Tel: +44 20 7893 3300
Fax: +44 20 7487 3686
@: abuchanan@bdoifra.com
www.bdointernational.com

BDO IFR Advisory Limited
Contact: Andrew Buchanan
55 Baker Street
London W1U 7EU
United Kingdom

International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

11 July 2024

Dear Sir

Exposure Draft ED/2024/1: Business Combinations - Disclosures, Goodwill and Impairment

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network[1], this letter summarises views of member firms that provided comments on the ED.

We support the objective of the IASB to improve the usefulness of information provided to users about business combinations that an entity has entered into during the reporting period. We also generally agree with the proposed improvements and clarifications to how the impairment test is performed. However, we do have concerns about certain aspects of the proposals:

- We do not support the proposal to require entities to disclose quantitative information about expected synergies. We do not believe that this type of disclosure belongs in financial statements, and is better suited to strategic reports and management commentary. We also express concerns with how such disclosure requirements would be interpreted by users. If the IASB proceeds with this proposal, we have suggested improvements that would partially address our concerns.
- We do not agree with the 10 per cent thresholds used to determine which business combinations are considered 'strategic business combinations'. In our experience, similar disclosure requirements already being made by entities in some jurisdictions as a result of securities law and regulation are typically higher. Using a 10 per cent threshold would deem a large number of business combinations as being strategic, which would defeat the purpose of stratifying business combinations into two categories.
- We do not agree that operating profit or loss should be a metric used to determine whether a business combination is strategic or not. In our view, the operating profit of an acquiree is not an appropriate measure of the size and importance of an

[1]Service provision within the BDO network in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

acquisition. We have included an illustrative example that demonstrates our concerns. In our view, using a measure of revenue and/or assets of the acquiree is sufficient.

- We suggest that the revised requirement in IAS 36.80(a) be clarified to ensure that the intention of the requirement is capable of being consistently applied.

Our detailed responses to the questions in the ED, along with the reasons for our concerns, are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan

Andrew Buchanan

Global Head of IFRS and Corporate Reporting

Appendix

Question 1 – Disclosures: Performance of a business combination (proposed paragraph B67A-B67G of IFRS 3)

In the PIR of IFRS 3 and in responses to the Discussion Paper the IASB heard that:

- *users need better information about business combinations to help them assess whether the price an entity paid for a business combination is reasonable and how the business combination performed after acquisition. In particular, users said they need information to help them assess the performance of a business combination against the targets the entity set at the time the business combination occurred (see paragraphs BC18–BC21).*
- *preparers of financial statements are concerned about the cost of disclosing that information. In particular, preparers said the information would be so commercially sensitive that its disclosure in financial statements should not be required and disclosing this information could expose an entity to increased litigation risk (see paragraph BC22).*

Having considered this feedback, the IASB is proposing changes to the disclosure requirements in IFRS 3 that, in its view, appropriately balance the benefits and costs of requiring an entity to disclose this information. It therefore expects that the proposed disclosure requirements would provide users with more useful information about the performance of a business combination at a reasonable cost.

In particular, the IASB is proposing to require an entity to disclose information about the entity's acquisition-date key objectives and related targets for a business combination and whether these key objectives and related targets are being met (information about the performance of a business combination). The IASB has responded to preparers' concerns about disclosing that information by proposing:

- *to require this information for only a subset of an entity's business combinations—strategic business combinations (see question 2); and*
- *to exempt entities from disclosing some items of this information in specific circumstances (see question 3).*

(a) Do you agree with the IASB's proposal to require an entity to disclose information about the performance of a strategic business combination, subject to an exemption? Why or why not? In responding, please consider whether the proposals appropriately balance the benefits of requiring an entity to disclose the information with the costs of doing so.

(b) If you disagree with the proposal, what specific changes would you suggest to provide users with more useful information about the performance of a business combination at a reasonable cost?

We generally agree that entities should provide additional disclosures about the performance of strategic business combinations, subject to certain exemptions. Significant acquisitions regularly result in material amounts of goodwill and other intangible assets being recognised, however, it is difficult for users of financial statements to assess the performance of business combinations subsequent to the acquisition date.

While we support the proposal in principle, we do have concerns about the scoping of the proposals and certain disclosures that would be appliable to all business combinations, not only strategic business combinations. Our responses to the following questions describe our concerns.

