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A rebuttable presumption approach to identify business combinations for which performance information should be provided

Issues Paper

Objective

- 1 The objective of this session is to obtain the views of the EFRAG FR TEG-CFSS members on a possible rebuttable presumption approach to identify business combinations for which entities in the year of acquisition shall provide information on key objectives and targets, and in the year after the acquisition shall provide information on the actual performance of the business combination and a statement of whether the actual performance is meeting expectations ('performance information').

Background

- 2 The IASB's Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* ('the ED') proposed requiring entities to disclose performance information for only a subset of business combinations (in the ED this subset was termed 'strategic business combinations' but as respondents to the ED did not favour this term, it will likely be changed¹). The ED proposed a threshold approach to identify the subset. A business combination would fall within the subset if it would meet any one of three quantitative thresholds (revenue, operating profit, or assets (including goodwill) of the acquired business constitutes at least 10% of the acquirer's comparative amounts) or two qualitative thresholds (the business combination results in an entity entering a new major line of business or geographical area of operation). Many respondents to the ED disagreed with the threshold approach and said that the bright-line and rules-based nature of the threshold approach could result in inappropriately capturing business combinations for which performance information might not be important enough to users. Many respondents who disagreed suggested adopting a more principles-based approach for identifying the subset such as a rebuttable presumption approach.

¹ A respondent to EFRAG's consultation document suggested the terms: 'critical', 'essential' or '(separately) reportable acquisition'.

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

- 3 At the July 2025 ASAF meeting, the IASB will seek input on the various aspects of developing such a possible rebuttable presumption approach.
- 4 Developing a rebuttable presumption approach to identify the business combinations for which performance information should be provided requires:
 - (a) developing a list of thresholds with a presumption that performance information would be disclosed for a business combination that meets any one or a combination of the specified thresholds;
 - (b) developing a principle or a basis which an entity can use to overcome or rebut the presumption that performance information should be disclosed for a business combination that meets the threshold;
 - (c) considering whether to require an entity to disclose performance information for some business combinations that do not meet the threshold;
 - (d) considering whether to require an entity that rebuts the presumption to disclose that it has done so and the reason.
- 5 The input that the IASB will seek at the July 2025 ASAF meeting relates to:
 - (a) the principle or basis for overcoming the presumption ((a) and (b) in the list above);
 - (b) business combinations not meeting thresholds ((c) in the list above);
 - (c) disclosing the fact and reason for rebuttal ((d) in the list above);
 - (d) costs and benefits;
 - (e) the need for a threshold based on operating profit (part of (a) in the list above).
- 6 On 5 June 2025, the EFRAG Secretariat distributed a consultation document to EFRAG CFSS members to collect early feedback on how the IASB should design a rebuttable presumption. The feedback analysis is provided below. The distributed consultation document, which is included in the Appendix, also explained the background of the IASB project, and included a summary of the IASB and EFRAG FRB/EFRAG FR TEG discussions on how to identify the subset of business combinations that should provide the performance information. As the summary explained, EFRAG FRB and EFRAG FR TEG members have expressed concern about including the performance information in the financial statements.

Developing a rebuttable presumption approach to identify the business combinations for which performance information should be provided

- 7 The paragraphs below explain the input the IASB will seek at the July 2025 ASAF meeting on the aspects listed in paragraph 5 above together with the input the EFRAG Secretariat received in response to its consultation document (the EFRAG Secretariat received four responses to its consultation document). The section ends with a summary of other input received from the consultation related to the IASB's approach.

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

The principle or basis for overcoming the presumption

Questions for ASAF members

- 8 As noted in (b) in paragraph 4 above, a rebuttable presumption approach would require developing a principle or a basis that identifies the business combinations for which performance information would be useful. An entity would not be required to disclose performance information for a business combination that does not satisfy that principle or basis, even if it satisfies the thresholds.
- 9 Possible principles that could capture the most important business combinations include:
- (a) business combinations for which failure to meet any one of an entity's acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy;
 - (b) business combinations for which success is essential to the advancement or achievement of an entity's overall business strategy.
- 10 At the July 2025 ASAF meeting, ASAF members will be asked how they would describe the population of business combinations for which receiving performance information would be important for investors (i.e., whether suggested thresholds and principles would result in information important for investors).

