IFRS Accounting

Staff paper

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IASB® meeting

Date	**July 2026**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Whether to retain other proposals**
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Purpose and structure

1. Agenda Paper 18A asks the International Accounting Standards Board (IASB) whether to continue working on amendments that would require entities to disclose performance and expected synergy information for a business combination (performance and expected synergy amendments).

2. If the IASB decides not to finalise any performance and expected synergy amendments, this paper considers whether to finalise the other amendments to IFRS 3 *Business Combinations* and the amendments to IAS 36 *Impairment of Assets* (other IFRS 3 and IAS 36 amendments). If the IASB decides to continue working on the performance and expected synergy amendments, this paper is not applicable and will not be discussed.

3. This paper is structured as follows:

   (a) background (paragraphs 4–10);

   (b) analysis (paragraphs 11–25);

   (c) staff recommendations (paragraphs 26–28);

   (d) questions for the IASB and next steps (paragraph 29); and

(e) Appendix A—Proposed amendments to IAS 36 on allocating goodwill to CGUs.

Background

Exposure Draft proposals

4. The project's objective is to explore whether entities can, at a reasonable cost, provide users with more useful information about business combinations. Providing users with such information would help them make better decisions by allowing them to better assess:

   (a) the performance of an entity's business combinations; and

   (b) how efficiently and effectively management has used the entity's economic resources to acquire these businesses.

5. The other amendments to IFRS 3 and the amendments to IAS 36 proposed in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) related to:

   (a) the disclosure requirements in IFRS 3 (summarised in paragraph 6); and

   (b) the impairment test in IAS 36 (summarised in paragraph 7).

6. The other amendments to IFRS 3 proposed in the Exposure Draft were to:

   (a) add disclosure objectives;

   (b) specify that for the information about the contribution of an acquired business required by paragraph B64(q) of IFRS 3:

      (i) the amount of profit or loss is the amount of 'operating' profit or loss as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*;

      (ii) application guidance would not be provided; and

(iii) the basis for preparing the information is an accounting policy.

(c) replace the requirement for an entity to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination;

(d) improve the information an entity discloses about pension and financing liabilities assumed in a business combination by:

(i) deleting the word ‘major’ from paragraph B64(i) of IFRS 3; and

(ii) adding pension and financing liabilities as classes of liabilities assumed in the illustrative example in paragraph IE72 of the *Illustrative Examples on IFRS 3* Business Combinations; and

(e) delete the disclosure requirements in IFRS 3 related to acquired receivables (paragraph B64(h) of IFRS 3), subsequent deferred tax adjustments (paragraph B67(d)(iii) of IFRS 3) and subsequent material gains or losses (paragraph B67(e) of IFRS 3).

7. The amendments to IAS 36 proposed in the Exposure Draft were to:

(a) clarify how an entity allocates goodwill to cash-generating units (CGUs). Among other things, the IASB proposed to:

(i) replace the phrase ‘goodwill is monitored’ in paragraph 80(a) of IAS 36 with ‘business associated with goodwill is monitored’; and

(ii) to clarify that paragraph 80(b) of IAS 36 is a ceiling—and not a default—for the level at which to allocate goodwill.[1]

(b) require an entity to disclose the reportable segment in which a CGU or group of CGUs containing goodwill is included.

[1] For ease of reference, Appendix A to this paper reproduces the proposed amendments to IAS 36 in this respect.

(c) remove the requirement to exclude cash flows from uncommitted future restructuring and asset enhancements[2] when calculating value in use (VIU).

(d) remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating VIU and requiring an entity to disclose whether the discount rate used is pre-tax or post-tax.

Redeliberation status and tentative decisions to date

8. In line with our redeliberation plan (Agenda Paper 18G of the IASB's January 2025 meeting), during 2025 the IASB discussed our analysis of feedback and made tentative decisions on all of the other IFRS 3 and IAS 36 amendments in 2025 and 2026.