Question 2—Disclosures: Strategic business combinations (proposed paragraph B67C of IFRS 3)

The IASB is proposing to require an entity to disclose information about the performance of a business combination (that is, information about the entity's acquisition-date key objectives and related targets for the business combination and whether these key objectives and related targets are being met) for only strategic business combinations—a subset of material business combinations. 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.

The IASB is proposing that entities identify a strategic business combination using a set of thresholds in IFRS 3—a business combination that met any one of these thresholds would be considered a strategic business combination (threshold approach) (see paragraphs BC56–BC73).

The IASB based its proposed thresholds on other requirements in IFRS Accounting Standards and the thresholds regulators use to identify particularly important transactions for which an entity is required to take additional steps such as providing more information or holding a shareholder vote. The proposed thresholds are both quantitative (see paragraphs BC63–BC67) and qualitative (see paragraphs BC68–BC70).

(a) Do you agree with the proposal to use a threshold approach? Why or why not? If you disagree with the proposal, what approach would you suggest and why?
(b) If you agree with the proposal to use a threshold approach, do you agree with the proposed thresholds? Why or why not? If not, what thresholds would you suggest and why?

We agree with a threshold approach because this approach will produce more consistent application of the scoping requirements. While any thresholds are inherently arbitrary, the enhanced comparability between entities is an appropriate trade-off.

While we support thresholds being used, we have concerns about the thresholds specified and the basis of their calculation.

A threshold of 10% of assets, revenue and/or operating profit of the acquiree as a percentage of the acquirer's assets, revenue and/or operating profit is in our view, too low of a threshold. In outreach we have performed, similar disclosure requirements under existing regulatory frameworks generally trigger additional disclosures using higher thresholds, such as 25-30% of the applicable metric. We do not consider that an entity that has acquired another entity with only 10% of the total assets, revenue or operating profit of the acquirer to be a 'strategic business combination' necessarily unless other qualitative factors indicate this to be the case.

We do not agree that operating profit should be used as a metric in the proposed thresholds (IFRS 3.B67(a)(i)). Operating profit is not necessarily an indication of the size or strategic importance of an entity because entities with significant assets and/or revenue may have relatively small operating profit, or vice versa.

For example, Entity A has acquired Entity B. The assets, revenue and operating profit amounts specified in IFRS 3.B67C are as follows:

	Entity A	Entity B
Revenue	100m	3m
Assets	500m	10m
Operating profit	8m	3m

Entity B's revenue and assets are well below the thresholds proposed in IFRS 3.B67C, but because of Entity B's operating profit, IFRS 3.B67C(a)(i) would be met and Entity B would be considered a strategic business combination despite the relative size of Entity B being far smaller than Entity A.

Operating profit can fluctuate significantly from one period to the next. If an acquirer has a 'breakeven' year where operating profit is small relative to total operations, then virtually every business combination in the following period would meet the threshold in IFRS 3.B67(a)(i), which does not represent the relative size or strategic importance of the acquisitions.

We propose that the criteria in IFRS 3.B67C(a)(i) be eliminated. In our view, using assets, revenue and qualitative factors is sufficient in order to capture the necessary entities, subject to our earlier concerns about the percentages used.

Question 3—Disclosures: Exemption from disclosing information (proposed paragraphs B67D-B67G of IFRS 3)

The IASB is proposing to exempt an entity from disclosing some of the information that would be required applying the proposals in this Exposure Draft in specific circumstances. The exemption is designed to respond to preparers' concerns about commercial sensitivity and litigation risk but is also designed to be enforceable and auditable so that it is applied only in the appropriate circumstances (see paragraphs BC74–BC107).

The IASB proposes that, as a principle, an entity be exempt from disclosing some information if doing so can be expected to prejudice seriously the achievement of any of the entity's acquisition-date key objectives for the business combination (see paragraphs BC79–BC89). The IASB has also proposed application guidance (see paragraphs BC90–BC107) to help entities, auditors and regulators identify the circumstances in which an entity can apply the exemption.

(a) Do you think the proposed exemption can be applied in the appropriate circumstances? If not, please explain why not and suggest how the IASB could amend the proposed principle or application guidance to better address these concerns.
(b) Do you think the proposed application guidance would help restrict the application of the exemption to only the appropriate circumstances? If not, please explain what application guidance you would suggest to achieve that aim.

