
IASB® meeting

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Project	Business Combinations—Disclosures, Goodwill and Impairment
Topic	Performance information subset—A potential principle-based approach
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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 to design an approach that is more principle-based than the threshold approach to identify the subset of business combinations for which an entity would be required to disclose performance information¹ (subset). In particular, this paper analyses whether to choose a rebuttable presumption approach or an indicator-based approach if the IASB chooses to pursue a principle-based approach.
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 Agenda Paper 18C) or a principle-based approach (analysed in this agenda paper) to identify the subset.
3. This paper provides detailed analysis on how to design a principle-based 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.

¹ Paragraph 5 of Agenda Paper 18B explains what performance information is.

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4. The paper is structured as follows:
- (a) how the IASB could design a rebuttable presumption approach (paragraphs 5–32);
 - (b) whether the IASB should adopt a rebuttable presumption approach or an indicator-based approach (paragraphs 33–38);
 - (c) summary of staff views (paragraphs 39–40); and
 - (d) Appendix A—Excerpts from [April Paper 18A](#).

Rebuttable presumption approach

Exposure Draft feedback and redeliberation status

5. Appendix A to this paper reproduces paragraphs 19–24 of Agenda Paper 18A to the IASB’s April 2025 meeting ([April Paper 18A](#)) which summarise:
- (a) respondents’ feedback on a rebuttable presumption approach;
 - (b) the steps the IASB would need to consider in developing such an approach;
 - (c) our initial assessment of the pros and cons of such an approach; and
 - (d) our plans for further consultation.
6. As paragraphs 18–20 of Agenda Paper 18B for this meeting note, we have completed our consultation and we summarise and consider feedback from those consultations in our analysis below. The rest of this section analyses how:
- (a) to develop a list of thresholds with a presumption that performance information would be disclosed for a business combination that meets the thresholds (paragraphs 7–14);
 - (b) to design a basis on which an entity could rebut the presumption that performance information should be disclosed for a business combination meeting the specified thresholds (paragraphs 15–20);

- (c) to consider whether to require a one-way or two-way rebuttable presumption (paragraphs 21–25); and
- (d) to consider whether to require an entity that rebuts the presumption to disclose that it has done so and the reasons why (paragraphs 26–32).

Thresholds in a rebuttable presumption approach

7. Designing a rebuttable presumption approach would require the IASB to develop a list of thresholds with a presumption that performance information would be disclosed for a business combination that meets the thresholds. An entity would be required to disclose performance information for business combinations meeting the thresholds unless that presumption is rebutted applying the basis for rebuttal.
8. Agenda Paper 18C includes our analysis of how the IASB should design a threshold approach, including which thresholds to use. As paragraphs BC47 and paragraphs BC54 of the Basis for Conclusions to the Exposure Draft ([Basis for Conclusions](#)) note, the IASB’s objective in setting the thresholds was to identify ‘major’ and ‘fundamental’ business combinations or business combinations for which ‘failure to meet any one of an entity’s acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy’. The rebuttable presumption approach would have the same objective. We therefore think it would be appropriate to use those thresholds as a starting point for our analysis of the thresholds for a rebuttable presumption approach.
9. As Agenda Paper 18C explains, if the IASB retains a threshold approach we think the IASB should:
 - (a) retain the proposed revenue and asset thresholds;
 - (b) remove the proposed operating profit threshold;
 - (c) retain the proposal to set the quantitative thresholds at 10%;
 - (d) remove the proposed qualitative thresholds; and

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- (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).
10. In a rebuttable presumption approach:
- (a) we think the IASB should include the revenue and asset thresholds for the reasons explained in Agenda Paper 18C;
 - (b) we analyse in paragraphs 11–14 whether to include the operating profit threshold;
 - (c) we think the quantitative thresholds should be set at 10% for the reasons explained in Agenda Paper 18C²; and
 - (d) we think the IASB should exclude the qualitative thresholds for the reasons explained in Agenda Paper 18C.

