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Staff paper

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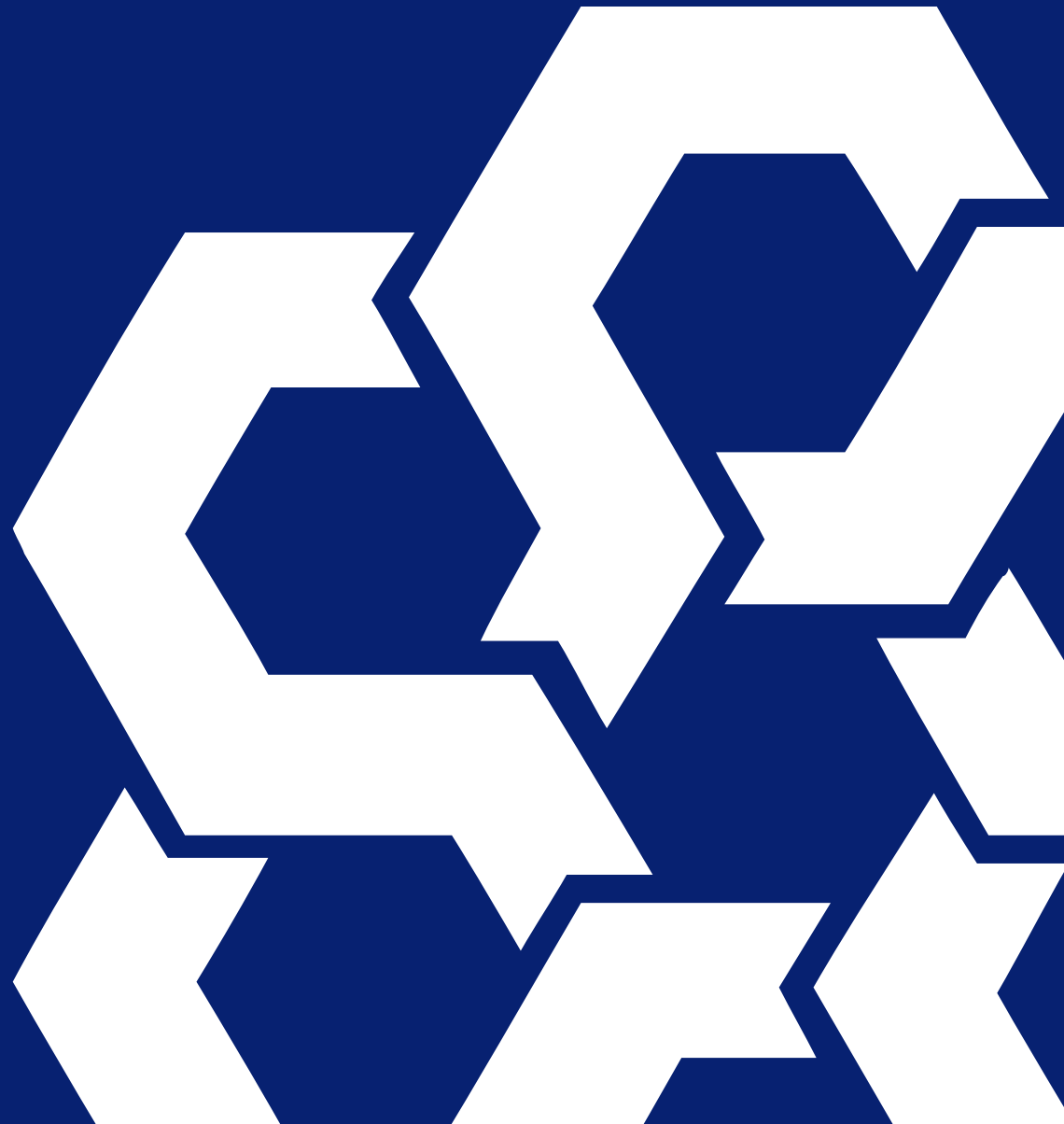
Accounting Standards Advisory Forum meeting

Date	**December 2026**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Subsequent performance information**
Contacts	**Akshaya Megharikh** (akshaya.megharikh@ifrs.org)

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Purpose and structure of this session



