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Dear Andreas,

ED/2024/1 – *Business Combinations – Disclosures, Goodwill and Impairment (Proposed amendments to IFRS 3 and IAS 36)*

On behalf of the Accounting Standards Committee of Germany, I am writing to comment on ED/2024/1 *Business Combinations – Disclosures, Goodwill and Impairment (Proposed amendments to IFRS 3 and IAS 36)*, issued by the IASB on 14 March 2024 (herein referred to as 'ED'). We appreciate the opportunity to comment on the proposals.

We appreciate the IASB's efforts to improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make and to help investors better assess management's decision to make an acquisition and the performance of that acquisition.

However, we observe that the initial objective of the IASB's project, i.e., ensuring a robust impairment test and timely impairments of goodwill in response to the ongoing criticism of 'too little, too late' has hardly been addressed. Regarding the proposed disclosure requirements we acknowledge, that the IASB has given more weight to assessing management's stewardship of the entity's economic resources compared to prospects for future net cash inflows to the reporting entity.

We think that a fundamental reconsideration of goodwill accounting would have been preferable to address the long-standing issues. As we detailed in our response to DP/2020/1, we think that the current impairment model does not meet the expectations of users, regulators, and other stakeholders with regard to recognising impairments on a timely basis. Given the identified limitations of the existing impairment test and considering the difficulties of any significant improvements, we still think that the reintroduction of goodwill amortisation would have constituted a more promising alternative to pursue.

Although we doubt whether the existing conceptual accounting challenges can be overcome just by selective information about how efficiently and effectively the reporting entity's management has discharged its responsibilities to use the entity's economic resources as

proposed by the amendments in the ED, we support some amendments while we are not convinced about or not supportive of others. In particular, we agree with the proposals regarding 'Disclosures: Exemption from disclosing information' (Question 3), 'Disclosures: Other proposals' (Question 5, except information on expected synergies), 'Changes to the impairment test: Value in use' (Question 7) and 'Transition' (Question 9).

We mostly agree with the proposals as regards 'Disclosures: Strategic business combinations' (Question 2) and 'Proposed amendments to IFRS X *Subsidiaries without Public Accountability: Disclosures*' (Question 8).

After deliberating the proposals, we are not yet convinced about the specifics of 'Disclosures: Performance of a business combination' (Question 1) and 'information on expected synergies' (Question 5), as we think that these proposed disclosures are commercially sensitive and could lead to a competitive disadvantage for IFRS preparers. Regarding 'Disclosures: Identifying information to be disclosed' (Question 4), we consider the appropriate definition of a strategic business combination as significantly more important than the determination of the monitoring level, so that only business combinations that the management of the company itself considers to be strategic are covered by the additional reporting requirements.

We do not support the proposals on 'Changes to the impairment test' (Question 6) to reduce shielding and management over-optimism, as we do not consider them as suitable for addressing this initial objective of the IASB's project.

For more details on our findings on the specific proposals in the ED, we refer to our responses to the questions which are laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Peter Zimniok (zimniok@drsc.de) or me.

Yours sincerely,

Sven Morich
Vice President

Appendix – Answers to the questions in the ED

Question 1 – Disclosures: Performance of a business combination (proposed paragraphs B67A–B67G of IFRS 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 **understand** the IASB's rationale that information on the performance of an acquisition be disclosed (only) for a subset of business combinations. However, we **do not fully support** the attainment of this rationale.

On the one hand, the IASB's proposals correspond to the users' desire for such information and take into account the preparers' fears that such disclosures for all material acquisitions (as opposed to only for strategic business combinations) would lead to a "disclosure overload". We concede and agree that the existing disclosures do not adequately satisfy the interest of users as to whether an acquisition was successful. The proposed disclosures of 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, could provide more useful information to investors and increase the information value of the financial statements. We also understand that the verification of this information by auditors would be appealing. Generally, we consider the proposed disclosures to be auditable, as inherent measurement/estimation uncertainties must and can also be dealt with for other accounting issues.

On the other hand, there are various concerns. For example, there may be an area of conflict for information that is of interest to the user but is classified as commercially sensitive and confidential by the company. Requiring the disclosure of such information would be problematic, therefore, we welcome the proposed exemption (see our answer to Question 3). Additionally, we think that it is debatable whether disclosures in the notes are the appropriate medium for assessing the benefits of investment decisions or whether such information would be better located in other corporate/investor communications. In addition, and while we consider the proposed information to be desirable, we deem a legal assessment difficult, whether information about management's key objectives for an acquisition together with detailed targets could be considered as forward-looking information.

