IFRS Accounting

Staff paper

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IASB® Meeting

Date	**May 2026**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Revising the scope of performance information**
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Purpose and structure

1. This paper provides the International Accounting Standards Board (IASB) with our analysis on whether, and if so, how to revise the scope of performance information that an entity would be required to disclose.

2. This paper is structured as follows:

   (a) background (paragraphs 4–9);

   (b) feedback from additional outreach (paragraphs 10–12);

   (c) staff analysis (paragraphs 13–48);

   (d) summary of staff views (paragraph 49); and

   (e) Appendix A—Percentages and ratios.

3. This paper does not have any questions for the IASB. Agenda Paper 18A asks whether IASB members have any questions or comments on all of the agenda papers for this meeting.

Background

4. The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed to require an entity to disclose information about the performance of a strategic business combinations (performance information) including:

   (a) an entity's acquisition-date key objectives and related targets (KOTs); and

   (b) the extent to which those KOTs are being met in subsequent periods (subsequent performance information).

5. The proposed definition of a target (which the Exposure Draft proposed adding to Appendix A of IFRS 3 *Business Combinations*) is:

   > A target describes the level of performance that will demonstrate whether a key objective for a business combination has been met.
   >
   > A target shall be specific enough for it to be possible to verify whether the related key objective is being met. A target is measured using a metric that could be denominated in currency units or another unit of measurement.

6. As examples of targets:

   (a) paragraph BC38 of the Basis for Conclusions on the Exposure Draft states:

   > …Examples of a target could include 'additional revenue of CU100 million of Product V in Territory W in 202X compared to 202Y' or 'increasing the number of customers for Product Z by 5,000 by 202X compared to 202Y'.

   (b) the proposed amendments to the Illustrative Examples Accompanying IFRS 3 included illustrate examples with metrics of revenue, profit and market share.

   (c) paragraph 2.16(d) of the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* said:

A company's management is likely to pursue several objectives when acquiring a business and use several metrics for measuring progress towards those objectives. These metrics could be financial—for example, amounts of synergies, profit measures, returns on capital—or non-financial—for example, market share, retention of staff, product launches—or both.

Feedback on Exposure Draft

7. Agenda Paper 18B to the IASB's December 2024 meeting summarised feedback on whether to require an entity to disclose information about the performance of a business combination (performance information) and quantitative information about expected synergies (expected synergy information). As that paper explains, many respondents expressed concerns in relation to auditability and expectation gap, including one Interpretations Committee member who said that verifying subsequent performance could be challenging, particularly if the key objectives or targets are qualitative or are based on measures not defined in IFRS Accounting Standards.

Redeliberation status

8. Agenda Paper 18A to the IASB's July 2025 meeting (July Paper 18A) analysed feedback in relation to auditability and expectation gap. As paragraph 35 of July paper 18A explains, we thought the complexity of verifying whether the subsequent performance information an entity discloses reflects actual performance could vary depending on the nature of the metric used to determine the target for the business combination and consequently, the metric used to measure subsequent performance. In particular:

   (a) if the target is based on metrics defined in IFRS Accounting Standards (IFRS targets)—for example, revenue or operating profit—we thought auditors will be able to verify whether the subsequent performance information reflects actual performance. This would be similar to what auditors are required to do when verifying, for example, revenue for a particular reportable segment.

(b) if the target is based on metrics not defined in IFRS Accounting Standards (non-IFRS targets)—for example, market share—we accepted it will be more difficult for auditors to verify whether the subsequent performance information disclosed reflects actual performance. This is because auditors would not have a framework against which to verify the disclosure. If the IASB requires entities to disclose the basis of preparation for non-IFRS targets, auditors would be able to verify whether disclosed subsequent performance information reflects actual performance based on that basis.

Additional outreach

9. As Agenda Paper 18B explains, since the IABS's July 2025 meeting, we have met with various audit professionals to better understand the issues about auditability and expectation gap. As part of those meetings, we discussed the challenges in auditing different types of targets (for example, IFRS and non-IFRS targets).