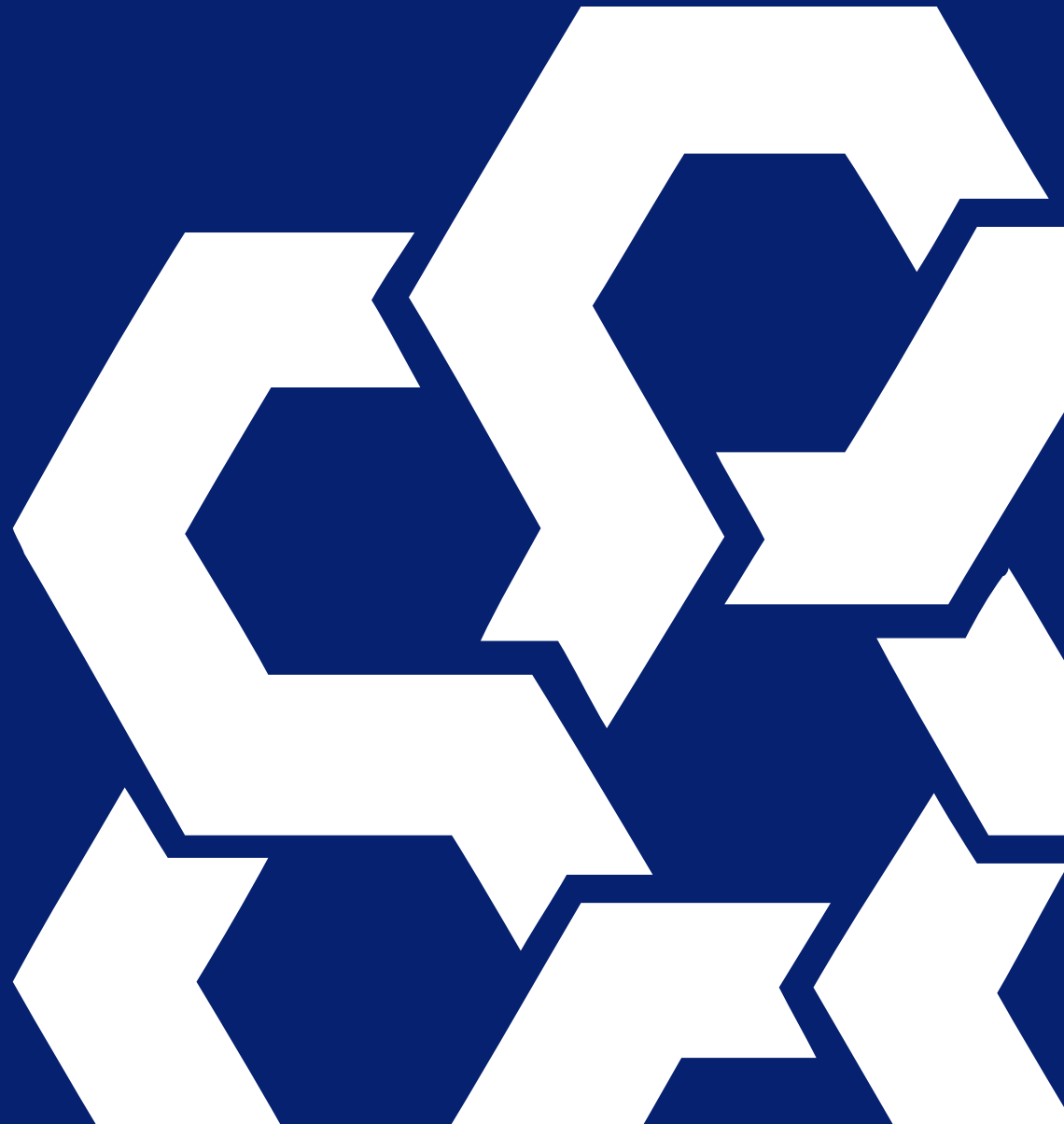
Purpose and structure

The purpose of the session is to seek feedback on the type of information an entity should be required to disclose about the subsequent performance of a business combination. The slides are set out as follows:

- Background (slides 4−8);
- Overview of the two approaches (slides 9−12);
- Specific aspects of the management approach (slides 13−15);
- Specific aspects of the specified metrics approach (slides 16−19);
- Both approaches—restating comparatives (slides 20−21);
- Questions to ASAF members (slides 22−24);
- Appendix A—Comparing the updated package to the Exposure Draft (slides 25−26); and
- Appendix B—Illustrative example (slides 27−32).

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Background



Business Combinations—Disclosures, Goodwill and Impairment

Objective

Improve information entities provide about their acquisitions at a reasonable cost

Exposure Draft Proposals

Changes to IFRS 3:

- Disclose information about the performance of a business combination (including key objectives, targets and subsequent performance) *
- Disclose expected synergies from a business combination
- Other improvements to IFRS 3 disclosure requirements

* Focus of today's discussion

Changes to IAS 36:

- Clarify how an entity allocates goodwill to cash-generating units
- Require an entity to disclose in which reportable segment a cash-generating unit containing goodwill is included
- Simplify and improve calculation of value in use

Updated package of performance information

- The IASB considered feedback on the Exposure Draft, including performance and expected synergy information.
- At its July 2026 meeting, the IASB discussed an updated package of performance information*. This package included changes in response to feedback. This updated package would:
  - focus on the identified user need of subsequent performance information;
  - substantially address stakeholder concerns about acquisition-date information;
  - allow the IASB to require subsequent performance information for more business combinations, by removing the threshold approach; and
  - allow the IASB to remove the exemption, which would simplify the requirements while making the requirements more robust.

The IASB directed us to explore further the type of subsequent performance information an entity would be required to disclose as part of the updated package.

* Slide 7 sets out the updated package and Appendix A compares the updated package with the Exposure Draft package.

The updated package

At acquisition

Strategic rationale

Key objectives *for all material business combinations*

Subsequently

Actual performance *for all material business combinations*

- Using a management approach or specified metrics approach (to be determined)*
- How performance information is measured

* Focus of today's discussion

The updated package focuses on subsequent performance information. Appendix A shows how it compares to the Exposure Draft package.

Type of subsequent performance information

At its September 2026 meeting the IASB discussed, and directed us to consult on, the following approaches to disclosing subsequent performance information:

a) a management approach (similar to that proposed in the Exposure Draft); and

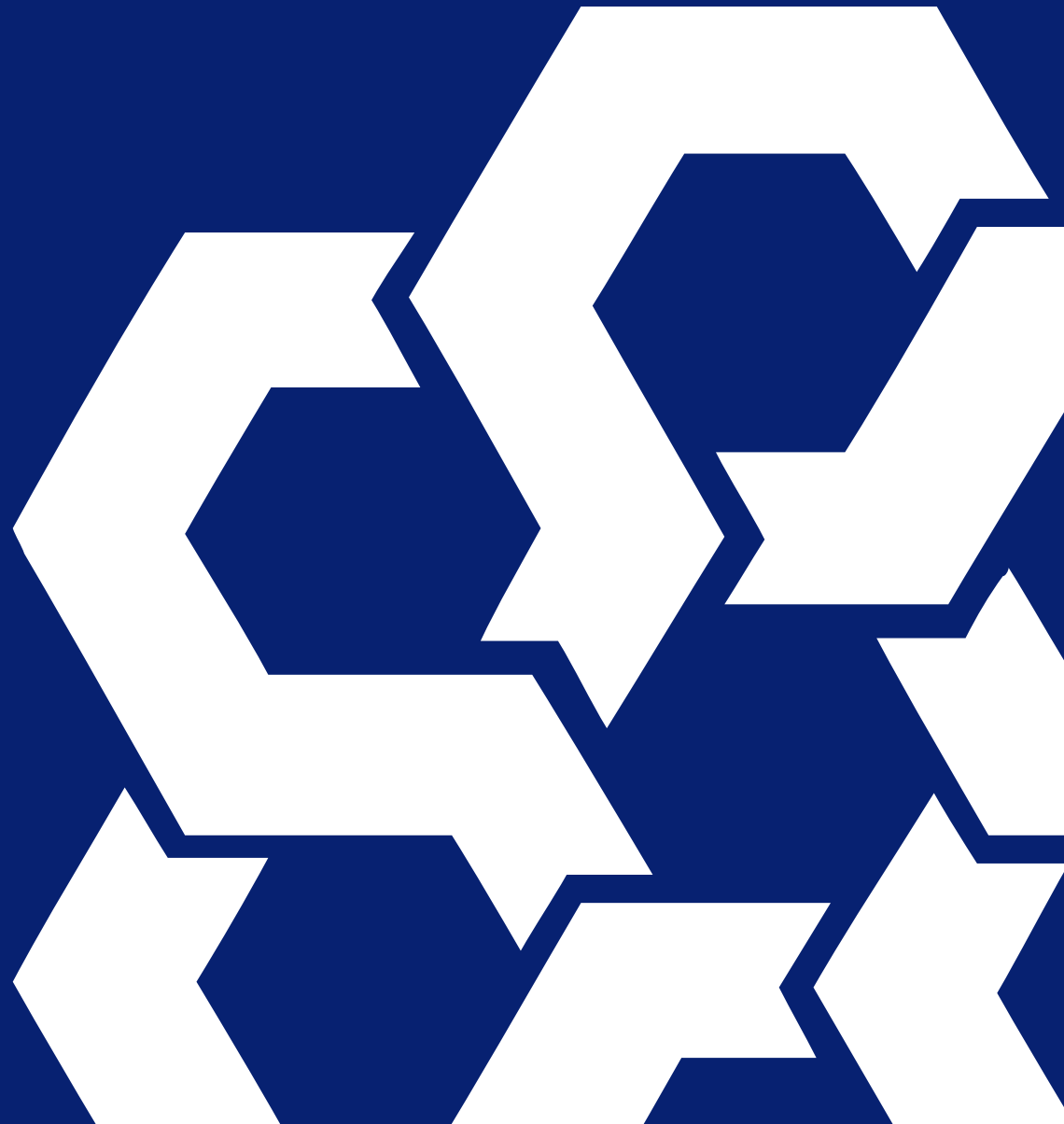
b) a specified metrics approach.

We expect to report feedback along with our recommendations at future IASB meetings (expected in the first quarter of 2027).

Slides 9−12 provide an overview and comparison of these two approaches and slides 13−21 explain specific aspects that are relevant to the feedback we are seeking from you today. The agenda papers and meeting recording on the IASB meeting page include further information on the approaches.

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Overview of the two approaches



Overview—metrics disclosed

- The management approach would require an entity to disclose subsequent performance information being reviewed by key management personnel (KMP) to determine whether the key objectives for the business combination are being met.
- The specified metrics approach would require an entity to disclose particular metrics as specified by the IASB.
- This section compares the approaches.

Management approach	Specified metrics approach
The metrics reviewed by KMP—this could include information measured in currency units or another unit of measurement. Provides users with information about how management manage the business, which could provide users more relevant information for a business combination.	Revenue and operating profit included in the consolidated statement of comprehensive income. The information disclosed would be more comparable across different business combinations and entities.

Overview—level of information

Management approach	Specified metrics approach
An entity would disclose information being reviewed by KMP to determine whether key objectives are being met. This information could be at the acquiree level or at another level within the entity into which the acquiree will be / has been integrated. A user might not receive new information if KMP reviews subsequent performance against key objectives at the reportable segment or reporting entity level.	The lowest practicable level that includes all of the acquiree's business(es)—so, the acquiree level unless that is impracticable. The specified metrics approach could result in information being disclosed at the acquiree level more frequently than the management approach. But a user might not receive new information if the lowest practicable level is the reportable segment or reporting entity level.

Applying both approaches, the level could change between reporting periods, and applying the management approach the metric could change (for example, from operating profit to adjusted operating profit). As slide 21 explains, we think an entity could be required to restate comparative information if the level or measure changes.