Further, we consider it an important aspect that US GAAP does not provide for comparable disclosure requirements and that the requirement to disclose information about the

performance of a strategic business combination would therefore represent a competitive disadvantage for IFRS preparers. We were told that IFRS preparers fear that the facilitated public accessibility of this information as well as for expected synergies (see our answer to Question 5), 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.

Somewhat similarly, there is 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.

As a practical aspect, we consider the gathering of the necessary information for the proposed disclosures in subsequent periods to be difficult and it may necessitate a lot of judgement, which could impair comparability. This is particularly true for the regularly observable cases where the acquired company is fully integrated into the business of the acquirer and where a group is restructured, which also can take place later.

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

[…]

(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 **support** the IASB proposing to require a company to disclose information about the performance of acquisitions for only a subset of material acquisitions. Consequentially, we welcome the IASBs efforts to provide a specific definition of such a subset.

We understand that the use of a threshold approach offers the advantage of objectivity, is easy for preparers to operationalise and verifiable by auditors.

However, we must raise various **points of criticism**. First, we strongly believe that the term "strategic" is misleading. Not every acquisition covered by the proposed definition would be considered strategic by management. We think a more neutral term would therefore be preferable, e.g. a '(separately) reportable acquisition' (borrowing from IFRS 8).

Second, we think that the specific set-up of the proposed thresholds is debatable. A quantitative threshold of 10% is not always appropriate in relation to certain key metrics. For large companies, these thresholds would presumably only very rarely be met, whereas for smaller companies they would presumably be met more frequently. Also, metrics to be compared might first have to be calculated. In addition, to our understanding, management would often rather use non-GAAP measures.

We are particularly critical of the proposed threshold of 10% of operating profit or loss. As this represents a net amount, it would have a major leverage effect in the event of a low net profit or loss and may, thus, incorrectly classify a large number of acquisitions as strategic business combinations in these reporting years. Therefore, we would consider a reference to revenue (as well as a metric more suitable for banks) as more appropriate.

Additionally, while we understand the intention of the proposed qualitative thresholds that an acquisition is deemed a strategic business combination if it results in the acquirer entering a new major line of business or geographical area of operations, we think that this would cause various smaller acquisitions, that lead to a company entering a new important line of business or a new geographical market, to also be incorrectly treated as strategic business combinations.

In the light of these points of criticism, we think that it may be helpful to use the definition proposed by the IASB as a rebuttable presumption. This would resolve the challenges of using the operating profit or loss metric and better align the identification of a strategic business combination (a separately reportable acquisition) with the management's perspective. This way, acquisitions that are not captured by the proposed definition could be added and acquisitions incorrectly classified as strategic business combinations could be removed by the management. Both types of adjustment would have to be explained, which could offer additional valuable information to users of the financial statements.

Further, we discussed combining qualitative and quantitative thresholds, but think that it would not be beneficial, as this would result in even fewer acquisitions being classified as strategic. Also, we discussed that a potential deficiency of the threshold approach may relate to cumulative acquisitions (a series of smaller acquisitions that do not meet the criteria individually, but in total). However, we agree with the IASB´s conclusion in BC71-BC73 that it is not feasible to develop a method for identifying a series of business combinations entered into to achieve the same strategic objective.

Lastly, from a conceptual perspective, it seems inconsistent to identify the reportable (strategic) business combinations by using a rigid threshold approach, which is not principle-based. Whereas the management approach is used to determine how long an entity would be required to disclose the information. We debated if, alternatively, the management approach could be used consistently, with management classifying which acquisitions are to be regarded as strategic business combinations. This approach would presumably lead to a similar result as the IASB's proposed definition. However, we think it would involve a higher level of judgement and be more difficult to operationalise; as among other things, it would be necessary to define which management level would be authoritative.

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

[…]

(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 proposal to exempt an entity from disclosing some of the information that would be required applying the proposals of the ED in specific circumstances. We also agree with the proposed application guidance.

As stated in our answer to Question 1, there may be an area of conflict for information that is of interest to the user but is classified as commercially sensitive and confidential by the company. Requiring the disclosure of such information would be problematic, therefore, we welcome the proposed exemption 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.