Tentative decisions on the other IFRS 3 amendments

9. At its May 2025 meeting the IASB tentatively decided:

(a) to retain the proposed disclosure objectives to guide its redeliberations of the proposed performance and expected synergy disclosure requirements. These disclosure objectives would require an entity to disclose information that enables users to evaluate:

(i) the benefits an entity expects from a business combination when agreeing on the price to acquire a business; and

(ii) for a strategic business combination, the extent to which the benefits an entity expects from the business combination are being obtained.

(b) for the proposals relating to the contribution of an acquired business:

(i) to retain the proposal to specify that the amount of profit or loss is the amount of operating profit or loss as defined in IFRS 18;

[2] We refer to 'cash flows from uncommitted future restructurings and asset enhancements' as restructuring and enhancement cash flows throughout the rest of this paper.

(ii) to withdraw the proposal to specify that combined entity information is an accounting policy;

(iii) to add a requirement for an entity to disclose the basis on which it has prepared combined entity information;

(iv) to retain the proposal to explain the purpose of the requirement for combined entity information; and

(v) to retain the proposal not to provide application guidance on how to prepare combined entity information for the contribution of an acquired business.

(c) to retain the proposal to replace the requirement for an entity to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination.

(d) to retain the proposal to improve the quality of information an entity discloses about pension and financing liabilities assumed in a business combination as specified in paragraph 6(d) above.

(e) to retain the proposal to delete the disclosure requirements in IFRS 3 set out in paragraph 6(e) above.

Tentative decisions on the proposed IAS 36 amendments

10. For the proposed amendments to IAS 36, the IASB tentatively decided to retain the proposals:

(a) to clarify how an entity allocates goodwill to CGUs by (see [December 2025 IASB Update])[3]:

(i) retaining the proposal to replace the phrase ‘goodwill is monitored’ in paragraph 80(a) with ‘business associated with the goodwill is monitored’;

[3] Appendix A reproduces the proposed amendments to IAS 36 to clarify how an entity allocates goodwill to CGUs.

(ii) retaining the proposal to clarify that paragraph 80(b) acts as a ceiling to the level an entity determines by applying paragraph 80(a);

(iii) retaining proposed paragraph 80A(b) with some wording changes; and

(iv) making no other changes to the proposed amendments.

(b) to require an entity to disclose the reportable segment in which a CGU or group of CGUs containing goodwill is included (see July 2025 IASB Update);

(c) to remove the requirement for an entity to exclude restructuring and enhancement cash flows when calculating VIU (see April 2026 IASB Update); and

(d) to remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating VIU and to require an entity to disclose whether the discount rate used is pre-tax or post-tax (see July 2025 IASB Update).

Analysis

11. Paragraph BC1 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) explains that the proposed amendments to IFRS 3 and IAS 36 (including the performance and expected synergy amendments and the other amendments to IFRS 3 and IAS 36) were a *package of proposals* that were expected to meet the project objective of providing users of financial statements (users) with more useful information, at a reasonable cost, about an entity's business combinations.

12. As paragraphs 8–10 explain, the IASB has already made tentative decisions on the other IFRS 3 and IAS 36 amendments. However, those decisions were tentative and the IASB had not yet completed its deliberations on the performance and expected synergy amendments.

13. Our analysis in this section considers whether to finalise the other IFRS 3 and IAS 36 amendments if the IASB decides to not finalise any performance and expected synergy amendments. This includes:

(a) whether and how not finalising any performance and expected synergy amendments affects the IASB's tentative decisions on each of the:

(i) other IFRS 3 amendments (paragraphs 14–17); and

(ii) IAS 36 amendments (paragraphs 18–25); and

(b) our staff recommendation of whether to finalise the other IFRS 3 and IAS 36 amendments (paragraphs 26–28).

