Staff paper

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**IASB® meeting**

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| Date | **September 2026** |
| Project | **Business Combinations—Disclosures, Goodwill and Impairment** |
| Topic | **Updating the management approach** |
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## Introduction

1. As Agenda Paper 18 explains, this paper analyses aspects of the management approach for disclosing subsequent performance information that the IASB asked us to reconsider during its July 2026 meeting.[1]

2. This paper is structured as follows:

   (a) background (paragraphs 3–6);

   (b) not introducing a currency unit restriction (paragraphs 7–19);

   (c) determining what subsequent performance information to disclose (paragraphs 20–34);

   (d) summary of staff views (paragraphs 35–36); and

   (e) Appendix A—Extracts of feedback.

[1] Agenda Paper 18A explains what subsequent performance information is and why this paper focuses on the requirements for subsequent performance information.

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## Background

3. The Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* proposed requiring an entity to disclose, amongst other things, information about actual performance being reviewed by key management personnel (KMP) to determine whether acquisition-date key objectives and related targets for a business combination are being met.

4. As Agenda Paper 18A notes, at its July 2026 meeting the IASB discussed an updated package of proposals that took into account concerns and suggestions for possible changes to the proposals in the Exposure Draft. This updated package would require an entity to disclose:

   (a) in the year of acquisition, the strategic rationale and key objectives for all material business combinations; and

   (b) in the year of acquisition and subsequent reporting periods, the subsequent performance information for all material business combinations (including a description of how subsequent performance information is measured).

5. The subsequent performance information disclosed would follow a 'management approach'. In particular, the package would require an entity to disclose subsequent performance information reviewed by KMP for all material business combinations. We also:

   (a) suggested limiting the scope of that subsequent performance information to information measured in currency units (currency unit restriction); and

   (b) said the IASB could consider removing the reference to 'targets' in determining what subsequent performance information to disclose and instead requiring an entity to disclose information 'being reviewed to determine whether acquisition-date key objectives are being met'.

6. At its July 2026 meeting, the IASB directed us to analyse:

   (a) not introducing the currency unit restriction—paragraphs 7–19 include further background and our analysis of this matter; and

   (b) removing the reference to 'targets' in determining what subsequent performance information to disclose—paragraphs 20–34 include further background and our analysis of this matter.

## Not introducing a currency unit restriction

7. This section includes:

   (a) background (paragraphs 8–14);

   (b) updated analysis (paragraphs 15–17); and

   (c) staff view (paragraphs 18–19).

### *Background*

8. The Exposure Draft proposed requiring an entity to disclose, amongst other things, information about actual performance being reviewed by KMP to determine whether acquisition-date key objectives and related targets are being met. Based on the defined terms proposed in the Exposure Draft, a target is 'measured using a metric that could be denominated in currency units or another unit of measurement'.

9. Feedback from outreach with various audit professionals and other stakeholders (reproduced in Appendix A to this paper) suggested that verifying information about the performance of a business combination could be challenging, particularly if the targets are based on metrics not defined in IFRS Accounting Standards (non-IFRS targets). Agenda Paper 18D to the IASB's May 2026 meeting analysed whether and how to revise the scope of performance information to address those concerns. As that agenda paper explained, in our view, revising the scope of performance information to targets based on metrics denominated in currency units (currency unit restriction)

would result in users receiving most of the performance information they would receive applying the Exposure Draft, while reducing some of those concerns.

10. At its July meeting, the IASB discussed the staff's suggested changes to the requirements for performance information. The staff suggested removing the requirement to disclose targets, so the currency unit restriction would only apply to the disclosure of subsequent performance information. An entity would therefore not be required to disclose subsequent performance information about, for example, a product launch date or the number of customers.

11. At the IASB's July 2026 meeting, some IASB members agreed with introducing the currency unit restriction. These IASB members said the currency unit restriction:

    (a) appropriately balances users' need for subsequent performance information and practical difficulties in providing that information (including concerns about auditability and audit expectation gap); and

    (b) results in entities not being required to disclose information that does not belong in financial statements.

12. However, some other IASB members raised concerns about introducing the currency unit restriction. They said requiring an entity to disclose subsequent performance information only if it is measured in currency units could give undue prominence to performance information measured in currency units and provide users an incomplete picture of management's view of the subsequent performance of a business combination.

13. Some IASB members acknowledged practical difficulties with requiring entities to disclose subsequent performance information not measured in currency units but nevertheless suggested not introducing the currency unit restriction. These IASB members said that:

    (a) it is possible to verify subsequent performance information not measured in currency units; and

(b) if most subsequent performance information is measured in currency units, the cost of verifying subsequent performance information not measured in currency units will not be significant.