Input received in response to EFRAG's consultation document

- 11 EFRAG's consultation document sought input on the principle described in paragraph 9(a) above. The principle described in paragraph 9(a) was considered helpful by one respondent to the EFRAG consultation document, however, three respondents were not supportive of the principle as stated.
- 12 Those not supporting the principle considered it imprecise and too high a hurdle that would result in capturing too few business combinations. It was suggested revising the principle by deleting the reference to a 'serious risk of failing to achieve its overall business strategy', or positioning the objective at a lower level, for example, at the level of operating segment.
- 13 It was noted that management could consider a business combination as 'strategic' as it may be key to the development of the business (for example, in a new geographical area), but without the implication that failure to implement as expected the new combination would put the overall business at risk.
- 14 The consultation document also sought feedback on the thresholds to be specified and specifically whether market capitalisation should be added to the list of quantitative thresholds.
- 15 Three respondents to EFRAG's consultation document expressed general support for identifying the subset of business combinations for which performance information should be provided by first applying quantitative and qualitative thresholds. However, they commented on the thresholds suggested in the ED.
- 16 The 10% thresholds were criticised as they would probably be met too often for large and much more often for small companies. In addition, management would often rather use non-GAAP measures to define 'critical' business combinations.

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

- 17 It was suggested using other indicators, as in the ESMA guidance on the application of Commission Delegated Regulation 2019/980, if the indicators proposed by the IASB give an abnormal result or are not appropriate for the entity².
- 18 It was noted that if there was a robust definition of a strategic business combination, then qualitative thresholds may not be necessary. Concern was expressed that revenue thresholds might not work due to differences in GAAP. In case quantitative thresholds cannot be designed robustly, the thresholds approach should not be pursued at all.
- 19 There were mixed views on whether market capitalisation should be added to the list of quantitative thresholds. Although not directly objecting, respondents provided the following concerns:
- (a) both entities should be listed to be able to use this indicator;
 - (b) it would be less simple to use than the other quantitative indicators because it requires considering the indebtedness levels of the acquirer and the acquiree;
 - (c) the relevance of a 10% threshold applied to an item not derived from the financial statements is questionable.
- 20 However, it was also noted that this criterion is in line with the IASB's example in BC55(a) of the ED of 'the entity committed a large amount of capital to a business combination'.
- 21 Furthermore, if the criteria are used as a rebuttable presumption, adding market capitalisation may be helpful without being too restrictive.
- 22 The respondent who seemed to provide some support for the approach chosen, noted that from a conceptual perspective, it was considered inconsistent to identify a 'strategic' business combination by using a rigid threshold approach, which is not principle-based. A management approach was considered to be more consistent with a requirement for how long the information should be disclosed, to define a 'strategic' business combination, however, it was acknowledged that it will be highly judgemental and difficult to operationalise. As a result, a threshold approach was considered to be more objective, easier for preparers to operationalise and for auditors to verify. It could be accompanied by the principles in paragraph BC54 and BC55³ as the thresholds suggested would result in many smaller acquisitions being captured by the scope.

Business combinations not meeting thresholds

Questions for ASAF members

- 23 An approach making use of a rebuttable presumption can work either one way or two ways. A rebuttable presumption approach could thus be that performance information should only be provided by business combinations exceeding a threshold unless it can be rebutted that the business combination is covered by the principles on the scope of the disclosures.

² The EFRAG Secretariat expects that the respondent is referring to paragraph 87 of the ESMA publication: [Guidelines On disclosure requirements under the Prospectus Regulation](#).

³ '... strategic business combinations would capture business combinations of significant strategic value to an entity. An entity's overall business strategy could be put at serious risk if, for example, the entity: (a) committed a large amount of capital to a business combination that subsequently failed to meet the entity's expectations; or (b) failed to enter major new lines of business or geographies that are essential to the entity's overall business strategy through the business combination.'

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

However, it could also be required to provide performance information for business combinations that do not meet any thresholds, but would be considered to be within the scope of the disclosures (based on the principle for which entities should provide the disclosures).