Other IFRS 3 amendments

14. If the IASB decides to not finalise any performance and expected synergy amendments, we think the IASB should—in line with its tentative decisions—finalise the amendments to IFRS 3 discussed in:

(a) paragraph 9(b) of this paper—relating to the contribution of an acquired business;

(b) paragraph 9(d) of this paper—to improve disclosure of information about pension and financing liabilities assumed in a business combination; and

(c) paragraph 9(e) of this paper—to delete particular disclosure requirements in IFRS 3.

15. In our view, the rationale as set out in Agenda Paper 18A of the IASB's May 2025 meeting for the amendments discussed in paragraph 14 continues to apply and the expected benefits of each of these amendments outweighs the costs. In particular, these amendments were largely supported by respondents to the Exposure Draft and would, to some extent, improve—at a reasonable cost—information entities provide about their business combinations (the project objective).

16. We also think the IASB should—in line with its tentative decision—finalise the amendment to IFRS 3 discussed in paragraph 9(c) of this paper—to replace the requirement to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination. Paragraph

BC165 of the Basis for Conclusions explains that the proposal would provide a clearer link between the objectives for a business combination and an entity's overall business strategy. As Agenda Paper 18A for the IASB's May 2025 meeting explains, almost all respondents who commented agreed with the proposed change. We think finalising this amendment would result in an entity providing better and more tailored information about its reasons for entering into a business combination, which is even more important if the IASB decides not to finalise any performance and expected synergy amendments (which included a requirement to disclose the acquisition-date key objectives for a business combination). Therefore, we think that the IASB should proceed with finalising this amendment in line with its tentative decision.

17. We think the IASB should not finalise the proposed disclosure objectives discussed in paragraph 9(a) of this paper. The performance and expected synergy amendments proposed in the Exposure Draft contributed significantly to an entity being able to meet these disclosure objectives. While the other amendments to IFRS 3 discussed in paragraphs 9(b)–9(e) (and some of the existing disclosure requirements in IFRS 3) contribute to meeting the proposed disclosure objectives, these disclosures are not designed to fully meet the proposed disclosure objectives.

IAS 36 amendments

18. Through its post-implementation review of IFRS 3, the IASB was informed that, among other things the impairment test of CGUs containing goodwill is complex, time-consuming and expensive; and that impairment losses on goodwill are sometimes recognised too late. The IAS 36 amendments (see paragraph 10) are designed to address this feedback, by reducing the cost and complexity of calculating VIU and reducing shielding of goodwill.

19. The proposed performance and expected synergy amendments aimed to partially address feedback about the timing of impairment losses, by providing information

about subsequent performance of business combinations more directly.[4] We re-considered whether any of the IAS 36 amendments should be changed if the IASB decides to not finalise any performance and expected synergy amendments.

20. If the IASB decides to not finalise any performance and expected synergy amendments, for reasons the IASB previously considered, we think the IASB should not:

    (a) fundamentally change the impairment test. As paragraph 35 of the Agenda Paper 18 of the IASB's February 2025 meeting explains, the IASB concluded that it cannot design a different impairment test from the one in IAS 36 that would be significantly more effective at recognising goodwill impairment losses at a reasonable cost.

    (b) reintroduce amortisation of goodwill. As paragraphs BC228–BC234 of the Basis for Conclusions explain, the IASB concluded it had no compelling case for changing the model to account for goodwill.

21. If the IASB decides to not finalise any performance and expected synergy amendments:

    (a) we think the IASB should—in line with its tentative decisions—finalise the amendments to IAS 36 discussed in:

        (i) paragraph 10(a) of this paper—to clarify how an entity allocates goodwill to CGUs;

        (ii) paragraph 10(b) of this paper—to require an entity to disclose the reportable segment in which a CGU or group of CGUs containing goodwill is included; and

[4] As explained in paragraph BC267 of the Basis for Conclusions 'Some users use information about impairment losses on goodwill as a proxy for assessing the success of the related business combination. For example, some users said they interpret the recognition of an impairment loss as confirmation that a business combination was unsuccessful. If information about an impairment loss on goodwill is provided too late, users would not obtain that confirmation on a timely basis. Requiring an entity to disclose information about the performance of a business combination more directly responds to that user need'

(iii) paragraph 10(d) of this paper—to remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating VIU and to require an entity to disclose whether the discount rate used is pre-tax or post-tax; and

(b) paragraphs 23–25 consider whether to finalise the amendment in paragraph 10(c) of this paper—to remove the requirement to exclude restructuring and enhancement cash flows when calculating VIU.