We agree with the proposed exemptions. The exemptions are expressed in similar terms to exemptions in other standards issued by the IASB (e.g. IAS 37) and the International Sustainability Standards Board (e.g. IFRS S1). In our experience, these exemptions in other standards issued by the IASB are applied with a significant level of scrutiny by entities as well as auditors and enforcers. As the criteria to use the exemption are expressed in similar terms, we believe a similar approach would be applied to these disclosures, resulting in narrow application.

Question 4—Disclosures: Identifying information to be disclosed (proposed paragraphs B67A–B67B of IFRS 3)

The IASB is proposing to require an entity to disclose information about the performance of the entity's strategic business combinations (that is, information about its acquisition-date key objectives and related targets for a strategic business combination and whether these key objectives and related targets are being met) that is reviewed by its key management personnel (see paragraphs BC110–BC114).

The IASB's proposals would require an entity to disclose this information for as long as the entity's key management personnel review the performance of the business combination (see paragraphs BC115–BC120).

The IASB is also proposing (see paragraphs BC121–BC130) that if an entity's key management personnel:

- *do not start reviewing, and do not plan to review, whether an acquisition-date key objective and the related targets for a business combination are met, the entity would be required to disclose that fact and the reasons for not doing so;*
- *stop reviewing whether an acquisition-date key objective and the related targets for a business combination are met before the end of the second annual reporting period after the year of acquisition, the entity would be required to disclose that fact and the reasons it stopped doing so; and*
- *have stopped reviewing whether an acquisition-date key objective and the related targets for a business combination are met but still receive information about the metric that was originally used to measure the achievement of that key objective and the related targets, the entity would be required to disclose information about the metric during the period up to the end of the second annual reporting period after the year of acquisition.*

(a) Do you agree that the information an entity should be required to disclose should be the information reviewed by the entity's key management personnel? Why or why not? If not, how do you suggest an entity be required to identify the information to be disclosed about the performance of a strategic business combination?
(b) Do you agree that:
    (i) an entity should be required to disclose information about the performance of a business combination for as long as the entity's key management personnel review that information? Why or why not?
    (ii) an entity should be required to disclose the information specified by the proposals when the entity's key management personnel do not start or stop reviewing the achievement of a key objective and the related targets for a strategic business combination within a particular time period? Why or why not?

We agree with the proposals. Information that is reviewed by the entity's key management personnel will provide users of financial statements better information about whether a strategic business combination is meeting key objectives set out by management.

Aspects of the proposed disclosure requirements that are linked to the timing of when reviews by management begin or end and the associated consequences on disclosure are rules based, however, we believe the consistency that would be achieved outweighs the cons from arbitrary rules being established.

Question 5—Disclosures: Other proposals

The IASB is proposing other amendments to the disclosure requirements in IFRS 3.

These proposals relate to:

<u>New disclosure objectives (proposed paragraph 62A of IFRS 3)</u>

The IASB proposes to add new disclosure objectives in proposed paragraph 62A of IFRS 3 (see paragraphs BC23–BC28).

<u>Requirements to disclose quantitative information about expected synergies in the year of acquisition (proposed paragraph B64(ea) of IFRS 3)</u>

The IASB proposes:

- *to require an entity to describe expected synergies by category (for example, revenue synergies, cost synergies and each other type of synergy);*
- *to require an entity to disclose for each category of synergies:*
    - *the estimated amounts or range of amounts of the expected synergies;*
    - *the estimated costs or range of costs to achieve these synergies; and*
    - *the time from which the benefits expected from the synergies are expected to start and how long they will last; and*
- *to exempt an entity from disclosing that information in specific circumstances.*

See paragraphs BC148–BC163.

<u>The strategic rationale for a business combination (paragraph B64(d) of IFRS 3)</u>

The IASB proposes to replace the requirement in paragraph B64(d) of IFRS 3 to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for the business combination (see paragraphs BC164–BC165).

