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## IASB® meeting

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| Date     | <b>May 2026</b>   |
| Project  | <b>Business Combinations—Disclosures, Goodwill and Impairment</b> |
| Topic    | <b>Other matters</b>  |
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## Purpose and structure

1. This paper analyses other aspects of the package of performance and expected synergy information. The paper is structured as follows:
  - (a) Exposure Draft proposals (paragraph 3);
  - (b) suggested additions to address auditability and audit expectation gap (paragraphs 4–34);
  - (c) qualitative statement of whether actual performance is meeting or has met the acquisition-date key objectives and related targets (paragraphs 35–47);
  - (d) other matters not previously analysed (paragraphs 48–49); and
  - (e) summary of staff views and next steps (paragraphs 50–51).
2. 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.

## Exposure Draft proposals

3. The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft) proposed to require an entity to disclose:

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- (a) information about the performance of a strategic business combination (performance information) including:
    - (i) an entity's acquisition-date key objectives and related targets (KOTs);
    - (ii) the actual performance of the business combination in subsequent periods (subsequent performance information); and
    - (iii) a qualitative statement of whether actual performance is meeting or has met the KOTs (qualitative statement).
  - (b) quantitative information about synergies expected from combining the operations of an acquiree and an acquirer (expected synergy information) including a description of expected synergies by category and for each category of synergies:
    - (i) the estimated amounts or range of amounts of the expected synergies;
    - (ii) the estimated costs or range of costs to achieve these synergies; and
    - (iii) the time from which the benefits from the synergies are expected to start and how long they are expected to last.

## Suggested additions to address auditability and expectation gap

### *Exposure Draft feedback*

- 4. Paragraphs 7–13 of [Agenda Paper 18A](#) for the IASB's July 2025 meeting summarise feedback on auditability concerns and an expectation gap in relation to the disclosure of performance and expected synergy information. As paragraph 14 of that paper notes:
  - (a) some respondents suggested requiring an entity to explicitly state in the financial statements that the disclosed KOTs and expected synergy information are:

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- (i) solely based on information used and prepared by management based on their acquisition-date best estimates; and
    - (ii) those expectations might not be realised in the future and might not be comparable to similar measures provided by other entities; and
  - (b) a few respondents suggested requiring an entity to disclose the basis of preparation for any targets based on measures not defined in IFRS Accounting Standards (non-IFRS targets).
5. Paragraphs 50–51 of [Agenda Paper 18D](#) for the IASB’s October 2025 meeting summarise feedback on defining ‘synergy’. Some respondents said not defining ‘synergy’ could lead to diversity in how entities determine expected synergies and consequently, lack of comparability across entities.

### ***Redeliberation status***

#### ***Performance information***

6. Paragraph 35(b) of [Agenda Paper 18A](#) to the IASB’s July 2025 meeting analysed the suggestion to disclose the basis of preparation for non-IFRS targets. As that agenda paper explains, we thought this suggestion could mitigate stakeholders’ concerns relating to auditability and the expectation gap and we planned to consult with audit professionals to assess the feasibility of the suggestion.
7. Paragraphs 42–44 of [Agenda Paper 18C](#) for the IASB’s October meeting analysed the benefits of requiring an entity to disclose the basis of preparation for all targets. We thought:
- (a) users of financial statements (users) might otherwise be unaware of how a non-IFRS target will be measured and there could be differences between entities in how they measure targets that might otherwise appear to be similar.
  - (b) for targets based on metrics defined in IFRS Accounting Standards (IFRS targets), an entity might need to apply judgements in determining the amount

because targets will typically not be for the entire entity (for example, the target might relate only to the acquiree or the operating segment which the acquiree will be integrated into). These judgements could include, for example, allocation of central costs, and users would benefit from understanding how management determine the amounts included in targets and actual performance.

- (c) disclosing the basis of preparation for targets will not be costly for preparers because, applying the management approach, management would know how they plan to measure the achievement of KOTs (at the acquisition date) and how they actually measure KOTs after the acquisition date.
  - (d) a disadvantage of requiring entities to disclose the basis of preparation for targets would be an increased amount of information to disclose.
8. We did not reach a view and planned to consult as explained in paragraphs 12–13.