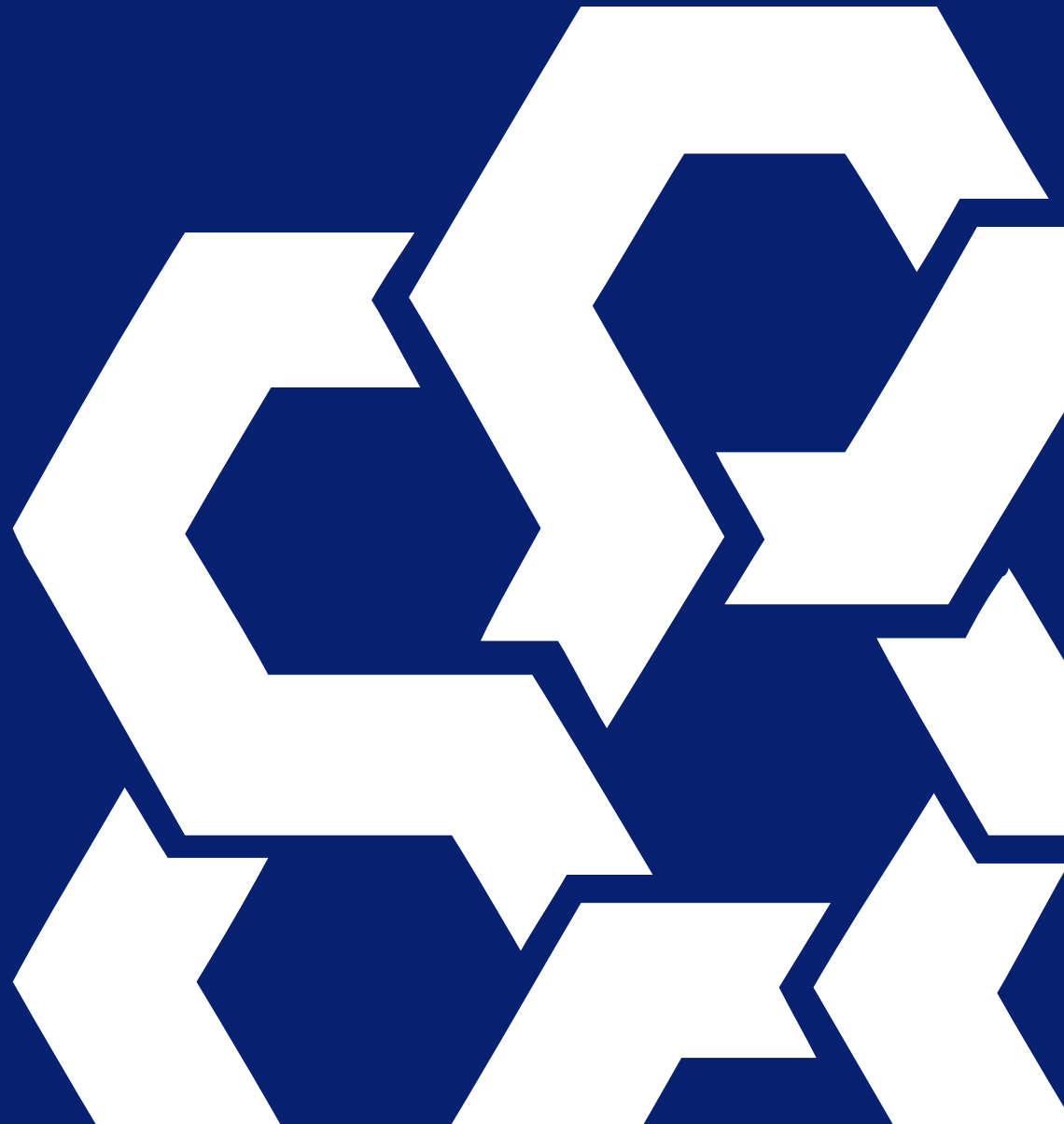
Overview—time period for disclosure

Management approach	Specified metrics approach
For a two-year period (until the end of the second annual reporting period after the year of acquisition) if KMP review the information to determine whether key objectives are being met. Disclose if KMP stop reviewing subsequent performance information.	For a two-year period (until the end of the second annual reporting period after the year of acquisition).

Appendix B includes a simplified example that illustrates the disclosures an entity might provide applying both these approaches

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Specific aspects of the management approach



Management approach—performance against key objectives

- The Exposure Draft required entities to disclose ‘information about actual performance being reviewed to determine whether acquisition-date key objectives and the related targets are being met’.
- Our updated package removed disclosure of targets, so the IASB could remove the reference to targets and require disclosure of information ‘being reviewed to determine whether acquisition-date key objectives are being met’.
- An entity might need to apply judgement to determine whether information reviewed by KMP relates to the key objective of a business combination (and would therefore be required to be disclosed) or relates to ongoing management of its overall business, particularly as more time passes after an acquisition. We think requiring an entity to disclose subsequent performance information for only a two-year period could help.

Question 1(a): Would it be practical for entities to disclose information ‘being reviewed to determine whether acquisition-date key objectives are being met’ for a two-year period?