<u>Contribution of the acquired business (paragraph B64(q) of IFRS 3)</u>

The IASB proposes to amend paragraph B64(q) of IFRS 3 to improve the information users receive about the contribution of the acquired business (see paragraphs BC166–BC177). In particular, the IASB proposes:

- *to specify that the amount of profit or loss referred to in that paragraph is the amount of operating profit or loss (operating profit or loss will be defined as part of the IASB's Primary Financial Statements project);*

- *to explain the purpose of the requirement but add no specific application guidance; and*
- *to specify that the basis for preparing this information is an accounting policy.*

Classes of assets acquired and liabilities assumed (paragraph B64(i) of IFRS 3)

The IASB proposes to improve the information entities disclose about the pension and financing liabilities assumed in a business combination by deleting the word 'major' from paragraph B64(i) of IFRS 3 and adding pension and financing liabilities to the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3 (see paragraphs BC178–BC181).

Deleting disclosure requirements (paragraphs B64(h), B67(d)(iii) and B67(e) of IFRS 3)

The IASB proposes to delete some disclosure requirements from IFRS 3 (see paragraphs BC182–BC183).

Do you agree with the proposals? Why or why not?

We agree with most of the proposed disclosures and deletions of disclosures; however, we strongly disagree that quantitative information about expected synergies should be required to be disclosed in financial statements. The reasons for our disagreement are as follows:

- Nature and location of information

IFRS 3.B64(ea) would require entities to disclose information about the 'expected synergies' from combining operations of the acquiree and the acquirer. For example, reduced costs or increased revenues from selling complementary goods and services. This information is 'forward looking' as it is a forecast of hypothetical future events, and since the requirement would be to disclose 'expected' synergies, we understand the IASB's intention is for this disclosure requirement to be interpreted as management's views of those synergies rather than a best estimate.

Entities are required to disclose forward looking information in certain jurisdictions as part of management reports, management discussion and analysis (MD&A), etc. We do not believe that this type of forward looking estimation belongs in historical financial statements and is better provided in other documents that set out management's views and expectations.

Financial statements provide users with information about the current financial position and recent financial performance of entities. While financial statements prepared in accordance with IFRS Accounting Standards do require that estimates of future events and circumstances be considered (e.g. impairment tests, fair value measurement, etc.), these estimates are done for the purpose of determining the measurement of assets and liabilities at a point in time. Disclosing management's expectations of future synergies differs substantially from other information based on future estimates that is currently disclosed in financial statements, as it does not directly relate to recognised assets and liabilities. We understand that one could view that disclosure about estimated synergies is a component of the value subsumed in the measurement of goodwill recognised in a business combination, however, disclosure of expected economic benefits is not required for any other investment.

For example, an entity may invest significant financial resources in improving its processes, equipment and human capital (i.e. ‘organic growth), the cost of which may exceed many business combinations, however, no disclosure of the expected economic benefits of these investments would be required by IFRS Accounting Standards.

We believe that disclosures about management’s view of expected future economic benefits and synergies are more appropriate in documents that are specifically designed to provide management’s view, and where users understand that information provided in that capacity is inherently uncertain.

If the IASB proceeds with this proposal, we suggest that a disclosure similar to the requirement of IFRS 18.122 accompany quantitative information about synergies. This disclosure would require an entity to state that the disclosure of information about expected synergies is based on management’s view of expected synergies related to the business combination.

In outreach we have performed, we have been told by BDO firms that qualitative disclosures of synergies may already be required in certain jurisdictions, however, the depth of those disclosures is significantly less than what is being proposed in the exposure draft. We are aware that in some jurisdictions, if management commentary includes forecasts of increases revenues arising from, for example, a business combination, the reasons for the expected increase must be disclosed. These reasons may include increased market share, new goods and services being sold or expected synergies from acquired businesses. However, disclosures about expected synergies are qualitative in nature, in line with the current requirements of IFRS 3. The disclosures proposed in the exposure draft go far beyond those required in most jurisdictions currently.

- Perception of users about ‘audited’ financial information

Related to the above point concerning the nature of information that is disclosed in financial statements, we are concerned that users of financial statements will place an inappropriate amount of reliance on the fact that disclosures about expected synergies have been ‘audited’. In our experience, there is already a significant expectations gap between users of audited financial statements and the role of the auditor, including the scope of the work performed and the reliance that may be placed on an independent auditor’s report. In our view, the expansion of the auditor’s role to provide assurance on forward looking information for expected synergies would not only raise regulatory concerns in some jurisdictions (see below), but would worsen this expectations gap with users as there is a significant risk that many will consider that the auditor will be expressing a view on whether expected synergies are likely to be achieved or not.