- 24 At the July 2025 ASAF meeting, the IASB will seek information on whether the benefits of requiring an entity consider the importance of disclosing performance information for business combinations that do not meet the thresholds would exceed the costs of doing so.

Input received in response to EFRAG's consultation document

- 25 Amongst the respondents replying to EFRAG's consultation document, there was some support for the two-ways rebuttable presumption and subsequent disclosures of the reasons for rebuttal, but it was also noted that two-ways presumption would be equivalent to an indicator-based mechanism and then should be called as such. Also, concern was expressed that a two-ways rebuttable presumption will be even more complex and costly for preparers than a 'one-way' rebuttable presumption.
- 26 One respondent thought that entities meeting one of the thresholds should not be able to rebut that it was not covered by the scope of the disclosures. This respondent considered thresholds to be sufficient and providing an objective selection of business combinations. Therefore, this respondent did not support the rebuttable presumption because it would imply a lot of judgment, which could seriously affect the comparability of the information between entities. On the other hand, the respondent considered that entities not meeting the thresholds should provide the disclosures if the business combination is strategic.

Disclosing the fact and the reason for the rebuttal

Questions for ASAF members

- 27 At the July 2025 ASAF meeting, the IASB will seek input on whether entities rebutting the presumption should disclose the fact that it has rebutted the presumption and the reason. The IASB would be interested in whether this information would be useful to users, how the information will be used, and whether preparers would have concerns about disclosing this information.

Input received in response to EFRAG's consultation document

- 28 EFRAG's consultation document did not consult on this issue. However, one respondent noted that entities rebutting the presumption should explain this. This could offer additional valuable information to users of the financial statements.

Costs and benefits

Questions for ASAF members

- 29 At the July 2025 ASAF meeting, the IASB will seek input on whether a rebuttable presumption approach outweighs the costs of doing so. In particular, whether the approach would balance preparers' concerns about the cost of preparing information that is not important and users' need for performance information.

Input received in response to EFRAG’s consultation document

- 30 EFRAG’s consultation document did not specifically consult on this issue, but some respondents addressed the costs and benefits in their replies to other questions in the consultation document. One respondent also noted that a rebuttable presumption approach would be potentially more costly for an entity to apply than one based on indicative criteria, as the entity would be required to demonstrate that the subset is not relevant. To be acceptable, the criteria defining the subset should be particularly relevant.
- 31 This respondent was concerned about the risk of adding excessive complexity to the initial proposals of the ED, which could lead to:
- (a) application difficulties for preparers and audit difficulties for auditors; and
 - (b) a deterioration in the cost/benefit balance of the mechanism, due to the disproportion between the complexity of the selection requirements and the likely limited number of transactions identified.

The need for a threshold based on operating profit

Questions for ASAF members

- 32 At the July 2025 ASAF meeting, the IASB will seek input on whether the operating profit threshold (see paragraph 2 above) captures business combinations important to users that would not be captured by the asset revenue threshold.

Input received in response to EFRAG’s consultation document

- 33 Respondents to EFRAG’s consultation document overall agreed to drop the operating profit threshold as they considered operating profit to be too volatile. Instead, one respondent proposed using income and expense subtotals listed in paragraph 118 of IFRS 18 *Presentation and Disclosure in Financial Statements*⁴.

Additional comments

Other suggestions on identifying a subset of business combinations and designing a rebuttable presumption

- 34 Some respondents to EFRAG’s consultation document provided alternative suggestions for identifying a subset of business combinations and designing a rebuttable presumption.
- 35 One respondent suggested using a management approach with a robust definition of ‘strategic’ business combinations and without thresholds.
- 36 Another respondent had considered combining quantitative and qualitative thresholds, but had concluded that this would not be beneficial as it would result in even fewer business combinations being captured. This respondent further noted that a potential deficiency of the threshold approach related to cumulative acquisitions (a series of smaller acquisitions that do not meet the criteria individually, but in total). However, the respondent agreed with the IASB’s conclusion in paragraphs BC71-BC73 of the ED that it is not feasible to develop a method for identifying a series of business combinations entered into to achieve the same strategic objective.