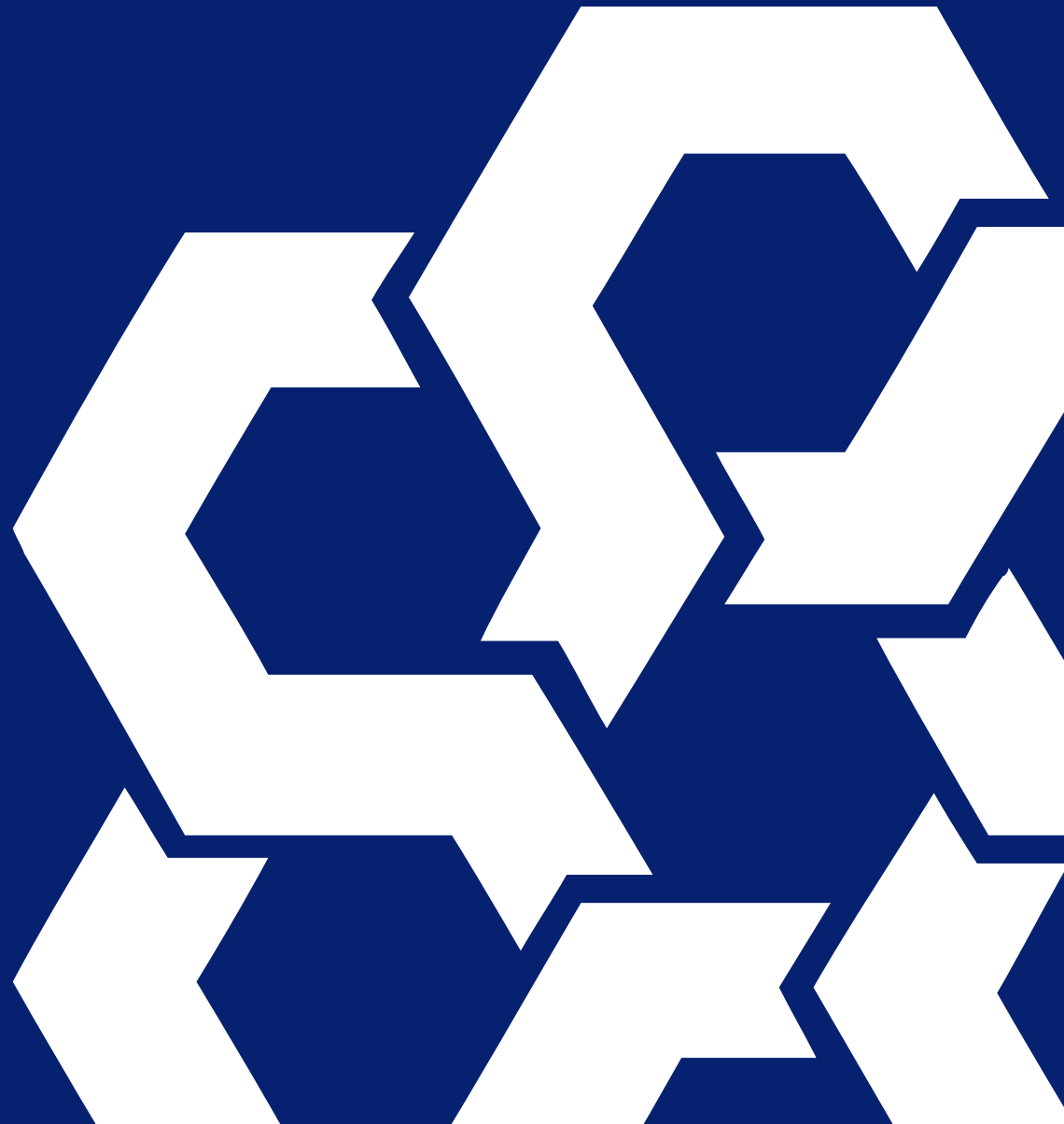
Management approach—currency unit restriction

- The Exposure Draft required an entity to disclose performance information measured ‘using a metric that could be denominated in currency units or another unit of measurement.’
- During redeliberations, we suggested requiring entities to disclose only performance information based on metrics denominated in currency units (currency unit restriction), primarily to address auditability concerns.
- Since then, we have suggested focusing on subsequent performance information. In September 2026 we said that we think it is possible to remove the currency unit restriction so, consistent with the Exposure Draft, require an entity to disclose subsequent performance information measured using metrics that could be denominated in either currency units or another unit of measurement (for example, market share or product launch date).

Question 1(b): Do you have concerns about requiring an entity to disclose subsequent performance information not denominated in currency units?

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Specific aspects of the specified metrics approach



Specified metrics approach—PPA adjustments

Feedback suggested that purchase price allocation (PPA) adjustments* are often notional and subjective and revenue and operating profit of an acquiree that includes the effect of PPA adjustments might not represent the acquiree's financial performance. Our view was:

a) to not require entities to exclude the effect of PPA adjustments from revenue and operating profit because excluding those amounts could be complex and costly (for example, determining what amounts to 'adjust' back to); and

b) an entity could voluntarily disclose additional information such as adjusted revenue or operating profit measures.

During the IASB's September 2026 meeting, a few IASB members asked us to consult on whether specified metrics would be more useful if they exclude the effect of PPA adjustments.

Question (2)(a): Should entities be required to exclude the effect of PPA adjustments? If so which types of PPA adjustments?

* PPA adjustments could, for example, include acquired intangible assets, revenue contract assets and liabilities and valuation of inventories, tangible assets and right-of-use assets.

Specified metrics approach—trend information

Paragraph B64(q)(ii) of IFRS 3 requires entities to disclose ‘the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.’

Stakeholders requested application guidance on how to prepare this combined entity information—for example, for differences in accounting policies, for upstream and downstream transactions, and for whether to include synergies.

In May 2025 the IASB tentatively decided not to provide such application guidance but to require an entity to disclose the basis on which it has prepared combined entity information. The IASB noted that it would be difficult to provide guidance that would be applicable for all business combinations and would answer all application questions.

Specified metrics approach—trend information

When discussing the specified metrics approach, an IASB member suggested that the IASB should provide application guidance prescribing how to prepare combined entity information—for example, to not impute synergies before the acquisition date.

This would allow users to better analyse trend information using the combined entity information and the subsequent performance information.