Feedback from additional outreach

10. Agenda Paper 18B to this meeting summarises feedback from the additional outreach with audit professionals. Regarding whether auditors would be able to verify that subsequent performance information reflects actual performance:

(a) all audit professionals agreed (or did not disagree) that auditors would be required to—and be able to—verify that KOTs reflect management's expectations for the business combination at the time of acquisition; and

(b) most audit professionals agreed (or did not disagree) that it would be more difficult for auditors to verify it for non-IFRS targets and one audit professional said it would be impossible.

11. Other comments made by stakeholders on how the type of metric would affect auditability of the subsequent performance include:

    (a) it would be difficult to verify subsequent performance for non-IFRS metrics because:

        (i) there would be no established accounting framework specifying how entities should measure and disclose such information;

        (ii) there would be no established audit framework specifying how to verify such information; and

        (iii) the information might not be subject to the same level of internal controls as is generally the case for other information disclosed in financial statements.

    (b) one auditor said targets might be based on a range of different metrics, and that the more a metric differs from metrics defined in IFRS Accounting Standards, the more difficult it would be for an auditor to verify whether that subsequent performance information reflects actual performance. For example, it would be easier to verify whether an 'adjusted' operating profit reflects actual performance than it would be to verify whether revenue passenger miles[1] (based on data in a system not subject to other audit procedures) reflects actual performance.

    (c) many audit professionals agreed that requiring an entity to disclose how non-IFRS targets are measured would help.

12. Additionally, many audit professionals said auditors would be required to verify the reasonableness of KOTs.

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[1] According to Investopedia (https://www.investopedia.com/terms/r/revenue-passenger-mile-rpm.asp), revenue passenger miles is a metric used in the airline industry. It measures the total miles travelled by paying passengers, and is calculated the product of the number of passengers and distance they have flown.

Staff analysis

13. Feedback from additional outreach confirmed that:

(a) auditors would be able to verify whether the subsequent performance information reflects actual performance for IFRS targets.

(b) it would be more difficult for auditors to verify whether the subsequent performance information reflects actual performance for non-IFRS targets.

14. The rest of this paper analyses:

(a) whether to revise the scope for all types of performance information (paragraphs 15–20); and

(b) how to revise the scope of performance information (paragraphs 21–48).

Whether to revise the scope for all types of performance information

15. As paragraph 9 explains, we performed additional outreach because of concerns about verifying subsequent performance information for non-IFRS targets. However, as Agenda Paper 18B explains, we acknowledge mixed views on whether auditors need to verify reasonableness of KOTs. If auditors do verify the reasonableness of KOTs, they might have similar concerns about doing so for non-IFRS targets. If the IASB revises the scope of subsequent performance information (which we analyse in paragraphs 21–48), this section considers whether the IASB should also revise the scope of performance information for:

(a) acquisition-date targets (paragraphs 16–17); and

(b) acquisition-date key objectives (paragraphs 18–19).

Acquisition-date targets

16. As Agenda Paper 18B explains, we acknowledge mixed views on whether auditors need to verify reasonableness of KOTs. If auditors do verify the reasonableness of KOTs, it could be challenging doing so for non-IFRS targets.

17. If the IASB revises the scope of subsequent performance information, requiring entities to disclose all acquisition-date targets would make the requirements more complex to apply and would be of limited use to users of financial statements (users). Therefore, if the IASB revises the scope of subsequent performance information we think the IASB should also revise the scope for acquisition-date targets.

Acquisition-date key objectives

18. If the IASB revises the scope of subsequent performance information, we think the IASB should retain the requirement to disclose all key objectives. For example, an entity would still be required to disclose a key objective of increasing market share but would not be required to disclose the target (for example, increasing from 15% to 20%) or to report on subsequent performance.