14. The IASB directed us to explore not introducing a currency unit restriction in the management approach.

### *Updated analysis*

15. As paragraph 10 explained, we suggested introducing the currency unit restriction to balance auditability concerns and users' information needs. In particular, we thought doing so would:

(a) address some concerns that stakeholders had in relation to performance information (including targets and subsequent performance information); and

(b) result in users receiving most of the information that they would without the currency unit restriction—as paragraph 33 Agenda Paper 18A to the IASB's April 2022 meeting explains, our prior research of 18 entities disclosing quantitative targets found that all of the targets were measured in currency units (or currency unit measures expressed as percentages or ratios).

16. We considered stakeholders' feedback from our previous consultation on auditability (reproduced in Appendix A) in the context of the IASB's proposals in the Exposure Draft. Discussions about auditability often focused on concerns about acquisition-date information (including targets and expected synergy information). The package of performance and expected synergy information the IASB discussed at its July 2026 meeting would not require an entity to provide such acquisition-date information and it is not clear whether the feedback on auditability of subsequent performance information would change in the context of entities not being required to disclose acquisition-date targets.

17. We continue to think not introducing a currency unit restriction would result in some auditability and audit expectation gap challenges. However, we also agree with IASB members who said:

    (a) not introducing a currency unit restriction could provide users with a fuller picture about the subsequent performance of a business combination; and

    (b) the costs of auditing subsequent performance information not measured in currency units will not be significant because we expect entities will disclose subsequent performance information not measured in currency units infrequently (see paragraph 13(b)).

***Staff view***

18. We think it is possible to require an entity to disclose subsequent performance information without the currency unit restriction.

19. We suggest consulting before deciding whether to introduce a currency unit restriction—for example consulting with audit professionals on the implications of not introducing the currency unit restriction, and with preparers on how often entities have subsequent performance information not measured in currency units.

## Determining what subsequent performance information to disclose

20. This section includes:

    (a) background (paragraphs 21–24);

    (b) updated analysis (paragraphs 25–32); and

    (c) staff view (paragraphs 33–34).

### *Background*

21. As paragraphs A5–A10 of Agenda Paper 18A of the IASB's July 2026 meeting explained:

    (a) proposed paragraph B67A(b)(i) of IFRS 3 included in the Exposure Draft requires an entity to disclose 'information about actual performance being reviewed to determine whether acquisition-date key objectives and the related targets are being met'; and

    (b) if the IASB does not require disclosure of targets (as we suggested in our July package), the IASB could consider simplifying the requirements by removing the reference to 'targets' and require an entity to disclose information 'being reviewed to determine whether acquisition-date key objectives are being met'.

22. Requiring an entity to disclose subsequent performance information being reviewed to determine whether key objectives are being met (that is, removing the reference to 'targets') could simplify the requirements for subsequent performance information, because entities would not be required to identify which of its internal targets to disclose subsequent performance information against.

23. However, doing so might introduce complexity in applying the requirements because key objectives are qualitative in nature and do not have the same level of specificity as targets. It might be difficult to determine whether information is reviewed by KMP 'to determine whether key objectives are being met' or for other purposes, and therefore when an entity should stop disclosing subsequent performance information.

24. At the IASB's July 2026 meeting, some IASB members supported simplifying the requirements in a management approach, for example requiring an entity to disclose subsequent performance information being reviewed to determine whether key objectives are being met.

### *Updated analysis*

25. We agree with the IASB members who said requiring an entity to disclose subsequent performance against key objectives could make the requirements easier to understand.

26. However, we continue to think doing so would require an entity to apply judgement to determine whether information reviewed by KMP relates to the key objective of a business combination and is therefore required to be disclosed. For example, when KMP review the profitability of an acquiree, management would need to determine whether KMP is doing so to determine whether a key objective of a business combination (to increase profitability) is being met or whether KMP are reviewing this information as part of their ongoing management of the business. This has implications for when the entity would stop disclosing subsequent performance information in a management approach because, applying the IASB's proposal in the Exposure Draft, an entity would be required to disclose subsequent performance information for as long as KMP review the information.

27. We therefore think, if the IASB use a management approach that refers only to key objectives, the IASB should require an entity to disclose subsequent performance information for a fixed time period. We acknowledge that not requiring an entity to disclose subsequent performance information for as long as KMP review performance against key objectives would result in users losing information in some circumstances (for example, when management perform a one-off post-acquisition review only after the fixed time period). However, we think such situations might not occur frequently in practice.

28. We discuss below what this fixed time period should be.

### *Time period to require the information for*

29. We considered how long the fixed time period should be. The Exposure Draft proposed requiring subsequent performance information for as long as KMP review it, with additional requirements if KMP stop reviewing before the end of the second

annual reporting period after the year of acquisition (two-year period). As paragraph BC121 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) notes, the two-year period is arbitrary and aimed to set an appropriate balance between requiring an entity to disclose relevant information and the risk of imposing a time frame that is too long and onerous for preparers.

