an expansion of an entity’s existing line of business where the entity already have a presence, however quantitatively significant they might be. We think all business combinations that meet a quantitative threshold should be disclosed, without needing to also meet a qualitative threshold.
  - (ii) meeting at least two quantitative thresholds—if the IASB drops the operating profit threshold (as we suggest in paragraph 19), this would require a business combination to meet both of the remaining quantitative thresholds (asset and revenue). We think this would be too restrictive and could result in too few business combinations being captured.

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<sup>5</sup> This analysis assumes IASB decides to retain the qualitative thresholds. As paragraphs 33–41 explain, we think the IASB should remove the qualitative thresholds.

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*Staff view*

48. Based on our analysis, we think the IASB should not require a business combination to meet multiple thresholds.

***Series of business combinations****Background*

49. Paragraphs BC71–73 of the [Basis for Conclusions](#) discuss the IASB’s considerations in respect of identifying a series of business combinations that would not individually be captured by the proposed thresholds, but that are entered into to achieve the same strategic objective(s) (a series of business combinations). In developing the [Exposure Draft](#), the IASB was unable to develop a method for identifying series of business combinations.

*Exposure Draft feedback summary*

50. Some users suggest revising the thresholds to capture a series of business combinations. However, they acknowledge the difficulty in developing a method to do so.
51. A few stakeholders suggested ways to capture a series of business combinations. These included:
- (a) requiring entities to disclose performance information when the total size of business combinations undertaken by an entity in a particular line of business or geographical area surpasses a particular threshold over a specific period (for example, two years); and
  - (b) requiring entities to assess whether business combinations with the same strategic rationale would be strategic when considered in aggregate.

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*Redeliberation status*

52. As paragraphs 47–50 of [April Paper 18B](#) explain, our initial view was to not further explore series of business combinations because:
- (a) there could be challenges in determining the period over which to identify a series of linked business combinations ensuring comparability of performance information (paragraph 49(a) of [April Paper 18B](#));
  - (b) prescribing the way business combinations should be grouped would conflict with the management approach adopted by the IASB in this project (paragraph 49(b) of [April Paper 18B](#)); and
  - (c) it is unclear to us how an entity could disclose aggregate performance information about a series of business combinations that have similar, but slightly different, KOTs.
53. During the April IASB meeting, some IASB members agreed with our initial view and some other IASB members asked us to explore further ways to identify a series of a business combinations.

*Updated feedback and analysis*

54. Following the IASB’s April 2025 meeting, we sought feedback during consultative group meetings on how to identify a series of business combinations and how the performance disclosures could be effectively applied to such a series. We did not receive any additional feedback or suggestions.

*Staff view*

55. We continue to think that the IASB should not further explore developing requirements for series of business combinations.

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## Summary of staff views

56. If the IASB decides to retain the threshold approach to identify the subset, we think the IASB should:
- (a) retain the proposed revenue and asset thresholds (paragraphs 13–14 of [April Paper 18B](#));
  - (b) remove the proposed operating profit threshold (paragraphs 13–17);
  - (c) retain the proposal to set the quantitative thresholds at 10% (paragraphs 20–31);
  - (d) remove the proposed qualitative thresholds (paragraphs 33–42); and
  - (e) make no changes in respect of other feedback on the proposed threshold approach (for example, only disclosing business combinations which meet multiple thresholds or developing a method to identify a series of business combinations (paragraphs 43–55)).

## Appendix A—Clarification requests on application of thresholds

- A1. This appendix considers respondents’ clarification requests relating to the proposed:
- (a) quantitative thresholds (paragraphs A2–A3); and
  - (b) qualitative thresholds (paragraphs A4–A5).

### **Clarification requests relating to quantitative thresholds**

- A2. As paragraph 26 of [Agenda Paper 18C](#) to the IASB’s December 2024 meeting explains, many respondents suggested clarifying how an entity should apply the quantitative thresholds under various circumstances. The table below summarises those clarification requests and our analysis<sup>6</sup>:

Scenario	Staff analysis
(a) Financial statements of the acquiree are not prepared in accordance with IFRS Accounting Standards or if the acquiree is a newly formed entity or an unincorporated business	<p>We think no clarification is needed.</p> <p>The asset threshold uses the acquisition-date amounts recognised by the acquirer (including goodwill) which the acquirer is already required to calculate applying IFRS 3 <i>Business Combinations</i>.</p> <p>The revenue threshold is based on revenue of the acquiree—the acquired business—for the most recent annual reporting period before the acquisition date.</p>
(b) Acquirer’s and acquiree’s pre-acquisition accounting policies differ	<p>This is similar to the existing requirement in paragraph B64(q) to disclose revenue as though acquisitions had occurred at the beginning of the annual reporting period.</p>

<sup>6</sup> For simplicity our analysis refers to the asset and revenue thresholds because we think the IASB should remove the operating profit threshold (as explained in paragraph 19). If the IASB retains the operating profit threshold, our analysis would be similar to our analysis for the revenue threshold.