The operating profit threshold in a rebuttable presumption approach

11. As Agenda Paper 18C notes, if the IASB retains a threshold approach, we suggest removing the operating profit threshold because the operating profit threshold could inappropriately capture non-strategic business combinations within the scope of the disclosure requirements. However, if the IASB were to adopt a rebuttable presumption approach, we think the IASB could consider whether to retain an operating profit threshold because an entity could rebut the presumption if the threshold captures non-strategic business combinations.
12. Some consultative group members, including some users, suggested retaining the operating profit threshold if it adopts a rebuttable presumption approach. However, a

² If the IASB disagrees with our other views for designing a rebuttable presumption approach in this paper, it could affect our view on the thresholds. For example, if the IASB decides to require a two-way rebuttable presumption it could affect our view on setting the quantitative thresholds at 10%.

few respondents disagreed and said the operating profit threshold should be removed to avoid entities needing to frequently rebut the presumption.

13. Having considered the feedback, we think that the thresholds in a rebuttable presumption approach should not include an operating profit threshold because:
- (a) it would be inappropriate to design a rebuttable presumption approach with thresholds that are likely to be regularly rebutted—this could lead to unnecessary complexity and costs; and
 - (b) as paragraph 14 of Agenda Paper 18C explains, respondents did not provide examples of business combinations important to users that would be captured by the operating profit threshold that would not also be captured by the asset or revenue thresholds.

Staff view

14. If the IASB chooses a rebuttable presumption approach for identifying the subset we think the thresholds should be consistent with what we suggest using for a threshold approach. That is, revenue and asset (but not operating profit) thresholds set at 10% and no qualitative thresholds.

Basis for rebuttal

15. Designing a rebuttable presumption approach would require developing a basis on which an entity could rebut the presumption that performance information should be disclosed for a business combination meeting the specified thresholds. Paragraph 20(b) of [April Paper 18A](#) (reproduced in Appendix A) listed two examples of how the IASB could design the basis for rebuttal:
- (a) describing or defining the subset; or

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- (b) requiring entities to determine whether disclosing performance information would require undue cost or effort³.
16. At the April IASB meeting, some IASB members disagreed with requiring entities to determine whether disclosing performance information would require undue cost or effort. In those IASB members' view, such an approach would function as a disclosure exemption for entities on grounds of excessive costs. In their view, the IASB's proposal in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* ([Exposure Draft](#)) already has other mechanisms to address preparers concerns about costs (for example, by requiring disclosures about the performance of a business combination for only a subset) and it would be unnecessary to introduce additional mechanisms addressing concerns about costs. We agree with the view expressed by these IASB members.
17. We think the IASB should describe or define the subset and use that description or definition as the basis for rebuttal. In exploring the possible description or definition:
- (a) we started with the description of a strategic business combination in paragraph BC54 of the [Basis for Conclusions](#)—business combinations for which failure to meet any one of an entity's acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy; and
- (b) we also considered an alternative description that focused on the success of the business combination—business combinations for which success is essential for the advancement or achievement of an entity's overall business strategy.
18. We consulted the IASB's consultative groups on whether either of the above descriptions would capture the appropriate population of business combinations and be practical to apply as a basis for rebuttal. Members had mixed views:

³ This would be similar to the approach the IASB adopted in paragraph 5.5.9 of IFRS 9 *Financial Instruments* relating to assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, which requires an entity to "...consider reasonable and supportable forward-looking information, that is available without undue cost or effort...".

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- (a) many, including most users, said either of the suggested descriptions could work (or that there is no substantive difference between the two alternatives);
 - (b) a few said the description referring to success (paragraph 17(b)) might better align with how management view business combinations;
 - (c) a few said the description referring to failure (paragraph 17(a)) would better capture business combinations for which users' need information and would also be more practical to apply; and
 - (d) some disagreed with both descriptions and said:
 - (i) both descriptions would be subjective and applying them could lead to undue costs; and
 - (ii) they would be challenging to apply and audit.
19. We also asked consultative bodies for alternative suggestions to describe the subset but did not receive any such suggestions.

Staff view

20. We think feedback suggests both descriptions have their respective pros and cons. However, on balance, we think that if the IASB were to proceed with a rebuttable presumption approach, it should design the basis for rebuttal by describing the subset as business combinations for which success is essential for the advancement or achievement of an entity's overall business strategy⁴ (paragraph 17(b)) because:
- (a) this description better aligns with how management is likely to view the importance of business combinations internally, and consequently aligns better with a management approach to performance disclosures; and

⁴ The wording in the final amendments could differ from what has been presented here. We are not asking for drafting suggestions on the wording.

- (b) unlike the description related to failure (paragraph 17(a)) that uses a double negative, the description related to success is framed positively and would be easier for stakeholders to understand and apply.

