

This paper provides the technical advice from EFRAG FR TEG to the EFRAG FRB, following EFRAG FR TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG FRB are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Business Combinations—Disclosures, Goodwill and Impairment

Cover Note

Objective

- 1 The objective of the session is for the EFRAG FRB to approve for issue to constituents the revised EFRAG draft comment letter ('DCL') on the IASB Exposure Draft ('ED') on Business Combinations—Disclosures, Goodwill and Impairment.
- 2 The EFRAG FR TEG proposed the DCL that was presented in the EFRAG FRB meeting on 23 April 2024 has been revised based on the feedback received from EFRAG FR Board members.

Questions to EFRAG FRB

- 3 Do EFRAG FRB members agree with the changes made by the EFRAG Secretariat and approve for issue to constituents the proposed EFRAG draft comment letter in agenda paper 0X-02?

EFRAG FRB meeting 23 April 2024

- 4 The EFRAG Secretariat has presented the EFRAG DCL on the IASB's ED, as recommended by EFRAG FR TEG during the meeting held on 12 April 2024.
- 5 During the 23 April meeting, EFRAG FRB suggested changes to the proposed DCL and agreed to postpone the vote on the DCL to the EFRAG FRB meeting on 30 April.
- 6 Based on the feedback received from EFRAG FRB, the EFRAG Secretariat has toned down the support for some of the IASB's proposals and made the following changes, as listed below by question:

Question 1

- 7 EFRAG FRB's concerns have been incorporated on the usefulness of information when provided on the integrated business basis, especially when the information becomes so detached from the acquired business.
- 8 A question to constituents has been included to obtain feedback on the usefulness of the integrated business information to users.

Question 2

Threshold approach

- 9 The cases where the proposed closed-list thresholds would capture business combinations that the entity's management would not consider strategic have been highlighted.
- 10 The EFRAG Secretariat also highlighted the appropriateness of an open-list approach instead, while highlighting that a closed-list approach would be operational. On that note, the EFRAG Secretariat has included a question to constituents.

Proposed thresholds

- 11 The proposal to include a caveat when meeting the qualitative thresholds for immaterial acquisitions has been included.

Series of business combinations

- 12 The EFRAG Secretariat has included a question to constituents on whether additional guidance is needed when assessing whether a series of business combinations in aggregate is strategic.

Question 3

- 13 No changes have been made.

Question 4

- 14 No changes have been made.

Question 5

Expected synergies

- 15 The EFRAG Secretariat has highlighted the view of many stakeholders that it could be challenging and subjective to quantify expected synergies.
- 16 The diverse views on the location of information about expected synergies has also been noted.
- 17 The usefulness of further guidance on the types and categories of expected synergies has been noted. In addition, the EFRAG Secretariat highlighted concerns about the lack of definition of 'synergies', especially in the context of the new requirements to quantify them by category.
- 18 Therefore, a question to constituents has been included to obtain views on whether the definition of 'synergies' or additional guidance should be provided.

Contribution of the acquired business

- 19 The challenges for preparing the information in paragraph B64(q) of IFRS 3 have been included. Hence, a question to constituents has been incorporated on whether there are any difficulties with providing/auditing this information.
- 20 The wording in the paragraphs related to the basis for preparing the information as an accounting policy has been clarified.

Question 6

- 21 No changes have been made.

Question 7

- 22 The concerns on enforceability and auditability when establishing the new boundaries of including cash flows from future restructuring/asset enhancements have been noted.
- 23 A question to constituents was included on whether they agree with the requested disclosure requirement on the expected cash flows related to future restructuring/asset enhancements.
- 24 In addition, the EFRAG Secretariat included a question to constituents on whether additional guidance is needed in how to treat taxes in the calculation of value in use.

Question 8

- 25 No changes have been made.

Question 9

- 26 No changes have been made.

Other matters

- 27 The EFRAG Secretariat has further expressed the diverse views on the location of information.
- 28 A question was included on whether all entities without public accountability (other than subsidiaries) should be granted relief from the full disclosure package.

EFRAG deadline for comment letter and approval of final comment letter

- 29 The EFRAG Secretariat is proposing a revised deadline for comments to be **Friday 28 June 2024**, to allow constituents for sufficient time to provide their comment letters. The following meetings have been considered:

10 July 2024	EFRAG FR TEG meeting to recommend the FCL to the EFRAG FRB
15 July 2024	IASB deadline for comments (EFRAG will ask for an extension)
17 July 2024	EFRAG FRB meeting to approve the FCL

Next steps

- 30 The EFRAG draft comment letter to be published for public consultation.
- 31 The EFRAG Secretariat to perform various outreach activities.

Agenda Papers

- 32 In addition to this cover note, **agenda paper OX-02** is provided for this meeting – EFRAG’s proposed draft comment letter.