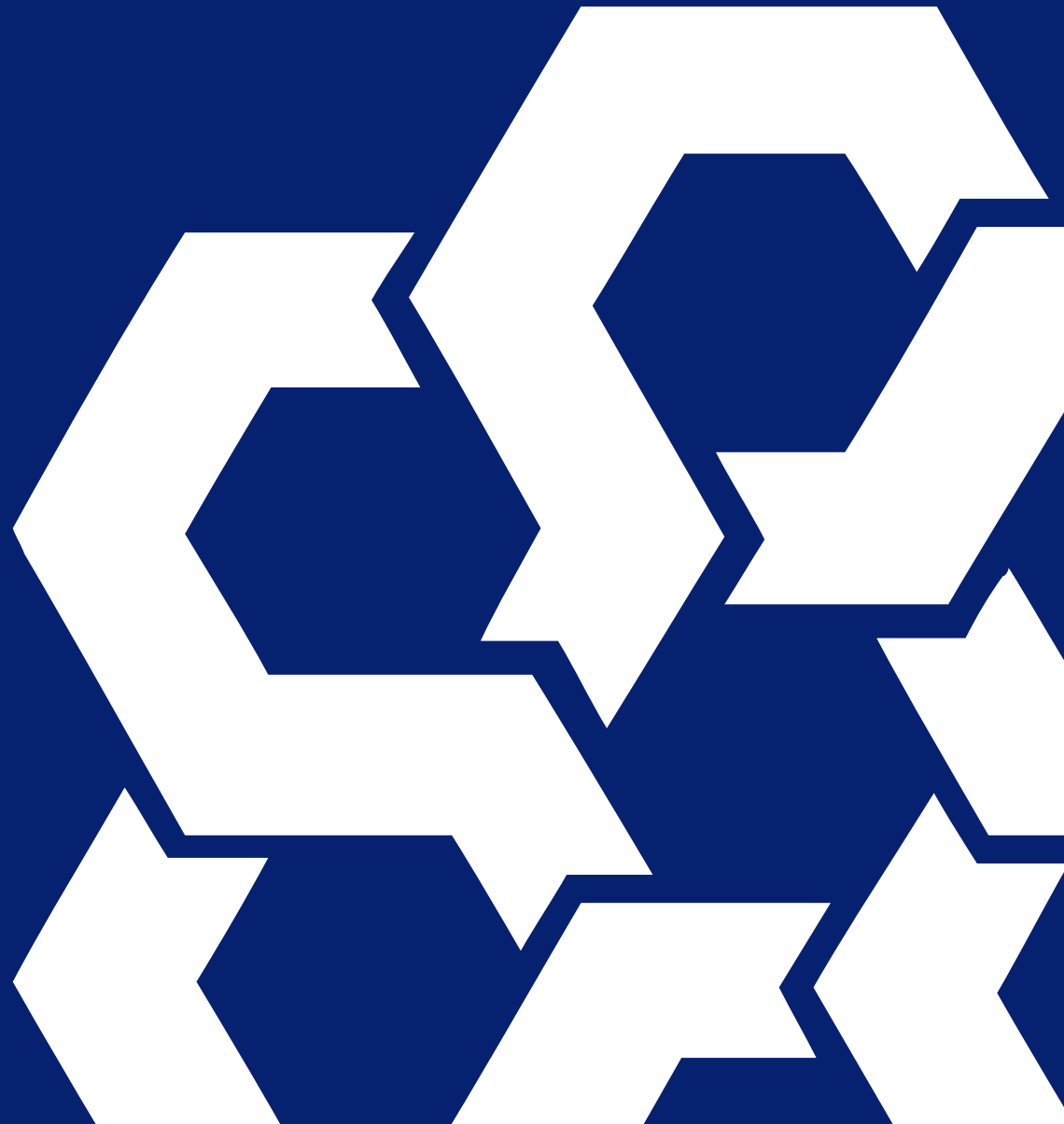
Question (2)(b): Should the IASB provide application guidance for combined entity information if it pursues the specified metrics approach? If so:

i. what should the guidance prescribe, to provide useful trend information?

ii. would it be practical to provide combined entity information on that basis (for example, to not impute synergies)?

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Both approaches—restating comparatives



Both approaches—restating comparatives

The level of subsequent performance information could change between reporting periods—for example, if it becomes impracticable to disclose revenue or operating profit at the acquiree level applying the specified metrics approach. The measure could also change applying the management approach.

An entity could be required to restate comparative information at the same level and using the same measure as the subsequent performance information disclosed in the current reporting period. We think this information:

a) would be more useful for users' trend analysis; and

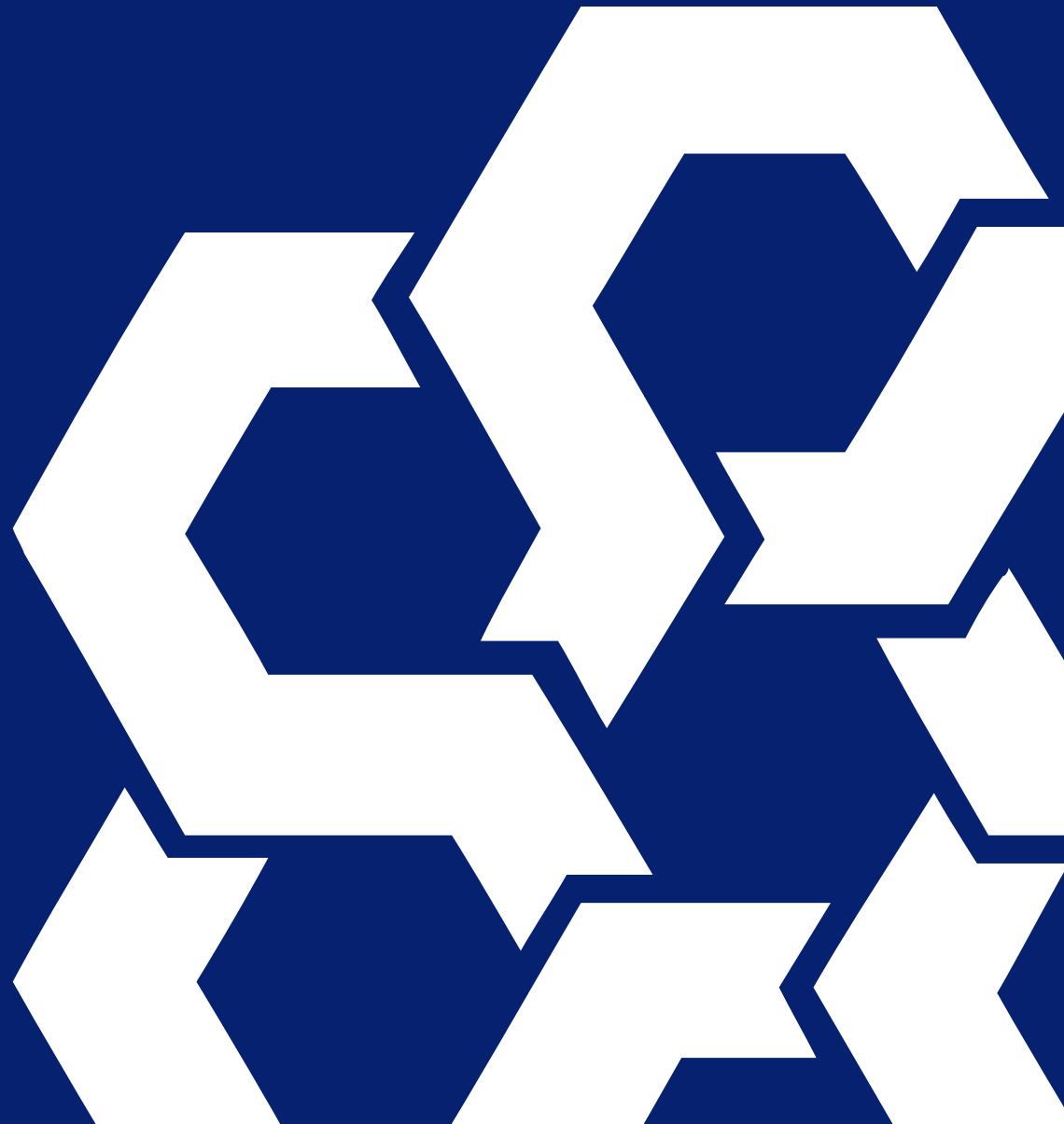
b) might not be readily available, so an entity should be required to restate comparative information unless doing so is impracticable.[1]

Question (3): If an entity changes the level or measure of subsequent performance information, should it be required to restate comparative information?

[1] Consistent with the requirements for retrospective application of an accounting policy in IAS 8 *Basis of Preparation of Financial Statements*.

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Questions to ASAF members



Questions to ASAF members (1/2)

Considering feedback from stakeholders in your jurisdiction, do ASAF members have comments or views on requiring an entity to disclose subsequent performance information applying (a) the management approach; or (b) the specified metrics approach. Which of these two approaches do you prefer? In your response, please also consider and provide feedback on:

1) for the management approach:

    a) would it be practical for entities to disclose information ‘being reviewed to determine whether acquisition-date key objectives are being met’ for a two-year period? (see slide 14)

    b) do you have concerns about requiring an entity to disclose subsequent performance information not denominated in currency units? (see slide 15)

Questions to ASAF members (2/2)

2) for the specified metrics approach:

   a) should entities be required to exclude the effect of PPA adjustments? If so, which types of PPA adjustments? (see slide 17)

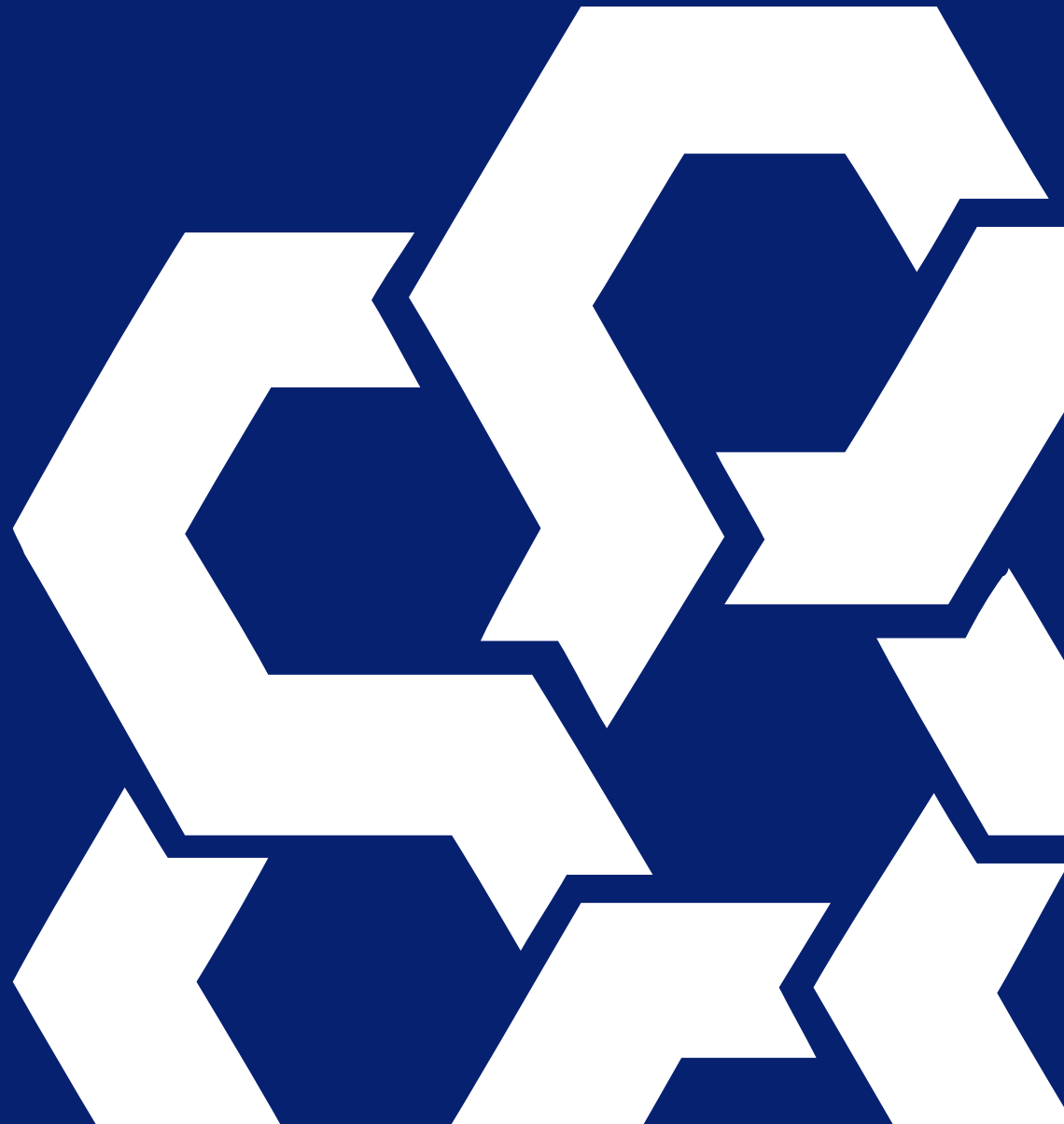
   b) should the IASB provide application guidance for combined entity information? If so:

      i. what should the guidance prescribe, to provide useful trend information?

      ii. would it be practical to provide combined entity information on that basis (for example, to not impute synergies)? (see slides 18-19)

3) for both approaches - if an entity changes the level or measure of subsequent performance information, should it be required to restate comparative information? (see slide 21)

Appendix A—Comparing the updated package to the Exposure Draft



Comparing the updated package to the Exposure Draft

At acquisition

✓ Strategic rationale

\+ Key objectives for ~~a subset~~ all material BCs — S E

X ~~Targets for a subset~~ — S E

X ~~Expected synergy information~~ — E

Subsequently

\+ Subsequent performance information for ~~a subset~~ all material BCs — S

? Using a management approach or specified metrics approach

X For ~~as long as management review~~ a two-year period

\+ How performance information is measured

X ~~Qualitative statement of whether performance is meeting expectations~~ — E

Subset for performance information (now removed)—quantitative and qualitative thresholds.

Exemption (now removed)—if disclosure seriously prejudices any of the acquisition's key objectives or targets.

Key

✓ Retain from Exposure Draft

X ~~Less information than Exposure Draft~~

\+ More information than Exposure Draft

S Only required for a Subset

E Exemption can be applied

Appendix B—Illustrative example

Illustrative Example

This appendix uses a simple example to illustrate the performance information an entity might disclose applying the two approaches set out in this paper. The example is adapted from the Illustrative Example accompanying the Exposure Draft. For simplicity it does not illustrate all disclosure requirements.

The example assumes AC (acquirer) acquires a business, TC (acquiree) on 30 June 20X6. TC is a provider of data networking products and services in Canada and Mexico.

Illustrative Example

Disclosure of strategic rationale and key objectives of the business combination

In both approaches the entity would disclose the strategic rationale and key objectives of the business combination

As a result of the acquisition, AC is expected to be the leading provider of data networking products and services in Canada and Mexico, contributing to AC's strategy of being the leading provider of data networking products and services in North America.

Management's key objectives for this business combination are:

- to increase the annual revenue and adjusted operating profit of the entity's North American operations.
- to increase the entity's market share in North America.

Illustrative Example

Applying paragraph B64(q) of IFRS 3*, the entity would disclose:

In both approaches applying paragraph B64(q) of IFRS 3 the entity would disclose the contribution and combined entity information

The revenue included in the consolidated statement of comprehensive income since 30 June 20X6 [the acquisition date] contributed by TC [the acquiree] was CU4,090. TC also contributed operating profit of CU1,710 over the same period *[B64(q)(i)]*.

Had TC been consolidated from 1 January 20X6 the consolidated statement of comprehensive income would have included revenue of CU27,670 and operating profit of CU12,870 *[B64(q)(ii)]*.

* As proposed in the Exposure Draft (which included some changes to the existing requirements in that paragraph, including for example, replacing the requirement to disclose 'profit' with 'operating profit')

Illustrative Example (continued)

Disclosure of subsequent performance information applying the management approach:

*Year of acquisition**

For the financial period ended 31 December 20X6 [the year of acquisition], AC increased:

- its annual revenue by 20% and adjusted operating profit by 18% for the North American operations; and
- its approximate market share to 16% in North America.

* As slide 14 notes, the entity would be required to disclose this information for a two-year period (until the end of the second annual reporting period after the year of acquisition)

Illustrative Example (continued)

Disclosure of subsequent performance information applying the specified metrics approach:

*Year of acquisition**

No additional information in the year of acquisition (already disclosed applying paragraph B64(q)(i) – see slide 30 for example disclosure in the year of acquisition).

*Year after acquisition**

The revenue included in the consolidated statement of comprehensive income for the financial period ended 31 December 20X7 [the next year] contributed by TC was CU9,000. TC also contributed operating profit of CU3,500 over the same period.

* As slide 12 notes, the entity would be required to disclose this information for a two-year period (until the end of the second annual reporting period after the year of acquisition)

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