One-way or two-way rebuttable presumption

21. Designing a rebuttable presumption approach would require the IASB to consider whether to require an entity to:
- (a) consider rebutting the presumption—and consequently not disclosing performance information—only for a business combination that meets the specified thresholds (one-way rebuttable presumption); and
 - (b) in addition to (a), consider rebutting the presumption—and consequently disclosing performance information—for a business combination that does not meet the specified thresholds (a two-way rebuttable presumption)⁵.
22. Members of the IASB’s consultative groups had mixed views on whether to require a two-way rebuttable presumption:
- (a) many members supported a two-way rebuttable presumption primarily because:
 - (i) it would be a more principle-based way of identifying the subset; and
 - (ii) it could also help capture a series of business combinations undertaken for a single strategic objective—for example, the first in a series of business combinations aimed at significantly expanding the entity’s operations in an existing segment; and
 - (b) many stakeholders did not support a two-way rebuttable presumption approach because a two-way rebuttable presumption would effectively require an entity

⁵ This would be similar to the approach in IAS 28 Investments in Associates and Joint Ventures, where an entity would be required to rebut the presumption that shareholding of less than 20% does not constitute significant influence if such influence can be clearly demonstrated.

to assess every business combination against the basis for rebuttal, which would be costly.

23. We acknowledge that a two-way rebuttable presumption would be a more principle-based way of identifying the subset. We also think it could identify business combinations that are strategic for qualitative reasons. However, a two-way rebuttal is unlikely to capture a series of business combinations undertaken for a single strategic objective. An entity would still apply the rebuttable presumption approach individually to each business combination.
24. We think a one-way rebuttable presumption approach better aligns with the objective of the subset and appropriately responds to feedback. In particular:
- (a) we agree that adopting a two-way rebuttable presumption approach would require an entity to assess every business combination it has undertaken against the basis for rebuttal. We think this would increase the cost for preparers. This could run counter to one of the IASB's objectives for requiring performance information for only a subset—which is to reduce the cost of applying the proposed disclosure requirements (paragraph BC52 of the [Basis for Conclusions](#)).
 - (b) respondents who suggested a rebuttable presumption approach generally said doing so would avoid thresholds inappropriately capturing non-strategic business combinations within the scope of the disclosure requirements. A one-way rebuttable presumption responds to this feedback.

Staff view

25. In our view, if the IASB decides to adopt a rebuttable presumption approach, the IASB should require a one-way rebuttable presumption. That is, an entity would only need to consider rebutting the presumption for a business combination meeting the thresholds.

Fact and reason for rebuttal

26. Designing a rebuttable presumption approach would require considering whether to require an entity that rebuts the presumption to disclose that it has done so and the reasons why.
27. Feedback from consultative bodies on requiring an entity to disclose the fact and reason for rebuttal included:
- (a) most stakeholders, including most users, agreed. A few users said they would be in favour of a rebuttable presumption approach only if entities would be required to disclose the fact of and reason for a rebuttal because the information could help them to assess stewardship, make comparisons with other entities and see how an entity tells its story over time.
 - (b) some stakeholders disagreed and said the information—particularly about the reason for rebuttal—could be boiler plate, costly to provide or could conflict with other communications outside financial statements.
 - (c) a few stakeholders said the proposed disclosure requirements would be unnecessary because paragraph 31 of IAS 1 Presentation of Financial Statements already requires disclosure of material information.
 - (d) one national standard setter agreed with requiring disclosure of the fact but not the reason for any rebuttal, because disclosure of the reason would be boilerplate and because there is no precedent for a similar disclosure in other IFRS Accounting Standards that have a rebuttable presumption approach.
28. Stakeholders who disagreed mainly expressed concerns about the disclosure of the reason for rebuttal and not disclosure of the fact that the entity has rebutted the presumption.
29. Other IFRS Accounting Standards which include a rebuttable presumption (such as IAS 28 *Investments in Associates and Joint Ventures*) do not typically include a specific requirement to disclose the fact that it has rebutted the presumption or the reason for doing so.