19. We think requiring an entity to disclose acquisition-date key objectives even if the related target is not disclosed:

    (a) would not be difficult for auditors to verify because the information is qualitative in nature (similar to the primary reasons currently required by paragraph B64(d) of IFRS 3); and

    (b) can provide users with useful information about the business combination—although qualitative in nature, it would allow a user to understand all key objectives.

Staff view

20. If the IASB revises the scope of performance information, we think the IASB should:

    (a) revise the scope for acquisition-date targets as well as subsequent performance information; and

    (b) not revise the scope for acquisition-date key objectives.

How to revise the scope of performance information

21. In considering how to revise the scope of performance information, we considered whether doing so would help:

    (a) address or reduce auditability concerns; and

    (b) better balance expected benefits for users and costs for preparers.

22. Stakeholders who suggested revising the scope of performance information often used terms such as ‘non-financial’ to describe information that, in their view, an entity should not be required to disclose. The term ‘non-financial’ is not clearly defined so we considered different options of how to revise the scope of performance information. We analyse whether to:

    (a) revise the scope of performance information so that an entity would only be required to disclose performance information relating to:

        (i) IFRS targets (paragraphs 24–27);

        (ii) IFRS targets, or targets reconcilable to IFRS targets (paragraphs 28–34);

        (iii) amounts that will be recorded in an entity’s general ledger (paragraphs 35–38); or

        (iv) currency unit targets (paragraphs 39–42); or

    (b) retain the proposal in the Exposure Draft and not revise the scope of performance information (paragraph 43).

23. As Appendix A explains, if the IASB decides to revise the scope of performance information using one of the options set out in paragraph 22(a) above, we think targets expressed as percentages and ratios of that option should be included—for example, increasing revenue by 40% by 20X4 (compared to 20X1).

IFRS targets

24. The IASB could revise the scope of performance information to only IFRS targets—that is, targets based on metrics defined in IFRS Accounting Standards. This would include, for example:

    (a) operating profit or loss and profit or loss before financing and income taxes as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*; and

    (b) revenue as defined in IFRS 15 *Revenue from Contracts with Customers*.

25. Metrics defined in IFRS Accounting Standards would normally relate to the entity whereas KOTs would typically refer to a part of an entity (for example, a business unit or a segment). If the IASB selects this option, we think the IASB should specify that IFRS targets include targets for part of an entity.[2]

26. As paragraph 10 explains, feedback confirmed that auditors would be able to verify whether the subsequent performance information reflects actual performance for IFRS targets.

27. However, we think the IASB should not revise the scope of performance information to IFRS targets because it would result in too few targets being captured and users receiving too little information. As noted in paragraph 33 Agenda Paper 18A to the IASB's April 2022 meeting, almost all entities in our sample had targets related to expected synergies, which is not defined in IFRS Accounting Standard.

Targets reconcilable to IFRS targets

28. The IASB could revise the scope of performance information to only IFRS targets and targets based on metrics that are reconcilable to IFRS targets (IFRS reconcilable targets). IFRS reconcilable targets would include targets using metrics defined by an entity such as:

[2] As Agenda Paper 18E explains, we think an entity should be required to disclose how performance information is measured, which could include, for example, allocation of central costs to a business unit.

(a) adjusted operating profit;

(b) earnings before interest, tax, depreciation and amortisation (EBITDA); or

(c) free cash flow to equity (FCFE).[3]

29. This option would be similar to the approach for management-defined performance measures (MPMs) in IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 requires an entity to disclose only MPMs (which are a subtotal of income and expenses, reconciled to a subtotal or total of income and expenses listed in IFRS 18).

30. We think that compared to only IFRS targets (paragraphs 24–27), this option could provide users with performance information about more targets and include some, but not all, targets based on metrics commonly used by entities.

31. Considering feedback from auditors (paragraphs 10–12), we think auditors would be able to verify whether the subsequent performance information reflects actual performance for IFRS reconcilable targets because entities are likely to have established processes, systems and controls over the production of such information which auditors have already verified.