⁴ That is, subtotals of income and expenses that are not management-defined performance measures.

- 37 One respondent proposed a mechanism based on a general principle but comprising two alternatives, i.e., an indicator-based approach and a rebuttable presumption approach: ‘The strategy defined by management may involve external growth transactions. Among all of the business combinations performed within a period, some are critical to the implementation of that strategy, while others, although part of that strategy, are not critical. Critical business combinations are a subset of the business combinations approved by the Board of Directors of the entity, about which it is useful to provide users with specific disclosures.
- (a) Alternative 1: Indicator-based approach. Management makes judgments to identify critical business combinations. To identify these transactions, management may use the guidance provided by the quantitative thresholds (related to revenue and assets), the qualitative thresholds, as well as any other criteria, so that the identified business combinations correspond to a subset of transactions that is critical to the implementation of the strategy.
- (b) Alternative 2: Rebuttable presumption approach. Transactions that meet one or more of the quantitative thresholds (related to revenue and assets) are presumed to meet the definition of a critical business combination. However, management may rebut this presumption for some or all of the identified transactions using the qualitative thresholds, so that the identified business combinations correspond to a subset of transactions that is critical to the implementation of the strategy.’

Boundary of financial statements

- 38 As mentioned in paragraph 6 above, some EFRAG FRB and FR TEG members have expressed concern about including the performance information suggested in the ED in financial statements.
- 39 There were mixed views on this topic from respondents to EFRAG’s consultation document. Some did not share the concerns about the location of the future performance information and considered that it should be disclosed in the financial statements to ensure consistency, while others considered this issue important but with the opposite conclusions.
- 40 One view was that whether disclosures in the notes were the appropriate medium for assessing the benefits of investment decisions or whether such information would be better located in other corporate/investor communications is debatable. In addition, the legal assessment of whether information about management’s key objectives for an acquisition together with detailed targets could be considered as forward-looking information was considered difficult.
- 41 Another view was that it is not relevant to challenge some disclosures on the sole basis of their natures (e.g., a synergy) or forward-looking dimension. Instead, a principle-based approach could be adopted whereby the existence of a link between the information to be disclosed and the financial statements is established as the discriminating criterion.
- 42 According to this principle, certain synergies specific to the acquirer and unrelated to the acquisition price, or the objective of achieving a certain competitive position, should not be disclosed within the financial statements.

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

- 43 On the opposite, information relating to a synergy that is a key objective of the business combination and justifies all or part of the amount of goodwill, or a certain level of margin reflected in the entity's operating cash flows, should be disclosed within the financial statements.

US GAAP comparison and other considerations

- 44 One respondent to EFRAG's consultation document noted that US GAAP does not have comparable disclosure requirements and that disclosing information about the performance of a strategic business combination would therefore represent a competitive disadvantage for IFRS preparers.
- 45 The respondent noted that IFRS preparers expressed concerns that the facilitated public accessibility of the performance information and information on expected synergies, not just for 'regular' users but also for competitors, customers, suppliers and other negotiating partners, could impede future M&A-transactions, complicate contract negotiations and increase the price of target companies as well as supplies.
- 46 Further, a discrepancy with regard to disclosures on major (internal) research and development projects, for which currently less information has to be disclosed than for external acquisitions was noted.

Questions for EFRAG FR TEG-CFSS

- 47 Do you have any comments on the feedback EFRAG received in response to its consultation document as summarised in paragraphs 11–22, 25–26, 30–31, and 33–46 above?
- 48 Given the feedback discussed above, what are your views on:
- (a) *How to define a principle or basis for overcoming the rebuttable presumption*: how to describe the population of BCs for which receiving performance information would be important for investors?
 - (b) *Whether to require an entity to consider disclosing performance information for the entities not meeting the thresholds but for which users need the information (thus making rebuttable presumption work both ways)*: would benefits of such disclosure exceed the costs?
 - (c) *Whether to require an entity to disclose the fact and reason for rebuttal*: would this information be useful to users and would preparers have concerns with disclosing it?
 - (d) *Costs and benefits of rebuttable presumption approach*: whether it will address preparers' concerns about a threshold approach inappropriately capturing BCs whose performance information may not be important enough to users and users' need for performance information about BCs they deem important?
 - (e) *The need for a threshold based on operating profit*: whether the operating profit threshold captures business combinations important to users that would not be captured by another threshold?
 - (f) *Boundary of financial statements*: Whether performance information as suggested by the ED should be placed in the financial statements?