22. In our view, the rationale as set out in Agenda Paper 18A of the IASB's December 2025 meeting (for the amendment in paragraph 21(a)(i) of this paper) and in Agenda Paper 18C of the IASB's July 2025 meeting (for the amendments in paragraphs 21(a)(ii) and 21(a)(iii) of this paper) continues to apply and the expected benefits of each of these amendments outweigh the costs. These amendments were largely supported by respondents to the Exposure Draft and would address, to some extent, concerns about the impairment test of CGUs containing goodwill being complex, time-consuming and expensive and that impairment losses on goodwill are sometimes recognised too late.

Removing requirement to exclude restructuring and enhancement cash flows

23. The amendment discussed in paragraph 10(c) of this paper—to remove the requirement to exclude restructuring and enhancement cash flows when calculating VIU—aims to reduce the cost and complexity of the impairment test. As Agenda Paper 18F of the IASB's April 2026 meeting notes, some respondents to the Exposure Draft who disagreed with this proposal said it could worsen the problem of impairment losses on goodwill sometimes being recognised too late.

24. If the IASB decides to not finalise any performance and expected synergy amendments, which would have contributed to addressing concerns about impairment losses sometimes being recognised too late, we considered whether the amendment to restructuring and asset enhancement cash flows will worsen the problem of impairment losses on goodwill sometimes being recognised too late. We think the

amendment will not worsen the problem because (as explained in further detail in Agenda Paper 18B of the IASB's July 2025 meeting and the Basis for Conclusions):

(a) the existing requirement in paragraph 33(a) of IAS 36—to base cash flow projections on reasonable and supportable assumptions—is a sufficient safeguard against the inclusion of over-optimistic cash flows in estimates of VIU.

(b) although the amendment might increase the VIU, the recoverable amount is the higher of VIU and fair value less costs of disposal, which already reflects potential to be restructured, improved or enhanced if market participants would pay for it.

25. If the IASB decides to not finalise any performance and expected synergy amendments, we continue to think the expected benefit of this amendment outweighs the costs for the reasons set out in Agenda Paper 18B of the IASB's July 2025 meeting. These reasons include that the amendment would:

(a) reduce cost and complexity by reducing the need to amend management's financial budgets and forecasts;

(b) make the impairment test less prone to error; and

(c) make the impairment test easier to understand, perform, audit and enforce.

Staff recommendations

26. Although the other IFRS 3 and IAS 36 amendments are narrow in scope we think the IASB should finalise them because they could be completed in a timely manner and they respond, to a limited extent and at a reasonable cost, to feedback from the post-implementation review of IFRS 3 about:

(a) users not receiving sufficient information about business combinations; and

(b) the impairment test of CGUs containing goodwill being complex, time-consuming and expensive and that impairment losses on goodwill are sometimes recognised too late.

27. If the IASB decides to not finalise any performance and expected synergy amendments, in respect of the other amendments to IFRS 3, we recommend the IASB:

(a) in relation to the disclosures about the contribution of an acquired business:

(i) finalise the proposal to specify that the amount of profit or loss is the amount of operating profit or loss as defined in IFRS 18;

(ii) withdraw the proposal to specify that combined entity information is an accounting policy;

(iii) finalise the added requirement for an entity to disclose the basis on which it has prepared combined entity information;

(iv) finalise the proposal to explain the purpose of the requirement for combined entity information; and

(v) finalise the proposal not to provide application guidance on how to prepare combined entity information for the contribution of an acquired business.