32. This option would capture more targets than only IFRS targets but might still result in users receiving too little information. For example, targets related to expected synergies might not be included if they cannot be directly reconciled to goodwill.

33. It might be unclear whether a target can be reconciled to an IFRS target and whether all types of reconciling items would be appropriate, which could cause application issues. For example, it might be unclear whether a reconciliation between revenue as defined in IFRS 15 to a hypothetical revenue used by the entity would be permitted and could cause application challenges.

[3] Consistent with paragraph 25 for IFRS targets, we think the IASB should specify that reconcilable to IFRS targets would include targets for part of an entity.

34. Overall, we think revising the scope of performance information to IFRS targets and IFRS reconcilable targets could strike a balance between auditability concerns and users' information needs. Paragraphs 44–48 considers which option we think the IASB should choose after analysing all of the options.

Amounts recorded in the general ledger

35. The IASB could revise the scope of performance information to only targets based on metrics for which the actual performance will be recorded in an entity's general ledger (general ledger targets). In most cases we think these targets would be consistent with IFRS targets or IFRS reconcilable targets and we did not identify additional targets that would be captured.

36. As paragraph 11 notes, feedback suggests it would be easier for auditors to verify general ledger targets (because auditors verify information in the general ledger as part of the audit) than to verify information based on data in a system not already subject to audit procedures.

37. The main disadvantages this option are:

    (a) different entities have different general ledger structures, so entities with similar targets might reach different conclusions about whether disclosure is required for that target.

    (b) IFRS Accounting Standards do not typically prescribe requirements based on how entities record transactions internally. Setting disclosure requirements for entities based on how entities set up their financial reporting systems internally might set new precedents and result in new application challenges. For example:

        (i) definition of 'general ledger';

        (ii) it might be unclear whether targets based on synergies would be disclosed—for example, if a target is to achieve revenue synergies, revenue transactions (including the effects of synergies) would be recorded in the general ledger but in many cases the synergy amount might not be separately identified; and

(iii) changes to an entity's general ledger structure over time (for example, as a result of new or amended IFRS Accounting Standards, or as part of integrating an acquiree).

(c) there could be unintended consequences. For example, entities might design their general ledger structure to capture less detailed information to minimise burden of disclosure.

38. Overall, we think revising the scope of performance information to only general ledger targets would add additional complexity and would not capture significantly more performance information than metrics reconcilable to IFRS targets (paragraphs 28–34) so we think general ledger targets should not be considered further.

Currency unit targets

39. The IASB could revise the scope of performance information to only targets based on metrics denominated in currency units (currency unit targets). This would include targets such as expected synergies and market capitalisation. It would exclude targets not quantified in currency units, such as customer numbers, market share or greenhouse gas emissions.

40. We think this option would provide users with most of the information they would receive applying the Exposure Draft (in particular, targets relating to expected synergies). The Exposure Draft definition of a target said (emphasis added) 'A target is measured using a metric that could be *denominated in currency units* or another unit of measurement' so this option would require minimal changes to the proposal.

41. The main disadvantage of this option is that feedback confirmed that it would be more difficult for auditors to verify actual performance for non-IFRS targets than for IFRS targets for the reasons explained in paragraph 11. For example, auditors raised concerns about the auditability for expected synergy information (paragraph 61 of

Agenda Paper 18B). As Agenda Paper 18E explains, we think the IASB should require disclosure of how performance information has been measured, which would make it easier to verify actual performance.

42. Overall, we think revising the scope of performance information to only currency unit targets could strike a balance between auditability concerns and users' information needs. Paragraphs 44–48 consider which option we think the IASB should choose after analysing all of the options.

Not revise the scope of performance information

43. The IASB could decide to not revise the scope of performance information. This would provide users with useful information about the business combination, even if the targets are not denominated in currency units (for example, market share). However, we think the IASB should not choose this option because it would not help address or reduce concerns (paragraphs 10–11).