We strongly disagree with the view expressed in BC144:

> In the IASB’s view, the information the IASB’s proposals would require an entity to disclose is auditable. In the IASB’s outreach, preparers said they prepare significant documentation in determining the amount to pay for a business combination and many auditors said they expect to be able to audit that information.

In our experience, the determination of the transaction price in a business combination is less precise than the IASB has suggested in BC144. Reaching an agreed price between the buyer and the seller often involves a significant amount of judgement by chief operating decision makers and other senior representatives, which is often based on negotiating tactics and risk taking that is not precisely quantifiable.

- Regulatory and legal concerns

In jurisdictions that require forward looking information to be disclosed outside of financial statements, many regulators and legal frameworks provide ‘safe harbour’ provisions where the extent of liability that may arise from reliance on forward looking statements may be reduced or eliminated if certain conditions are met. However, if forward looking information is to be provided in audited financial statements, similar safe harbour rules would likely not be available as there is no such mechanism to provide relief related to information disclosed in financial statements. The fact that audited financial statements are generally viewed as factual documents (which do contain estimates) as opposed to management reports, which may contain speculative information and are inherently forward looking, explains why jurisdictions only provide such safe harbour rules for information disclosed outside of financial statements.

- Conclusion

In conclusion, we strongly urge the IASB to reconsider the proposed requirement to disclose quantitative information about expected synergies. If the IASB does decide to proceed with these disclosures, we believe it is vitally important that disclosures be included that make it clear to users of financial statements what the limitations of that information would be. Primarily, this would be that such information represents management’s view and the extent of auditor involvement is limited to the verification of whether that information does in fact represent management’s view.

Question 6—Changes to the impairment test (paragraphs 80–81, 83, 85 and 134(a) of IAS 36)

During the PIR of IFRS 3, the IASB heard concerns that the impairment test of cash-generating units containing goodwill results in impairment losses sometimes being recognised too late.

Two of the reasons the IASB identified (see paragraphs BC188–BC189) for these concerns were:

- *shielding; and*
- *management over-optimism.*

The IASB is proposing amendments to IAS 36 that could mitigate these reasons (see paragraphs BC192–BC193).

<u>*Proposals to reduce shielding*</u>

The IASB considered developing a different impairment test that would be significantly more effective at a reasonable cost but concluded that doing so would not be feasible (see paragraphs BC190–BC191).

Instead, the IASB is proposing changes to the impairment test (see paragraphs 80–81, 83 and 85 of IAS 36) to reduce shielding by clarifying how to allocate goodwill to cash-generating units (see paragraphs BC194–BC201).

Proposal to reduce management over-optimism

The IASB's view is that management over-optimism is, in part, better dealt with by enforcers and auditors than by amending IAS 36. Nonetheless, the IASB is proposing to amend IAS 36 to require an entity to disclose in which reportable segment a cash- generating unit or group of cash-generating units containing goodwill is included (see paragraph 134(a) of IAS 36). The IASB expects this information to provide users with better information about the assumptions used in the impairment test and therefore allow users to better assess whether an entity's assumptions are over-optimistic (see paragraph BC202).

(a) Do you agree with the proposals to reduce shielding? Why or why not?

(b) Do you agree with the proposal to reduce management over-optimism? Why or why not?

We generally agree with the proposed changes to the impairment test. While it is difficult to modify the requirements of IFRS Accounting Standards to fully address shielding, we believe the proposed amendments may reduce them.

We agree with the proposed modification to IAS 36.80(a), as in our experience, some entities have defaulted to performing the impairment test at the level of the operating segment on the basis that goodwill is not monitored at any level, therefore, the 'maximum' level of the impairment test is used as a default.

However, we suggest that the IASB clarify this requirement, as IAS 36.80(a) would be based around the level within the entity at which the business associated with the goodwill is 'monitored for internal management purposes', without specifying the level of internal management monitoring. We understand that this requirement is present in the extant version of IAS 36, however, since the previous requirement was based around the level at which goodwill was being monitored, it was typically interpreted to mean a relatively high level of management (e.g. key management personnel), as lower levels of management would not be responsible for monitoring goodwill. If IAS 36.80(a) is modified as proposed to be based on the level at which 'the business' is monitored, then the requirement becomes less clear as 'the business associated with goodwill' may be monitored by many levels of management, for example, department managers in a supermarket or department store. We suggest that this point is clarified in any final amendments which are issued.