(b) finalise the proposal to replace the requirement for an entity to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination;

(c) finalise the proposal to improve the quality of information an entity discloses about pension and financing liabilities assumed in a business combination;

(d) finalise the proposal to delete the disclosure requirements in IFRS 3 set out in paragraph 6(e) above; and

(e) not finalise the proposed disclosure objectives.

28. If the IASB decides to not finalise any performance and expected synergy amendments, in respect of the amendments to IAS 36, we recommend the IASB finalise the proposals:

    (a) to clarify how an entity allocates goodwill to CGUs by:

        (i) retaining the proposal to replace the phrase 'goodwill is monitored' in paragraph 80(a) with 'business associated with the goodwill is monitored';

        (ii) retaining the proposal to clarify that paragraph 80(b) acts as a ceiling to the level an entity determines by applying paragraph 80(a);

        (iii) retaining proposed paragraph 80A(b) with some wording changes; and

        (iv) making no other changes to the proposed amendments.

    (b) to require an entity to disclose the reportable segment in which a CGU or group of CGUs containing goodwill is included;

    (c) to remove the requirement for an entity to exclude restructuring and enhancement cash flows when calculating VIU; and

    (d) to remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating VIU and to require an entity to disclose whether the discount rate used is pre-tax or post-tax.

Questions for the IASB

Questions for the IASB
1. Does the IASB agree with our recommendations in respect of the other amendments to IFRS 3? In particular, does the IASB: a. agree with our recommendation to finalise the amendments discussed in paragraphs 27(a)–27(d); and b. agree with our recommendation to not finalise the proposed disclosure objectives discussed in paragraph 27(e)?

Questions for the IASB

2. Does the IASB agree with our recommendations in respect of the amendments to IAS 36? In particular, does the IASB agree with our recommendation to finalise the amendments:
   a. to clarify how an entity allocates goodwill to CGUs;
   b. to require an entity to disclose the reportable segment in which a CGU or group of CGUs containing goodwill is included;
   c. to remove the requirement for an entity to exclude restructuring and enhancement cash flows when calculating VIU; and
   d. to remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating VIU and to require an entity to disclose whether the discount rate used is pre-tax or post-tax?

Next steps

29. If the IASB agrees with our recommendations in paragraphs 26–28 of this paper, we will analyse remaining aspects of the amendments to IFRS 3 and IAS 36 (for example, consequential amendments to the requirements for subsidiaries without public accountability, transition, effective date and compliance with applicable due process requirements).

Appendix A—Proposed amendments to IAS 36 on allocating goodwill to CGUs

A1. For ease of reference, this appendix reproduces the proposed amendments to IAS 36 to clarify how an entity allocates goodwill to CGUs. The Exposure Draft proposed (underlined text is proposed to be added):

> **80 For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:**
>
> **(a)represent the lowest level within the entity at which the business associated with the goodwill is monitored for internal management purposes; and**
>
> **(b)not be larger than an operating segment as defined by paragraph 5 of IFRS 8 *Operating Segments* before aggregation.**
>
> 80A In applying paragraph 80, an entity first applies paragraph 80(a) to determine the lowest level at which the business associated with the goodwill is monitored for internal management purposes. Applying paragraph 80(a) requires an entity:
>
> (a) to identify the cash-generating units or groups of cash-generating units (see paragraph 81) expected to benefit from the synergies of the combination; and

(b) to then determine the lowest level for which there is financial information about the cash-generating units identified in paragraph 80A(a) that management regularly uses to monitor the business associated with the goodwill. That financial information reflects how the benefits expected from the synergies of the combination are managed.

80B The requirement in paragraph 80(b) sets the highest level at which an entity is permitted to allocate goodwill for the purpose of applying paragraph 80(a) and is therefore applied only after paragraph 80(a) has been applied.