Agenda Papers

- 49 In addition to this cover note, agenda paper 08-02 ASAF Agenda Paper AP5 BCDGI ASAF July – has been provided for the session.

Appendix: EFRAG’s consultation document

IASB project – Business Combinations - Disclosure, Goodwill and Impairment

Consultation document

Identifying a subset of ‘strategic’ business combinations

Objective

1 The EFRAG Secretariat is seeking early input from EFRAG CFSS members on identifying a ‘strategic’ business combination, including designing a rebuttable presumption when an entity considers not meeting the definition of ‘strategic’.

- 2 At the ASAF meeting in July 2025, the IASB will seek views from ASAF members on:
- (a) the proposed threshold approach to identify a ‘strategic’ business combination; and
 - (b) whether, and if so, how a rebuttable presumption would be helpful to address concerns identified in the feedback received on its Exposure Draft [Business Combinations – Disclosures, Goodwill and Impairment](#) (the ED) in March 2024.⁵
- 3 The input received from EFRAG CFSS members will allow the EFRAG Secretariat to better understand how to identify the correct population of a ‘strategic’ business combinations and whether a rebuttable presumption will be helpful to address concerns on the ED proposals. This will help the EFRAG Secretariat to develop the issues paper for discussion at the EFRAG FR TEG-CFSS meeting in July 2025 in preparation for the ASAF meeting. The EFRAG Secretariat considers that sharing EFRAG CFSS views in advance will positively support the ASAF preparation discussion.

Background

- 4 The IASB started deliberating the ED proposals in October 2024 and so far has discussed the feedback⁶ at several meetings. For information purposes, the appendix to this paper provides a high-level overview of the feedback the IASB received on the ED.
- 5 The IASB has tentatively decided to retain the project’s objective and retain its approach to achieving the project objective by continuing to only consider:
- (a) requiring an entity to disclose information about the performance of a business combination and quantitative information about expected synergies;
 - (b) requiring some of the information described in (a) only **for a subset of business combinations;**

⁵ EFRAG published its [final comment letter](#) (FCL) on the Exposure Draft *Business Combinations – Disclosures, Goodwill and Impairment* (‘the ED’) on 19 July 2024.

⁶ The IASB received feedback from 199 stakeholders represented by 137 comment letters and 110 outreach meetings conducted during the comment period.

- (c) **exempting** an entity from disclosing **some of the information** described in (a) in **some situations**;
- (d) proceeding with the other amendments to the disclosure requirements in IFRS 3 *Business Combinations* proposed in the ED;
- (e) making some targeted improvements to the impairment test in IAS 36 *Impairment of Assets*; and
- (f) making other amendments, for example, amendments to transition requirements in IFRS 3 and IAS 36 and to IFRS 19 *Subsidiaries without Public Accountability*.

(this means, among other things, that amortisation of goodwill will not be discussed). Other than the project objective, the IASB has not taken other tentative decisions.

- 6 At this stage, the IASB did not consider changing its proposal to provide the performance information in the financial statements. The ED proposed performance information be provided for a subset of business combinations referred to as ‘strategic business combinations’. The IASB acknowledged that the term ‘strategic’ may need to be reconsidered given the feedback received.
- 7 The IASB will also consider the approach to be used to identify a subset of ‘strategic’ business combinations. This includes, in line with the recommendations of EFRAG, a threshold plus a rebuttable presumption approach. No tentative decisions were made by the IASB, but following the initial discussions, the IASB will likely not include the ‘operating profit or loss’ threshold. The proposed qualitative thresholds will likely also be reconsidered.