Staff view

44. Based on our analysis, we think the two most feasible options would be to revise the scope of subsequent performance information to either IFRS reconcilable targets or currency unit targets. Comparing the effect of those two options, we think revising to:

(a) IFRS-reconcilable targets would significantly reduce auditability concerns but would result in users losing a significant proportion of performance information (for example, targets relating to expected synergies if they cannot be directly reconciled to goodwill); and

(b) currency unit targets would result in users receiving most of the performance information they would receive applying the Exposure Draft, while reducing some auditability concerns. However, we accept this option would not fully address auditability concerns.

45. We also considered the complexity of these two options. We think:

(a) revising to currency unit targets would be a simple amendment, by updating the proposed definition of a target in Appendix A of IFRS 3 (struck through text to be deleted)—"A target is measured using a metric ~~that could be~~ denominated in currency units ~~or another unit of measurement~~.". We think such a definition would be simple to apply in practice.

(b) as paragraph 33 explains, revising to IFRS reconcilable targets could cause application challenges.

46. On balance, we think the IASB should revise the scope of performance information to currency unit targets (including currency unit targets that can be expressed as percentages or ratios, as Appendix A explains).

47. We acknowledge that requiring an entity to disclose only currency unit targets could risk entities structuring transactions and setting its key objectives differently to avoid making disclosures. For example, an entity with a business combination that has increased revenue as its target may change the key objective of its business combination to increase its number of customers, which is not denominated in currency units. However, we think the risk of such structuring only to avoid disclosing information is low because an entity would be unlikely to want users to think that they have deployed significant capital on a strategic business combination without setting targets that can be expressed in currency units.

48. We also considered whether the IASB should require an entity to consider whether it is possible to disclose targets not measured in currency units (for example, market share) in a different way (for example, revenue). This would be similar to the proposed requirement in paragraph B67E of the Exposure Draft which requires an entity to consider whether it is possible to disclose information in a different way before applying the exemption. However, we think the IASB should not pursue this option because:

(a) it would add unnecessary complexity;

(b) an entity would still be required to disclose the key objective, so an investor would receive some information; and

(c) in some cases an entity might already be disclosing a similar currency unit target—for example, the proposed amendments to the Illustrative Examples Accompanying IFRS 3 illustrated a market share and a revenue target.

Summary of staff views

49. We think the IASB should:

(a) revise the scope of performance information to currency unit targets (including currency unit targets expressed as percentages or ratios);

(b) revise the scope for acquisition-date targets as well as subsequent performance information; and

(c) not revise the scope for acquisition-date key objectives.

Appendix A—Percentages and ratios

A1. KOTs might sometimes be expressed as percentages or ratios rather than in currency units. For example, the proposed amendments to the Illustrative Examples accompanying IFRS 3 in the Exposure Draft expressed the revenue and profit targets as 'increasing annual revenue by 45% and profit by 40% by 20X4 (compared to 20X1).'

A2. If the entity would normally be required to disclose a target based on a metric or metrics (applying one of the different options discussed in paragraphs 24–42), it should also be required to disclose targets expressed as a ratio or percentage of that metric or metrics.

A3. For example, assuming an entity would be required to disclose a target to increase revenue to CU1,400 by 20X4 we think it should also be required to disclose targets expressed as:

(a) increasing revenue by 40% by 20X4 (compared to 20X1);

(b) increasing revenue by CU400 by 20X4 (compared to 20X1); or

(c) achieving a compound annual revenue growth rate of 11.87% by 20X4 (compared to 20X1).

A4. Similarly, assuming targets based on operating profit, total assets and current liabilities are included in the scope of performance information, then an entity would be required to disclose a target of return on capital employed calculated as operating profit divided by total assets plus current liabilities.

A5. We think auditors would be able to verify calculations of percentages and ratios, and expressing a target as a percentage or ratio would not affect its usefulness. If the IASB did not require entities to disclose performance information which is the result of a calculation, it could result in a significant reduction in the volume of disclosures for investors compared to the Exposure Draft proposals. In particular, it would allow entities to set their targets as a percentage only to avoid disclosure.