30. Agenda Paper 18B of the IASB's October 2025 meeting explains feedback on the two-year period and our initial view to retain it. Although the two-year period was used for a different purpose in the Exposure Draft, we think the same period should be used as an end date in a management approach because:

(a) during the two-year period, if KMP are reviewing subsequent performance information, that information would be useful to users;

(b) during the two-year period, subsequent performance information would still only be required if the information is reviewed by KMP—an entity would not be required to produce information solely for the purpose of financial reporting, so the costs for preparers will be limited; and

(c) after the two-year period, KMP are likely to be reviewing information for ongoing management of the business rather than to determine whether key objectives are being met.

31. In addition to simplifying the requirements, we think requiring an entity to disclose subsequent performance against key objectives could mean that an entity would be required to disclose the information in more circumstances—for example, if management continues to review performance against a key objective but uses an updated target reflecting the entity's annual budget.

32. We acknowledge that requiring entities to disclose subsequent performance information for a two-year period means users would sometimes not receive information for as long as proposed in the Exposure Draft. However, we think the time period would strike a balance between the benefits to users of information and the costs to prepare that information.

***Staff view***

33. We think it is possible to require an entity to disclose subsequent performance information against key objectives. If the IASB decides to do so, we think the IASB should require an entity to disclose the information for a two-year period.

34. We suggest consulting with stakeholders to better understand the practicability of requiring an entity disclose subsequent performance against key objectives for a two-year period.

## Summary of staff views

35. If the IASB chooses to pursue a management approach for subsequent performance information, we think it is possible to require an entity:

    (a) to disclose subsequent performance information without the currency unit restriction.

    (b) to disclose subsequent performance information against key objectives. If the IASB decides to do so, we think the IASB should require an entity to disclose subsequent performance information until the end of the second annual reporting period after the year of acquisition.

36. We suggest consulting with stakeholders on aspects of both issues.

## Appendix A—Extracts of feedback

A1. During the redeliberation phase, we met with various audit professionals to discuss auditability concerns and suggestions to reduce those concerns. These discussions involved audit professionals (with global and jurisdictional roles), including technical accounting, audit methodology and valuation professionals from different audit firms (collectively referred to as 'auditors') and a few audit regulators.[2]

A2. Agenda Paper 18B of the IASB's May 2026 meeting reported this feedback, which we considered in reaching our view to introduce the currency unit restriction. Relevant extracts are reproduced below.

> *Auditability of subsequent performance information*
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> 48 All audit professionals agreed (or did not disagree) that:
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> (a) auditors would be required to—and would be able to—verify that subsequent performance information disclosed is information an entity's KMP received to review the performance of the business combination against acquisition-date KOTs; and
>
> (b) auditors would be required to verify that subsequent performance information reflects actual performance.
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> 49 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 able to do so for targets based on metrics defined in IFRS Accounting Standards (IFRS targets) although there would be costs to do so.
>
> (b) most audit professionals agreed (or did not disagree) that it would be more difficult to do so for non-IFRS targets and one audit professional said doing so might not be possible. This is because:

[2] We also met with some board members and staff from the International Auditing and Assurance Standards Board (IAASB) in their personal capacity to help us better understand the audit requirements that might be relevant to our discussions with audit professionals.

(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.

(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. One audit regulator said there would be a relatively greater burden on smaller entities because these entities often lack the necessary financial resources and robust control environment available to larger entities.

(c) 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[3] (based on data in a system not subject to other audit procedures) reflects actual performance.

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

*Expectation gap*

50 In relation to the expectation gap:

(a) many auditors agreed that there would be no expectation gap. They however said there might be an expectation gap for actual performance of non-IFRS targets because users might expect

[3] 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.

auditors to have verified that the non-IFRS target is based on an unbiased and well-defined measure that represents the performance of the business combination.

(b) many auditors said, even for IFRS targets, there might be an expectation gap if users expect an auditor to verify that the subsequent performance information results from the underlying performance of the business combination (for example, whether a KOT based on the combined performance of the pre-existing and acquired business is met because of the acquired business or because of unexpected growth in the pre-existing business).

51 Most audit professionals who said there might be an expectation gap for actual performance information said requiring an entity to disclose how non-IFRS targets are measured would reduce, but not fully address, expectation gap concerns.

A3. Feedback from other stakeholders also confirmed it would be difficult to verify subsequent performance information not measured in currency units. As paragraph 11(a) of Agenda Paper 18D the IASB's May 2026 agenda paper notes:

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.