Question 7—Changes to the impairment test: Value in use (paragraphs 33, 44–51, 55, 130(g), 134(d)(v) and A20 of IAS 36)

The IASB is proposing to amend how an entity calculates an asset's value in use. In particular, the IASB proposes:

- *to remove a constraint on cash flows used to calculate value in use. An entity would no longer be prohibited from including cash flows arising from a future restructuring to which the entity is not yet committed or cash flows arising from improving or enhancing an asset's performance (see paragraphs BC204–BC214).*
- *to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use. Instead, an entity would be required to use internally*

consistent assumptions for cash flows and discount rates (see paragraphs BC215–BC222).

(a) Do you agree with the proposal to remove the constraint on including cash flows arising from a future restructuring to which the entity is not yet committed or from improving or enhancing an asset's performance? Why or why not?
(b) Do you agree with the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use? Why or why not?

We agree with the removal of the constraint on including cash flows arising from a future restructuring, enhancement or improvement. We believe this will improve the quality of information used in a value in use calculation because it will require fewer adjustments be made to management's forecasts, which should represent the best estimate of cash flows. If the number of adjustments that must be made to management's forecasts can be reduced, this increases the understandability and auditability of this information, as management can clearly articulate their intentions to auditors, who may more easily challenge and question the assumptions made. If adjustments must be made to management forecasts due to the requirements of IFRS Accounting Standards, it becomes more challenging to do so because the forecasts presented by management for the purposes of amounts included in the financial statements do not necessarily present their view.

We observe that if the proposed change for cash flows arising from a future restructuring is made, the difference between a value in use calculation and fair value less cost of disposal (FVLCOD) (the two components of the recoverable amount calculation) will be reduced. It would be useful for the IASB to highlight the remaining conceptual differences between the two components of the recoverable amount.

We agree with the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates, which is practically challenging to do.

Question 8—Proposed amendments to IFRS X Subsidiaries without Public Accountability: Disclosures

The IASB proposes to amend the forthcoming IFRS X Subsidiaries without Public Accountability: Disclosures (Subsidiaries Standard) to require eligible subsidiaries applying the Subsidiaries Standard to disclose:

- *information about the strategic rationale for a business combination (proposed paragraph 36(ca) of the Subsidiaries Standard);*
- *quantitative information about expected synergies, subject to an exemption in specific circumstances (proposed paragraphs 36(da) and 36A of the Subsidiaries Standard);*
- *information about the contribution of the acquired business (proposed paragraph 36(j) of the Subsidiaries Standard); and*
- *information about whether the discount rate used in calculating value in use is pre-tax or post-tax (paragraph 193 of the Subsidiaries Standard).*

See paragraphs BC252–BC256.

Do you agree with the proposals? Why or why not?

We agree with the proposals, except that we do not believe that any entity should be required to disclose information about expected synergies (see our response to question 5). If the Board proceeds with the requirement for entities that do not apply IFRS 19 to disclose information about expected synergies, we do not believe that this requirement should be included for entities that apply IFRS 19. Information about expected synergies represents management's view of forward looking information, and since IFRS 19's disclosure requirements are based on the requirements of IFRS for SMEs (which has no similar disclosure requirement), we do not believe it is necessary for entities applying IFRS 19 to provide such information.

The disclosure of expected synergies is similar to information that many entities disclose in management reports, which are only required for publicly accountable enterprises in many jurisdictions. As only entities without public accountability may apply IFRS 19, we do not believe that such entities should be required to disclose information about expected synergies.

Question 9—Transition (proposed paragraph 64R of IFRS 3, proposed paragraph 140O of IAS 36 and proposed paragraph B2 of the Subsidiaries Standard)

The IASB is proposing to require an entity to apply the amendments to IFRS 3, IAS 36 and the Subsidiaries Standard prospectively from the effective date without restating comparative information. The IASB is proposing no specific relief for first-time adopters. See paragraphs BC257–BC263.

Do you agree with the proposals? Why or why not? If you disagree with the proposals, please explain what you would suggest instead and why.

We agree with the proposed transition requirements.