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30. We think an entity should be required to disclose the fact that it has rebutted the presumption if the IASB decides to adopt a rebuttable presumption approach for identifying the subset. In our view:
- (a) this would provide users of financial statements with useful information, as confirmed by user feedback (paragraphs 27); and
 - (b) this requirement will make the application of the disclosure requirements more robust by improving the auditability and enforceability of the rebuttable presumption (similar to the IASB’s reasons for proposing to require an entity to disclose the fact and reason if it applies the exemption, explained in see paragraph BC95 of the [Basis for Conclusions](#)).
31. We considered whether to require an entity to also disclose the reason for rebutting the presumption. We disagree that the information could conflict with other stakeholder communications provided by the entity (paragraph 27(b)). We think entities could address the concern by ensuring that the reason it discloses in the financial statements is aligned with other stakeholder communications provided by the entity. Nonetheless, on balance, we think an entity should not be required to disclose the reason. While the information could be useful, we accept it could be costly and acknowledge concerns that entities might disclose boiler plate reasons which would reduce the usefulness of the information.

Staff view

32. In our view, in the event that an entity rebuts the presumption, the IASB should require an entity to disclose the fact it has rebutted the presumption but not the reason for doing so.

A rebuttable presumption or an indicator-based approach

Exposure Draft feedback and redeliberation status

33. Some of the respondents who suggested adopting a principle-based approach suggested using an indicator-based approach similar to the open-list approach considered by the IASB in developing the [Exposure Draft](#) (explained in paragraphs BC56–BC62 of the [Basis for Conclusions](#)). Such an approach would involve describing or defining a strategic business combination and supplementing that description with an open list of indicators an entity would consider when assessing whether a business combination is strategic. The indicators would be neither individually determinative nor collectively exhaustive.
34. In [April Paper 18A](#), we had not reached a staff view on whether to recommend a rebuttable presumption approach or indicator-based approach if the IASB chooses a more principle-based approach because feedback from planned consultation on the proposed thresholds (see Agenda Paper 18C) and a rebuttable presumption approach (considered in this paper) might affect our view.

Updated feedback and analysis

35. We think an indicator-based approach would require:
- (a) a description of the business combinations that the approach attempts to capture—we think this description could be similar to the basis of rebuttal under a rebuttable presumption approach (paragraphs 15–20); and
 - (b) a list of indicators indicating that a business combination belongs to the subset—we think this could include indicators similar to the thresholds under a rebuttable presumption approach (paragraphs 7–14) and the IASB could consider developing additional qualitative indicators.
36. Paragraph 25–30 of [April Paper 18A](#) provided the IASB with our initial view on the pros and cons of an indicator-based approach. In summary, we think that:

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- (a) similar to a rebuttable presumption approach:
 - (i) the approach could avoid inappropriately capturing non-strategic business combinations;
 - (ii) it might be difficult to describe or define the population of business combinations; and
 - (iii) the approach might be difficult to apply, audit and enforce, increasing the cost of application; and
 - (b) it may be difficult to devise an open list of indicators that are distinguishable from factors that an entity would consider when applying materiality.
37. We did not consult specifically on an indicator-based approach. Considering feedback from recent consultation relating to a rebuttable presumption approach, which helped inform our view on an indicator-based approach, we think:
- (a) the basis for rebuttal we suggested during consultation could be subjective and challenging to apply and audit (paragraph 18); and
 - (b) an indicator-based approach would be more judgemental than a rebuttable presumption approach because entities would have to consider a non-exhaustive list of indicators (which might provide positive and negative indications), whereas a rebuttable presumption approach uses a clear list of thresholds leading to a presumption.

Staff view

38. Considering our initial analysis (paragraphs 33–34) and feedback from recent consultation (paragraph 35–37), we think the rebuttable presumption approach is better than an indicator-based approach.

Summary of staff views

39. If the IASB chooses to pursue a principle-based approach we think the IASB should choose a rebuttable presumption approach.
40. To design a rebuttable presumption approach, we think the IASB should:
- (a) apply the same quantitative thresholds as suggest using for the threshold approach—that is revenue and asset (but not operating profit) thresholds set at 10% and no qualitative thresholds (paragraphs 7–14);
 - (b) design the basis for rebuttal by describing the subset as business combinations for which success is essential for the advancement or achievement of an entity’s overall business strategy (paragraphs 15–20);
 - (c) require entities to consider rebutting the presumption that performance information would be disclosed only for a business combination meeting the thresholds (paragraphs 21–25); and
 - (d) in the event that an entity rebuts the presumption, require an entity to disclose the fact that it has rebutted the presumption but not the reason for doing so (paragraphs 26–32).