We consider the criteria set by the IASB for making use of the exemption, in particular that a general risk of a potential weakening of competitiveness due to disclosing an item of information is not, on its own, a sufficient reason to apply the exemption and that the information in question must not be publicly available, e.g. have been submitted to a regulatory authority, to be demanding, but appropriate. Additionally, the legitimate interest of users in information about business combinations could result in the exception not being applied excessively.

Nevertheless, we harbor reservations about the practical feasibility of the proposed exemption. The rationale behind this exemption - namely, if a disclosure is 'expected to seriously prejudice the achievement of any of the entity's acquisition-date key objectives' - leaves significant room for interpretation. Consequently, we anticipate protracted and arduous discussions with auditors and enforcers regarding its applicability.

Drawing from past experience with a similar exemption outlined in paragraph 92 of IAS 37 *Provisions, contingent liabilities, and contingent assets*, which pertains to non-disclosure of specific information when it 'can be expected to seriously prejudice the position of the entity', we find that this exemption is rarely invoked. The accounting literature, predominantly shaped by the Big Four audit firms, takes a stringent stance on applying this exception. This concern is heightened by the fact that the IASB proposes the same wording as in paragraph 92 of IAS 37 namely 'expected to prejudice seriously'. We understand that the reference to 'extremely rare cases' was intentionally omitted in the proposed changes to paragraph B67D

of IFRS 3 to stipulate a broader application basis. If this is indeed the case, we strongly recommend reflecting this intention in the wording referenced above to avoid the interpretation that 'expected to prejudice seriously' always relates to extreme rare cases.

Also, one could argue that a conclusive explanation of the reason for applying the exemption would likewise have to contain commercially sensitive information, which is why it could be assumed that the explanation would probably be phrased in more general terms instead. The actual usage of the exemption in practice, disclosed reasons for applying the exemption and the resulting effects on the intended financial reporting should, therefore, be revisited by the IASB after a certain period of time (i.e., during a post-implementation review).

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

[…]

(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 **do not oppose** that the information an entity should be required to disclose should be the information reviewed by the entity's key management personnel.

In our view the term *key management personnel* (KMP, in accordance with IAS 24) as currently proposed is broader than the term *chief operating decision maker* (CODM, in accordance with IFRS 8) proposed in the discussion paper. We do not share the confusion cited by the IASB in BC113(a) about the term CODM as a justification, among others, for switching to another specified level of management. Instead, we believe that actual strategic business combinations are indeed monitored by the CODM.

The IASB, though, defines strategic business combinations with more modest criteria due to the proposed quantitative and qualitative thresholds, which leads to a blurring of the CODM and KMP levels. Many of the acquisitions covered by the proposed definition would not be monitored by the CODM, which is why the KMP is the right level for these acquisitions. This would be helped by the fact that this group of personnel has already been defined by all

companies when applying IAS 24. However, these business combinations should consequently not be classified as strategic, as most of them are presumably not seen as strategic by the management of the company. We think a more neutral term would therefore be preferable (see our answer to question 2), e.g. a '(separately) reportable acquisition'.

In summary, we consider the appropriate definition of a strategic business combination as significantly more important than the determination of the monitoring level, so that only business combinations that the management of the company itself considers to be strategic are covered by the additional reporting requirements.

We **mostly support** the proposed requirements to disclose information about the performance of a business combination for as long as the entity's key management personnel review that information and to requiring an entity 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.

Having said that, gathering the necessary information in the regularly observable cases where the acquired company is fully and swiftly integrated into the business of the acquirer and where a group is restructured, which also can take place later, may potentially be challenging for preparers. Additionally, we were made aware of concerns that in the event of integration into a business unit below the segment level, key metrics (below segment level) would have to be disclosed which would not be monitored by the CODM.

Further, we expect that one of the main reasons for a company to not start reviewing the achievement of a key objective and the related targets for a strategic business combination would often be that the acquisition is not considered as strategic by the management of the company, even though it met the definition of a strategic business combination as per the proposals. If this were indeed the case, it would cast doubt on the appropriateness of the proposed definition and should, therefore, be revisited by the IASB after a certain period of time (i.e., during a post-implementation review).

Question 5 – Disclosures: Other proposals

[…]

New disclosure objectives (proposed paragraph 62A of IFRS 3)

[…]

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

[…]

The strategic rationale for a business combination (paragraph B64(d) of IFRS 3)

[…]

Contribution of the acquired business (paragraph B64(q) of IFRS 3)

[…]

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

[…]

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

[…]

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

New disclosure objectives (proposed paragraph 62A of IFRS 3)

While we **support** the new disclosures objectives, that the acquirer shall disclose information that enables users of its financial statements to evaluate (a) the benefits an entity expects from a business combination when agreeing on the price to acquire a business; and (b) for a strategic business combination, the extent to which the benefits an entity expects from the business combination are being obtained, we consider the specific information required, e.g. information on expected synergies, to be much more decisive.