#### *Expected synergy information*

9. As paragraphs 52–53 of [Agenda Paper 18D](#) for the IASB’s October 2025 meeting note, we acknowledged that there could be differences in how entities determine expected synergies.
10. Notwithstanding the feedback, we thought the IASB should not define ‘synergy’ because:
- (a) we thought it would be difficult to develop a definition of ‘synergy’ that could apply across different types of business combinations, industries and jurisdictions.
  - (b) as Appendix A of [Agenda Paper 18D](#) for the IASB’s October 2025 meeting notes, applying the management approach, we thought the IASB should clarify the proposals to require disclosure only if the entity considered expected

synergy information when agreeing the price for the business combination<sup>1</sup>.

We thought any definition of ‘synergy’ included in the amendments could be inconsistent with how some entities assessed synergies internally as part of the acquisition process which could result in application challenges and additional costs.

- (c) we acknowledged differences in how entities consider synergies could make it challenging for users. However, we thought these challenges can be addressed by requiring an entity to disclose the basis on which it has prepared expected synergy information.

11. We did not reach a view on whether to require entities to disclose the basis on which it has prepared expected synergy information and planned to consult as explained in paragraphs 12–13.

### ***Additional outreach***

12. We consulted with our consultative bodies on whether entities should be required to disclose the basis of preparation for performance and expected synergy information, including whether:
  - (a) preparers have any concerns about disclosing this information; and
  - (b) users would find this information useful.
13. We consulted with auditors on whether the expectation gap could be reduced by requiring entities to:
  - (a) disclose the basis of preparation for non-IFRS targets and expected synergy information; and

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<sup>1</sup> We acknowledge feedback about clarifying whether KOT and expected synergy information is based on what the entity expected when agreeing on the price to acquire the business or at the acquisition date (paragraph 33 of Agenda Paper 18B for this meeting). In our view, the disclosure proposals were intended to require KOTs at the acquisition date, however, we understand the basis for the feedback and plan to further analyse and clarify this matter at a future IASB meeting.

- (b) state that the KOTs and expected synergies reflect management's expectations at the time of the acquisition.

### ***Feedback and analysis***

#### *The term 'basis of preparation'*

14. A few stakeholders said 'basis of preparation' might not be an appropriate term to describe the proposed information<sup>2</sup> and requested additional guidance on how detailed the disclosure should be. We acknowledge that 'basis of preparation' might not be the best term to describe the information we intend an entity to disclose. Our intention is to require an entity to disclose how the information is (or will be) measured to provide useful information to users and so that auditors can verify that the information is prepared on that basis. This would be similar to the requirement in paragraph 27 of IFRS 8 *Operating Segments* to explain the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment (including for example, policies for allocation of centrally incurred costs).
15. While we will consider the wording when drafting the amendments, for the purpose of this agenda paper, we use the phrase 'how performance and expected synergy information are measured'.

#### *Disclosing how performance and expected synergy information are measured*

##### ***Feedback***

16. There was general agreement amongst stakeholders that disclosure of how performance and expected synergy information are measured would be useful.

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<sup>2</sup>The term 'basis of preparation' is used in IAS 8 *Basis of Preparation of Financial Statements* which prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors in financial statements.

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17. Users said requiring entities to disclose how performance and expected synergy information are measured would be useful. In particular:
- (a) one user said the information would help users understand how the entity measured the targets and expected synergies and to better understand management's rationale for the business combination;
  - (b) one user said the information would help users better assess the probability of achieving the targets and expected synergies;
  - (c) one user said targets and expected synergy information would be less useful if users do not know how the information is prepared; and
  - (d) one user said the information would prompt entities to use commonly accepted ways to prepare information about targets and expected synergies, rather than using unorthodox methods which could mislead users.
18. One user said securities regulations in their jurisdiction include detailed requirements for how to prepare any targets and expected synergy information. This member said information about how they are measured is important for both preparers and users.
19. We asked preparers if they have concerns about disclosing how performance and expected synergy information are measured. Most preparers did not express any concerns:
- (a) one preparer said it would be good practice to disclose this information;
  - (b) one preparer said it would be reasonable to disclose the information for a target such as market share, but disclosing the information for expected synergy information might require disclosing the components of synergy thereby reveal commercially sensitive information; and
  - (c) one preparer said entities might not have the necessary detailed information.
20. We consulted national standard-setters (NSS) on whether the benefits of such a disclosure requirement would justify the costs. All NSS who commented agreed that if the IASB proceeds with its proposals on performance and expected synergy

information, it should require entities to disclose how performance and expected synergy information are measured. They said this information would:

- (a) be useful;
- (b) not be too costly for preparers; and
- (c) help auditors by providing them with a basis to verify the information.