	<p>We also note that an entity would not need to calculate the revenue threshold if the business combination already met the asset threshold.</p>
<p>(c) Acquiree and acquirer have different reporting period ends</p>	<p>We think no clarification is needed.</p> <p>Paragraph B67C of the <a href="#">Exposure Draft</a> requires an entity to apply the revenue and operating profit thresholds by comparing the respective amounts of the acquirer and acquiree for most recent annual reporting period before the acquisition date.</p> <p>The acquirer and acquiree are not required to have the same reporting period end for this purpose.</p>
<p>(d) Acquirer measures acquisition-date non-controlling interests of the acquiree at the proportionate share of the acquiree's identifiable net assets instead of fair value (paragraph 19 of IFRS 3 <i>Business Combinations</i>)<sup>7</sup></p>	<p>We think no clarification is needed.</p> <p>The outcome of whether the thresholds are met would only be affected only if:</p> <ul style="list-style-type: none"> <li>- the other threshold is not met; and</li> <li>- the entity's choice in how to measure the acquiree's non-controlling interest was sufficient to move above or below the 10% threshold.</li> </ul> <p>Although this scenario theoretically could occur, we would expect it to be infrequent and therefore think it is unnecessary to develop specific requirements to address this scenario.</p>

<sup>7</sup> Paragraph 19 of IFRS 3 allows an entity to choose how to measure the acquiree's non-controlling interests, which could affect the amount of goodwill and therefore the total assets acquired, which is used in the asset threshold.

<p>(e) Acquirer prepares only separate financial statements in accordance with IAS 27 <i>Separate Financial Statements</i> for regulatory reporting purposes</p>	<p>We think no clarification is needed.</p> <p>Preparing only separate financial statements in accordance with IAS 27 does not change how an entity applies the quantitative thresholds.</p>
<p>(f) Initial accounting for a business combination is incomplete by the end of the reporting period and the entity reports only provisional amounts in accordance with paragraph 45 of IFRS 3</p>	<p>The asset threshold uses the acquisition-date amounts recognised by the acquirer (including goodwill) which could be provisional amounts. It is therefore possible that an entity adjusts the amounts which changes whether the acquired assets are above or below the 10% threshold. This would only apply if:</p> <ul style="list-style-type: none"> <li>- the other threshold is not met;</li> <li>- there is an adjustment to total assets (for example, an increase to the fair value of an acquired intangible asset would decrease the residual goodwill, so would not affect total assets); and</li> <li>- the magnitude of the adjustment was sufficient to move above or below the 10% threshold.</li> </ul> <p>Although this scenario theoretically could occur, we would expect it to be infrequent and therefore think it is unnecessary to develop specific requirements to address this scenario.</p>

<p>(g) Acquirer remeasures the assets acquired as part of the purchase price allocation process</p>	<p>We think no clarification is needed.</p> <p>Paragraph B67C(b) of the <a href="#">Exposure Draft</a> requires an entity to use the acquisition-date amounts recognised by the acquirer (measured applying IFRS 3's measurement requirements) for the asset threshold.</p>
<p>(h) Business combination is part of a step acquisition</p>	<p>We think no clarification is needed.</p> <p>The requirements apply when there is a business combination as defined in IFRS 3. As IFRS 3 notes, a business combination may occur as part of a step acquisition and if it does, the entity would assess the thresholds at the acquisition date.</p>
<p>(i) There were pre-acquisition transactions between the acquiree and acquirer</p>	<p>We think no clarification is needed.</p> <p>Paragraph B67C of the <a href="#">Exposure Draft</a> states how an entity should apply the quantitative thresholds by comparing the respective amounts of the acquirer and acquiree. Those proposals do not require an entity to make adjustments for pre-acquisition transactions between the acquiree and acquirer.</p>

- A3. Based on our analysis in paragraph A2 [table above], we think the IASB should not amend the proposals to specifically address the clarification requests on quantitative thresholds.

***Clarification requests on qualitative thresholds***

- A4. As paragraph 36 of [Agenda Paper 18C](#) to the IASB’s December 2024 meeting explain, some respondents requested clarifying how an entity should apply the qualitative thresholds. The table below summarises those clarification requests and our analysis if the IASB decides to retain the qualitative thresholds:

<b>Scenario</b>	<b>Staff analysis</b>
(a) What constitutes a new major line of business or geographical area of operations	<p>We think no clarification is needed.</p> <p>As paragraph BC69 of the <a href="#">Basis for Conclusions</a> notes, the proposed thresholds are based on the thresholds in paragraph 32 of IFRS 5 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> used to identify discontinued operations and do not arise only in the context of the proposed amendments to IFRS 3. We think providing such clarifications might have unintended consequences for entities applying IFRS 5.</p>
(b) Whether the adjectives ‘new’ and ‘major’ apply to both ‘line of business’ and ‘geographical area of operating’ or only to ‘line of business’	
(c) Whether a business combination needs to be both ‘new’ and ‘major’ or if it only has to be ‘new’ or ‘major’	
(d) Whether an immaterial business combination meeting the qualitative threshold would be a strategic business combination.	<p>We think no clarification is needed.</p> <p>Any business combination meeting the qualitative or quantitative thresholds would be a strategic business combination. However, as paragraph BC53 of the <a href="#">Basis for Conclusions</a> notes, ‘An entity would still</p>

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	assess whether each item of information it is required to disclose in applying the proposals is material, as it does for any other item of information disclosed in financial statements’.
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- A5. Based on our analysis in paragraph A4 [table above], if the IASB decides to retain the qualitative thresholds we think the IASB should not amend the proposals to specifically address the clarification requests on qualitative thresholds.