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

We acknowledge, that there is an understandable interest in this information on the part of the investors. We also acknowledge that these disclosures may contribute to a better assessment of whether the acquisition was successful and whether the purchase price paid was appropriate. Therefore, we consider the proposed requirements to be **useful** for users.

Also, we note that there are certain difficulties (e.g., the existence of multicausal effects, such as revenue synergies) in determining the proposed disclosures. However, we deem this to be preferential to the alternatives of no information on synergies or only boilerplate information.

Yet, we want to highlight several **points of criticism**. We suspect that these disclosure requirements may be prepared rather vaguely, in particular due to the commercial sensitivity of this information.

While the proposed disclosures may provide additional relevant information and thus offer added value to the user, we generally consider qualitative information on synergies to be difficult. We think that the quantification and audit of the initially expected synergies is feasible, but the subsequent tracking of this information (in particular the actual realisation of those synergies) may prove to be difficult (e.g. after integrations and restructurings). This would also be highly demanding of the auditor, as the estimation of expected synergies may cover long periods with many different influencing factors, therefore it may be more akin to a process assessment.

In our deliberations of the proposals, preparers were particularly critical of the required disclosures on synergies and emphasized that US GAAP does not require comparable

disclosures. Considering the intended 'level playing field', the requirement of IFRS to disclose potentially sensitive information would therefore represent a competitive disadvantage for companies accounting under IFRS (see our answer to Question 1). In addition, some preparers expressed concerns regarding forward-looking information and the resulting risk of legal disputes.

The strategic rationale for a business combination (paragraph B64(d) of IFRS 3)

While we generally **support** the proposal 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, we consider this to be an editorial amendment that will not have a significant effect, but rather will maintain consistency with the other amendments.

Contribution of the acquired business (paragraph B64(q) of IFRS 3)

We **support** the proposal to amend paragraph B64(q) of IFRS 3 to improve the information users receive about the contribution of the acquired business. In particular, the specification that the amount of profit or loss referred to in that paragraph is the amount of operating profit or loss (as defined as part of the IASB's Primary Financial Statements project) and the explanation of the purpose of the requirement without adding specific application guidance.

However, we think that the use of the term 'accounting policy' as used in IFRS should be **avoided**. It is a pro forma disclosure that is not determined in accordance with IFRS. Instead, the IASB should require an explanation how the pro forma figures are determined.

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

We **agree** with the proposal to delete the word 'major' from paragraph B64(i) of IFRS 3. Additionally, we welcome the proposal to include pension and financing liabilities in the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3.

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

We **support** the proposal to delete from IFRS 3 paragraph 64(h), 67 (d)(iii) and 67(e), as these paragraphs contain requirements that are also present in other IFRS Accounting Standards or are not considered as providing useful information.

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

[…]

Proposals to reduce shielding

[…]

Proposal to reduce management over-optimism

[…]

(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 do **not agree** with the proposals to reduce shielding and management over-optimism, as we do not consider them as suitable for solving the initial core problem of the IASB's project, which has hardly been addressed and therefore continues to exist, i.e. ensuring a robust impairment test, timely impairments of goodwill in response to the ongoing criticism of too little too late and too high volumes of goodwill. We believe that the impairment test set out in IAS 36 *Impairment of Assets* has not met the expectations placed in it, namely, to recognise impairment losses on goodwill on a timely basis. Effectively responding to these ongoing issues would require more profound changes than those proposed by the IASB.

Regarding the proposals to reduce shielding (a), we agree that the regularly observable implementation of the impairment test at the level of aggregated cash-generating units (often at the highest permitted aggregation level of the operating segment according to IFRS 8 *Operating Segments*) leads to the shielding effects identified. The IASB tries to counter that by requiring the tests to be performed at a lower level, but this would likely necessitate significantly higher costs and effort, which in turn could lead to a different assessment of cost versus benefit in a renewed analysis. Compounding matters, the IASB merely declares the proposal as a clarification, although substantially it should be regarded as an actual amendment. A clarification can hardly be expected to have a positive effect on practice, in the sense of a change in behaviour, as a preparer would have to admit that he had not applied the standard correctly up to that point. Further, even if this proposal would be treated as an actual change by preparers, we are not convinced that it would lead to the outcome intended by the IASB, as the level where goodwill is monitored may be different from the level where an acquired business is monitored. The IASB would therefore have to be stricter to achieve a substantive change, like the US GAAP mandating an allocation below the level of an operating segment.