21. However, a few of these NSS also said that information about how performance and expected synergy information are measured might be commercially sensitive and might not resolve potential concerns about auditability and the expectation gap.
22. We consulted with audit professionals about whether the disclosure could help reduce concerns about auditability and the expectation gap:
- (a) a few said the disclosure would help them to audit performance and expected synergy information disclosures;
  - (b) a few said while the disclosure would be helpful, it would not fully mitigate challenges in auditing non-IFRS targets (for example, market share of a particular product) due to lack of established methodologies<sup>3</sup>;
  - (c) a few said the disclosure would help them to audit subsequent performance but would not help reduce the expectation gap for the acquisition-date information; and
  - (d) one auditor said to avoid the expectation gap, they would need to clarify that the auditor does not verify the reasonableness of the basis for measuring the metric.

### ***Analysis***

23. We analyse separately whether to require entities to disclose:
- (a) how performance information is measured (paragraphs 24–26); and

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<sup>3</sup> Agenda Paper 18D for this meeting provides the 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.

- (b) how expected synergy information is measured (paragraphs 27–28).

***Disclosing how performance information is measured***

24. Feedback shows that disclosure of how performance information is measured would be useful to users and would help reduce auditability and expectation gap concerns to some extent. Most preparers did not express any concerns about disclosing it.
25. Considering the concern in paragraph 19(c) that entities might not have detailed information available—the requirements to disclose performance information apply to information reviewed by the acquirer’s key management personnel, so disclosure would only be required if the information is available.
26. We therefore think that entities should be required to disclose how performance information is measured. We think this should be required for targets in the year of acquisition and for actual performance in subsequent periods.

***Disclosing how expected synergy information has been measured***

27. Similar to feedback for performance information, feedback shows that disclosure of how expected synergy information has been measured would be useful to users and would help reduce auditability and expectation gap concerns to some extent.
28. Although most preparers did not generally express concerns about disclosing it, we acknowledge concerns that information about how expected synergy information has been measured could be commercially sensitive. As paragraphs BC152–BC156 of the [Basis for Conclusions](#) explain, when developing the proposal to disclose expected synergy information by category the IASB considered feedback that expected synergy information could be commercially sensitive and feedback about how useful aggregated information about expected synergies would be. If we require entities to disclose how expected synergy information has been measured, doing so might not be possible without revealing information about what synergies comprise, which could be commercially sensitive and go against the proposed requirement to disclose expected synergy by category. We therefore think entities should not be required to disclose how expected synergy information has been measured.

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*Staff views*

29. We think the IASB should:
- (a) require entities to disclose how performance information is measured in the year of acquisition and subsequent reporting periods; and
  - (b) not require entities to disclose how expected synergy information is measured.

***Management's expectations***

30. As paragraph 13(b) notes, we consulted with auditors on whether the expectation gap could be reduced by requiring entities to state that the KOTs and expected synergies reflect management's expectations at the time of the acquisition.

*Feedback*

31. Almost all auditors who commented said requiring entities to disclose that the KOTs and expected synergies reflect management's expectations at the time of the acquisition would reduce, but not eliminate, concerns about the expectation gap.
32. However, a few auditors said that the statement would not address the expectation gap, because unlike management-defined performance measures, targets and expected synergy information relate to future performance.<sup>4</sup>

*Analysis*

33. We acknowledge feedback that including a statement that KOTs and expected synergy information reflect management's expectations at the time of the acquisition would not eliminate the expectation gap. However, feedback suggests it would reduce

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<sup>4</sup> Paragraph 122 of IFRS 18 *Presentation and Disclosure in Financial Statements* requires an entity to disclose 'a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.'

the expectation gap to some extent. We also think it would not be costly or commercially sensitive for an entity to disclose this statement.

### *Staff views*

34. Based on our analysis, we think entities should be required to disclose that KOTs and expected synergy information reflect management's expectations at the time of the acquisition.