The IASB and EFRAG FR TEG discussion on identifying a subset of business combinations

- 8 In April 2025, the IASB discussed its proposals to require an entity to disclose information about the performance of a business combination for only a subset of business combinations ([agenda paper 18](#)). The IASB also discussed evidence-based feedback on the proportion of business combinations that would be captured as part of that subset using the proposed thresholds ([agenda paper 18C](#)). No decisions were taken.
- 9 The IASB staff's initial view was for the IASB to continue to require disclosure of performance information for only a subset of business combinations. On the approach to identify a subset, the IASB staff were inclined to support either a rebuttable presumption approach or an indicator-based approach – however before making a recommendation to the IASB, the IASB staff suggested to examine the approaches further.
- 10 The IASB generally agreed to focus on a subset of business combinations. IASB members generally considered that it would be necessary to examine whether the rebuttable presumption would be one or two way and also whether it was just an option. Some IASB members noted that designing a rebuttable presumption would be difficult.
- 11 Regarding the proposed threshold approach, IASB members acknowledged the mixed views reported in the feedback received. Some IASB members agreed with respondents that questioned the usefulness of the proposed qualitative thresholds. Several IASB members considered dropping the proposed ‘operating profit’ quantitative threshold given the concerns reported by many respondents. There was general agreement to retain the

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

revenue and asset thresholds. IASB members had mixed views on whether to further explore whether a series of business combinations could be ‘strategic’ rather than only assessing individual transactions.

- 12 The IASB agreed to further consult on the approach to identify a subset of ‘strategic’ business combinations, including developing a rebuttable presumption, given the feedback received. This matter will be discussed at the ASAF meeting in July 2025.

EFRAG FR TEG/ FRB discussion in May 2025

- 13 Several EFRAG FR TEG and EFRAG FRB members (non-user representatives) noted that the key concern regarding the proposed disclosures on performance information related to the fundamental question on the boundary of financial statements. It was essential to first have a clear framework of what information belonged in the financial statements and what belonged elsewhere, for example in the management report. Similar performance information was not required for other acquisitions, hence the question why it was needed for business combinations.
- 14 Notwithstanding that the issue of identifying a ‘strategic’ business combination, including a rebuttable presumption, was secondary to having the boundary discussion, EFRAG FR TEG and FRB members generally supported the IASB doing further outreach on the proposed threshold approach.
- 15 Members generally considered that a rebuttable presumption, although potentially increasing some cost for preparers, would be helpful to ensure that the right population of ‘significant’ business combinations is captured. Members generally supported a principle-based approach to identifying the most important business combinations. The following additional observations and suggestions were made:
- (a) Members generally considered that the ‘10 percent’ threshold was an arbitrary one and existing regulatory disclosure requirements on significant acquisitions are typically based on thresholds higher than 10%. This was an issue the IASB needed to consider further.
 - (b) Some members suggested developing a principle to identify a ‘strategic’ business combination based on the definition of a strategic business combination in paragraph BC54 of the basis for conclusions accompanying the ED⁷ and supported by a threshold approach with a possibility to rebut the outcome.
 - (c) Members suggested that the proposed thresholds should be refined, with different views being expressed on whether or not to keep the qualitative thresholds, with some members suggesting these be dropped. There was general support to retain the quantitative thresholds, together with a rebuttable presumption.
 - (d) Members generally agreed that similar to other IFRS Accounting Standards, like IAS 28 *Investments in Associates and Joint Ventures* that uses a two-way rebuttable presumption to determine ‘significant influence’, the rebuttable presumption for strategic business should work ‘both ways’ (that is a business combination that would not exceed a threshold could be covered by the disclosure requirements if an

⁷ Paragraph BC54 explains that a strategic business combination would be one for which failure to meet any one of an entity’s acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy.

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

entity considers it to be a ‘strategic’⁸ business combination and a business combination that would exceed a threshold would not be covered by the disclosure requirements if it can be rebutted that it is a ‘strategic’ business combination (in other words, if an entity can demonstrate that it is not ‘strategic’ even if the thresholds are met).

Questions to EFRAG CFSS members

NOTE TO EFRAG FR TEG-CFSS MEMBERS: PLEASE NOTE THAT THE QUESTIONS BELOW WERE THE QUESTIONS INCLUDED IN EFRAG’S CONSULTATION DOCUMENT – AND THUS NOT THE QUESTIONS FOR THE 1 JULY 2025 EFRAG FR TEG CFSS MEETING. THE QUESTIONS FOR THE 1 JULY 2025 EFRAG FR TEG- CFSS MEETING ARE INCLUDED IN THE MAIN PART OF THIS PAPER.