As regards the proposal to reduce management over-optimism (b), we understand that academic research gathered in the Post-implementation Review of IFRS 3 suggests that management estimates and forecasts tend to be too optimistic. In contrast, however, many input parameters for the calculations are market-validated, which is why the IASB's observation cannot be fully shared. Beyond that, we do not consider the proposed amendment to be effective in preventing overly optimistic management planning. The proposed amendment of requiring an entity to disclose in which reportable segment a cash-generating unit or group of cash-generating units containing goodwill is included, would be in line with the current standard disclosure, as goodwill is currently often allocated at business segment level anyway.

In accordance with our comment letter to DP/2020/1, we note again that due to the conceptual design of the current impairment model, the terminal value is the main factor when determining

whether there is the need for an impairment. Furthermore, various factors (e.g., optimistic management estimates, perpetuity considerations, going concern premise, CGU considerations, shielding, substitution of goodwill, entity specific expectations regarding value in use) aid an 'optimistic' terminal value. As a result - and precisely because the current impairment test works as envisaged - there will be no significant impairments, as long as the terminal value is not significantly affected. This leads to crises not being reflected in a timely manner, as significant impairments would only occur in situations that severely threaten a CGU's business model. Hence, we think that the current impairment model does not meet the expectations of users of the financial statements, regulators, and other stakeholders with regard to recognising impairments on a timely basis. We believe that the IASB would therefore be better advised to take on the challenge and think about stricter alternatives.

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)

[…]

(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 **support** the proposed removal of the constraint in IAS 36 that prohibits companies from including some cash flows in estimating value in use (cash flows arising from a future uncommitted restructuring or from improving or enhancing the asset's performance) as well as the proposed permission to use post-tax cash flows and post-tax discount rates in estimating value in use, as we think that the current IAS 36 guidance pertaining to the calculation of the value in use does not seem appropriate.

Regarding the inclusion of cash flows from future uncommitted restructurings and asset enhancements, we believe that it does make sense to make use of internal budgets and forecasts, which take the dynamic management of the business into consideration, and to allow those effects to be incorporated in the cash flow projections that are used to determine the value in use. We would expect these budgets and forecasts to be reasonable and supportable, i.e., they would have to be reliable for market participants.

As regards the proposal to allow entities an election between a pre-tax or post-tax calculation, we already stated in our comment letter on DP/2020/1 that we observed entities regularly using a post-tax basis with an additional iteration to derive the pre-tax discount rate required by IAS 36 (for disclosure purposes as no observable pre-tax interest rates are available). Therefore, we **agree** with the proposal to use a post-tax discount rate as an alternative to the

pre-tax rate currently mandated. Having said that, a clarification of how to proceed with deferred tax items would be helpful.

Further, we would like to point out, that the proposed changes will lead to the value in use becoming very similar to the fair value less costs of disposal, as to our understanding remaining differences mainly relate to entity-specific estimates and synergies. Therefore, it would be helpful, if the IASB could outline in the Basis for Conclusions its understanding of remaining differences between these methods for estimating the recoverable amount of an asset.

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

[…]

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

We **support most** of the IASB´s proposals to amend IFRS 19 *Subsidiaries without Public Accountability: Disclosures.* We agree with the requirements for 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);
- information about the contribution of the acquired business (proposed paragraph 36(j) of the Subsidiaries Standard; As stated in our answer to Question 5, we think that the use of the term ‘accounting policy’ should be **avoided.**); and
- information about whether the discount rate used in calculating value in use is pretax or post-tax (paragraph 193 of the Subsidiaries Standard).

Regarding quantitative information about expected synergies, subject to an exemption in specific circumstances (proposed paragraphs 36(da) and 36A of the Subsidiaries Standard); we refer to our answer to Question 5 and expect the final amendments of IFRS 3 and IFRS 19 to be aligned.

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

[…]

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 IASB’s proposal to require an entity to apply the amendments to IFRS 3, IAS 36 and IFRS 19 prospectively from the effective date without restating comparative information. We consider this approach adequate and useful.

We also agree with the reasoning of the IASB provided in paragraphs BC258, BC262 and BC263 and thus not proposing specific relief for first-time adopters.