## Qualitative statement

### **Background**

35. As paragraph 3(a)(iii) explains, the proposed disclosure requirements for performance information included a qualitative statement of whether actual performance is meeting or has met the KOTs (qualitative statement). Paragraphs BC41–BC44 of the [Basis for Conclusions](#) set out the IASB's considerations for the qualitative statement.
36. Most respondents to the [Exposure Draft](#) did not provide specific feedback on the qualitative statement and there were divergent views on whether to require performance information (which includes the qualitative statement). As paragraph 22 of [Agenda Paper 18C](#) to the IASB's October 2025 meeting noted, a few respondents said it may be difficult to determine whether performance of a business combination is meeting a KOT. Respondents said it may be difficult to determine, for example, whether the performance of the business combination in the first financial period after the business combination—an increase in revenue of X%— is meeting a KOT to increase revenue by Y% by year 3. Additionally, a few respondents suggested clarifying how an entity should determine whether the performance of a business combination is, in subsequent periods, meeting the KOTs (paragraph 25(b) of [Agenda Paper 18D](#) to the IASB's December 2024 meeting).

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37. Paragraphs 20–28 of [Agenda Paper 18C](#) to the IASB’s October 2025 meeting provided our initial analysis of the qualitative statement. Our initial view was that:
- (a) an entity should be able to assess whether actual performance of a business combination is meeting its target (although it might need to apply judgement);
  - (b) it might be difficult for auditors to verify the reasonableness of management’s assessment in some situations (for example, it could be difficult if management has not prepared, at acquisition date, a forecast showing the progression expected each period towards meeting the KOT); and
  - (c) auditors should be able to verify that the qualitative statement reflects the information an entity’s KMPs receive to review the business combination (paragraph 34 of [Agenda Paper 18A](#) to the IASB’s July 2025 meeting).
38. We did not reach a view on whether to retain the qualitative statement. We planned to consult as described in paragraph 39.

### ***Feedback from additional outreach***

39. Since the IASB’s October 2025 meeting, we have consulted with:
- (a) Capital Markets Advisory Committee (CMAC) at its [November 2025 meeting](#) to understand the usefulness of the qualitative statement—in particular, whether users might be able to form their own assessment of whether actual performance is meeting KOTs without this statement; and
  - (b) audit professionals about auditability of the qualitative statement—paragraphs 10–11 of Agenda Paper 18B provide details of the outreach performed with audit professionals.
40. Most CMAC members said they would find the qualitative statement useful, but two CMAC members said it is unclear whether there is sufficient justification to require its inclusion in financial statements. Paragraphs 49–50 of the [meeting summary](#) for November 2025 CMAC meeting provide more detail.

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41. Regarding our initial view (see paragraph 37(c)) that auditors can verify that the qualitative statement reflects management’s assessment at the time of reporting:
- (a) one auditor agreed;
  - (b) one auditor said their primary concern is the expectation gap if users assume auditors have verified the reasonableness of management’s assessment; and
  - (c) other audit professionals did not specifically comment on this initial view.
42. Regarding our initial view (see paragraph 37(b)) that it might be difficult for auditors to verify the reasonableness of management’s assessment in some situations:
- (a) many auditors said it would be easier to verify that actual performance ‘has met’ a KOT than to verify that actual performance ‘is meeting’ a KOT. One auditor said it would be easier to verify that performance ‘has met’ an interim target if management have interim targets each period rather than verifying management’s assessment of whether performance ‘is meeting’ the final KOT.
  - (b) one audit regulator said an auditor might not be able to verify the reasonableness of whether actual performance ‘is meeting’ a KOT because this would be based on the entity’s future performance.

### ***Updated analysis***

43. Feedback from users confirmed that the information provided by the qualitative statement would be useful.
44. Audit professionals agreed (or did not disagree) with our initial view that auditors can verify that the qualitative statement reflects management’s assessment at the time of reporting. Audit professionals agreed (or did not disagree) with our initial view that it might be difficult to verify the reasonableness of management’s assessment of whether actual performance is meeting a KOT. Considering the feedback:

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- (a) we continue to think that it is not difficult for auditors to verify whether actual performance of the business combination ‘has met’ KOTs—an auditor can do so by comparing the actual performance to the disclosed KOT;
- (b) we continue to think that an auditor could verify that performance ‘has met’ an interim target if management have interim targets; and
- (c) if management do not have interim targets, we continue to think it would be difficult for auditors to verify the reasonableness of management’s assessment whether performance ‘is meeting’ a KOT.
45. To address auditability concerns, we considered whether to reduce the scope of the qualitative statement to only require an entity to disclose whether actual performance ‘has met’ a KOT. We decided not to do so because we think the information from such disclosure would not be useful for users because:
- (a) a user could determine whether actual performance has met a KOT by comparing the actual performance to the previously disclosed KOT; and
- (b) feedback from CMAC members suggests the qualitative statement would mostly be useful in scenarios in which it is not yet known whether performance has met a KOT (for example in the first year of a 3-year target).
46. We then considered whether to remove the qualitative statement. We acknowledge doing so would result in users losing some useful information. However, we think that the loss of information might be limited because users would still be able to form their own assessment of whether actual performance is meeting or has met the KOTs by comparing the actual performance with the KOT. We think the cost of the qualitative statement outweighs the expected benefits and think entities should not be required to make the qualitative statement.

### **Staff view**

47. Based on our analysis, we think the IASB should remove the proposed requirement to disclose the qualitative statement.

## Other matters not previously analysed

48. As paragraph 43 of [Agenda Paper 18B](#) of the IASB’s December 2024 meeting explains, respondents raised other matters about requiring performance and expected synergy information in financial statements. The table below analyses that feedback:

| Feedback   | Analysis   |
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| <p>(a) a few preparers and preparer groups, mostly from Europe, said the proposals, if finalised, could affect the competitiveness of entities applying IFRS Accounting Standards if entities applying US GAAP would not be required to disclose similar information.</p>  | <p>We consider this as part of assessing the costs in paragraph 60–61 of Agenda Paper 18A.</p>   |
| <p>(b) a few preparers said the information might not be readily available. For example, one preparer said an entity might not always have KOTs for a business combination even if that business combination is strategic. This could happen, for example, when a government forces an entity to take over a competitor within a short time frame.</p> | <p>We think the information would be readily available.</p> <p>Paragraph B67A only requires performance information which is reviewed by the acquirer’s key management personnel to be disclosed.</p> <p>As Appendix A of <a href="#">Agenda Paper 18D</a> for the IASB’s October 2025 meeting explains, we think the IASB should clarify the proposals to require</p> |
| <p>(c) a few respondents said an entity might not have sufficient time to gather and disclose the information, especially if the</p>   | <p>disclosure of expected synergy information only if the entity has already considered that information.</p>  |

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| <p>business combination occurs close to financial year-end.</p>   |   |
| <p>(d) a few respondents suggested considering exempting an entity from disclosing performance and expected synergy information in interim financial reports. One respondent said information reported internally about business combinations might not be in line with quarterly reporting cycles.</p>   | <p>We plan to consider the disclosure of performance and expected synergy information in interim financial reports after the IASB has decided what performance and expected synergy information to require.</p>   |
| <p>(e) one preparer group said regulations in its jurisdiction require an entity to provide specific information at the time of a business combination. The information provided could be different from what the proposals in the <a href="#">Exposure Draft</a> would require. In its view, differences in the information provided in different documents could confuse users.</p> | <p>Entities would be required to disclose KOTs management receive to review the performance of a business combination. An entity could determine KOTs in the same way as they are required to for regulatory reporting purposes, in which case the information would not be different.</p> <p>Also, as paragraphs 24–26 note, we plan to require disclosure of how performance information is measured which could provide clarity.</p> |
| <p>(f) one preparer group expressed concern about the potential unintended consequences of the proposals, due to focusing solely on business combinations. They</p>   | <p>We consider this as part of assessing the costs in paragraph 60–61 of Agenda Paper 18A.</p>  |

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| said the proposed requirements, if finalised, might deter companies from pursuing growth through business combinations and focus solely on organic growth. |  |
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49. We think no additional changes are required as a result of these other matters. We plan to consider the disclosure of performance and expected synergy information in interim financial reports at a future IASB meeting.

### Summary of staff views and next steps

50. We think the IASB should:
- (a) require entities to disclose how performance information is measured in the year of acquisition and subsequent reporting periods;
  - (b) not require entities to disclose how expected synergy information is measured;
  - (c) require entities to disclose that KOTs and expected synergy information reflect management's expectations at the time of the acquisition; and
  - (d) remove the proposed requirement to disclose the qualitative statement.
51. We plan to consider the disclosure of performance and expected synergy information in interim financial reports at a future IASB meeting.