- 16 Do you consider that a ‘strategic’ business combination be based on a principle using the description in paragraph BC54 of the ED and including that principle in the Standard itself?
- 17 Do you consider that a subset of ‘strategic’ acquisitions be identified by first applying both the quantitative and qualitative thresholds, as proposed in the ED? If not, which of the thresholds should be dropped?
- 18 Should the IASB consider adding market capitalisation (where relevant) to the list of quantitative thresholds? For example, a threshold of 10% of market capitalisation could be applied based on pricing at the acquisition-date or on the last trading date prior to the acquisition. (The ED already proposed that a business combination is strategic if the amount recognised as of the acquisition date for all assets acquired (including goodwill) is 10 per cent or more of the carrying amount of the total assets recognised in the acquirer’s consolidated statements of financial position as at the acquirer’s most recent reporting period date before the acquisition date).
- 19 Do you consider that where a business combination meets one or more of the qualitative or quantitative thresholds, the presumption is that it is ‘strategic’ and an entity should be able to rebut the presumption if it can demonstrate that the acquisition does not meet the overall description in paragraph BC54. If yes, do you consider that the rebuttal should work ‘both ways’? Please explain your reasoning.
- 20 Do you have other suggestions on identifying a subset of business combinations for which performance information would be disclosed as proposed in the ED and on designing a rebuttable presumption which an entity could use when it considers that the description of ‘strategic’ is not met?
- 21 Do you share the concerns noted by EFRAG FR TEG and FRB members in paragraph 13 regarding the boundary of financial statements? If so, how could the IASB address this concern in relation to its project on BCDGI?

⁸ The IASB may change the term ‘strategic’ business combination.

Appendix

Key messages on feedback received by the IASB

General feedback on disclosures

- 1 While users generally supported the proposals, in particular the proposed disclosures, most preparers disagreed with requiring some of the proposed information in financial statements. Feedback from auditors noted concerns about a possible expectations gap that could arise as a consequence of requiring these disclosures in financial statements.
- 2 Similar to EFRAG, respondents who disagree with requiring the proposed information (performance and expected synergies) in financial statements generally give the following main reasons:
 - (a) conceptual reasons;
 - (b) auditability and expectations gap;
 - (c) commercial sensitivity and litigation risks arising from disclosure of forward-looking information; and
 - (d) monetary costs and other concerns.

Subset – strategic business combinations

- 3 Respondents generally supported requiring an entity to disclose information about the performance of a business combination for only a subset of material business combinations. However:
 - (a) many respondents disagreed with applying a thresholds approach and suggested a rebuttable presumption approach or an indicator-based approach;
 - (b) most respondents disagreed with at least one of the specific thresholds proposed and said that the thresholds are inflexible and might lead to unintended consequences (such as the operating profit threshold); and
 - (c) some respondents expressed concerns with the term ‘strategic’ business combinations.

Management approach

- 4 Most respondents agreed with using a management approach for disclosing performance information and identifying management as an entity’s Key Management Personnel (KMP) as defined in IAS 24 *Related Party Disclosures*.

Expected synergies

- 5 Most respondents disagreed with the proposed requirements to disclose quantitative information about expected synergies in the year of acquisition in financial statements.

Exemption for some disclosure requirements

- 6 Almost all respondents agreed with allowing an exemption from disclosing some of the required information in specific situations. However, many of these respondents said the scope of the proposed exemption is restrictive and does not cover all situations in which

Rebuttable presumption approach to identify business combinations for which performance information should be provided – Issues Paper

information about the performance of strategic business combinations and quantitative information about expected synergies would be so commercially sensitive that it should not be disclosed in financial statements. These respondents suggested expanding the exemption to cover additional situations.

General comments on amendments to IAS 36

- 7 Some respondents' expressed concerns about whether the proposals go far enough, particularly to address concerns about impairment losses on goodwill sometimes being recognised too late. Many of these respondents suggested reintroducing amortisation of goodwill.