Appendix A—Excerpts from [April Paper 18A](#)

A1. Paragraphs 19–24 of [April Paper 18A](#) are reproduced here for reference:

19. Many respondents suggested applying a rebuttable presumption approach. These respondents suggest identifying thresholds (for example, the thresholds proposed in the Exposure Draft) with a rebuttable presumption that performance information would be disclosed for a business combination meeting those thresholds.

20. These respondents said this approach would avoid thresholds inappropriately capturing non-strategic business combinations within the scope of the disclosure requirements. Some of these respondents suggested requiring an entity that rebuts the presumption to disclose the fact that it has rebutted the presumption and the reason for the rebuttal. Adopting a rebuttable presumption approach would require the IASB:

(a) to develop a list of thresholds with a presumption that performance information would be disclosed for a business combination that meets any one or a combination of the specified thresholds. The IASB could leverage the work done/ being done on the thresholds approach (see paragraphs 4–41 and Agenda Paper 18B) to develop this list of thresholds.

(b) to design a basis on which an entity could rebut the presumption that performance information should be disclosed for a business combination meeting the specified thresholds. The IASB could design the basis for rebuttal by, for example:

(i) describing or defining the subset of business combinations for which performance information should be disclosed; or

(ii) requiring entities to determine whether disclosing performance information would require undue cost or effort.

(c) to consider whether to require an entity to consider rebutting the presumption and disclosing performance information for a business combination that does not meet the specified thresholds.

(d) to consider whether to require an entity that rebuts the presumption to disclose that it has done so and the reasons why

Pros and cons of a rebuttable presumption approach

21. We acknowledge respondents' rationale for suggesting a rebuttable presumption approach and agree that such an approach could avoid inappropriately capturing non-strategic business combinations. We also note other IFRS Accounting Standards require an entity to apply a rebuttable presumption approach, for example:

(a) paragraph 5.5.11 of IFRS 9 *Financial Instruments* specifies that credit risk on a financial asset is presumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due;

(b) paragraph 13 of IFRS 2 *Share-based Payment* specifies there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably when measuring equity-settled share-based payments; and (c) paragraph 5 of IAS 28 *Investments in Associates and Joint Ventures* specifies that an entity is presumed to have significant influence over another entity if the entity has at least 20% shareholding in that other entity.

22. However:

(a) it might be difficult to design a basis on which an entity could rebut the presumption (see paragraph 20(b)).

(b) a rebuttable presumption approach might be more difficult to apply, audit and enforce than the thresholds approach. The approach would require an entity to exercise judgement, and in

some cases there might not be enough objective evidence to determine whether to rebut the presumption. The increased cost could run counter to one of the IASB's objectives for requiring performance information for only a subset of business combinations—reduced cost of applying the proposed disclosure requirements.

23. The following application aspects may also affect the overall cost-benefit balance of this approach:

(a) whether to require an entity to consider rebutting the presumption and disclosing performance information for a business combination that does not meet the specified threshold. In our initial view, requiring an entity to do so might:

(i) help with enforcement and prevent potential abuse by allowing auditors and regulators to step in if there is evidence that information should be disclosed about a business combination not meeting the thresholds;

(ii) increase the cost for preparers as an entity would need to assess each business combination for evidence for rebuttal; and

(iii) increase the level of judgement required in applying this approach and thereby create tension among preparers, auditors and regulators;

(b) whether to require an entity disclose the fact that it has rebutted the presumption and the reason for rebuttal. In our initial view, requiring the disclosure of the fact and reason for rebuttal might:

(i) provide users with additional information for their analysis;

(ii) highlight business combinations that users might wish to pay close attention to;

- (iii) give rise to commercial sensitivity concerns; and
- (iv) result in boiler-plate information.

Plans for further consultation

24. Before reaching a staff view on whether to recommend a rebuttable presumption approach, we plan to: (a) consult on application aspects and cost-benefit balance of a possible rebuttable presumption approach and (b) assess the relative merits and demerits of this approach compared to other approaches. Aspects we might consult on include:

- (a) how to design the basis for rebuttal (paragraph 20(b))—for example, how to describe or define the population of strategic business combinations;
- (b) whether to require an entity to consider rebutting the presumption and disclosing performance information for a business combination that does not meet the specified thresholds (paragraph 20(c));
- (c) whether to require an entity to disclose the fact and reason for any rebuttal (paragraph 20(d)); and
- (d) whether the benefits of applying a rebuttable presumption approach (see paragraph 21) would outweigh the costs of doing so (see paragraph 22(b)).