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Subject: Comments on Exposure draft of Business Combinations—Disclosures, Goodwill, and Impairment

1) I welcome the opportunity provided for sending comments on exposure draft of Business Combinations—Disclosures, Goodwill, and Impairment
2) My view considering fact pattern.

| Question | General Comments | Specific Comments | Additional Proposal |
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| Question 1—Disclosures: Performance of a business combination (proposed paragraphs B67A–B67G of IFRS 3)<br><br>(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.<br>(b) If you disagree with the proposal, what specific changes would you suggest providing users with more useful information about the performance of a business combination at a reasonable cost? | I partially agree with the amendment, and it helps better transparency and informed decision making.<br><br>**Objective:**<br>Users said they want to understand whether the price paid for a business combination was reasonable and whether the business combination has been successful.<br><br>Objective is not getting addressed fully in the draft.<br><br>Proposal in draft is emphasising more on short term targets, it should be changed to long term strategic goals. | Reason for disagreement<br><br>a) Selective disclosure can lead to non-disclosure of critical information<br><br>b) Commercially sensitive is not defined in detail could be mis used<br><br>c) Any detail which cannot be shared with users of financial statements is something not justified to the investor and users investing money in the organisation except on account of legal restrictions<br><br>d) Auditors will have huge challenge in validating whether the information is commercially sensitive, as sensitive for one need not be always sensitive to other | a) Require disclosure of both achieved and unachieved objectives with a brief explanation for the latter. This provides a more complete picture of performance.<br><br>b) Unachieved objectives following to be disclosed:<br><br>- disclosing the information resulted in the entity being unable to meet the objectives of the business combination.<br>- there were factors outside the entity's control; or<br>- management did not efficiently or effectively discharge its responsibilities.<br><br>b) Overall companies to disclose metrics alongside targets that reflect the long-term success of the business combination, not just short-term financial gains |

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| | | | c) Pricing logic needs to be shared in financials as per valuation report and standard should consider facts about disclosure of compliance with IBBI regulations, valuation standards and controls/measures considered to avoid future surprises in valuations like start up surprises<br><br>d) Location of information inside financial to be considered in standard to avoid presenting at different locations Ex: Presenting should be done below investments or below goodwill like that should be given under standard<br><br>e) Management commentary should disclose more insights from the perspective and information reviewed by KMP/CODM<br><br>f) Forward looking information has its own risk – management should disclose assumptions, judgements in detail<br><br>g) Integration of combination – information about integration with existing business combined with strategy should be disclosed on both quantitative and qualitative metrics along with information of measurement post combination |
| Question 2—Disclosures: Strategic business combinations (proposed paragraph B67C of IFRS 3)<br><br>(a) Do you agree with the | I agree on the changes, it offers a more targeted disclosure requirement, but threshold-based approach is not appropriate. | Materiality threshold is generally not recommended to include in standards, it would be appropriate to have principle-based | **All complex/ critical and material acquisition:** Require comprehensive disclosure of performance information for all material acquisitions. |

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| proposal to use a threshold approach? Why or why not?<br>If you disagree with the proposal, what approach would you suggest and why?<br>(b) If you agree with the proposal to use a threshold approach, do you agree with<br>the proposed thresholds? Why or why not? If not, what thresholds would you? suggest and why? | General key features of strategic business decisions:<br><br>**Impact:** They affect the entire organization, not just one department or product line.<br>**Long-term focus:** They shape the company's future for years to come.<br>**Resource allocation:** They involve significant commitments of money, people, and other resources.<br>**Uncertainty and risk:** They often deal with future events, which can be unpredictable and carry inherent risk.<br>**Competitive advantage:** They are aimed at creating or maintaining a competitive advantage over rivals. | approach, as threshold creates a rule-based approach which is very different from all other IFRS.<br><br>Further materiality becomes arbitrary for people to excluding certain complex acquisitions.<br><br>Judgement and assumption will be varying for every acquisition and difficult to manage for every change, every business need, country-based complexities, and risk-based policy changes which may be carried out by Companies every year.<br><br>Threshold can lead to ambiguity across industries, listed/non listed, foreign and start up acquisitions.<br><br>Series of acquisition with common objective will become challenging to test threshold limits. | **All non-strategic acquisition:**<br>Allow simplified disclosures for non-strategic acquisitions, focusing on key financial metrics.<br><br>General definition of strategic business decision looks qualitative, principal based and not rule based. Accordingly, threshold is not required.<br><br>Open list approach as followed in IFRS will be appropriate rather than closed list approach of having thresholds during determination by Companies. |
| Question 3—Disclosures: Exemption from disclosing information (proposed paragraphs B67D–B67G of IFRS 3)<br><br>(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.<br>(b) Do you think the proposed application guidance would help | Proposed exemption is partially agreed.<br><br>Disclosure exemption can be allowed only when it is legally prohibited | The term "seriously prejudice" is subjective and open to interpretation.<br>Companies might exploit this ambiguity to withhold crucial information. | If exemption is used clear disclosure of the justification for using the exemption is important, otherwise users are left in the dark about potentially important details.<br><br>Exemption should be very limited and cannot be granted open ended which can lead to exploitation of interpretation. |

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| restrict the application of the exemption to only the appropriate circumstances? If not, please explain what application guidance you would suggest achieving that aim. | | | |
| Question 4—Disclosures: Identifying information to be disclosed (proposed paragraphs B67A–B67B of IFRS 3)<br><br>(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?<br>(b) Do you agree that:<br>(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?<br>(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? | I partially agree.<br><br>Disclosure should consider details reviewed by KMP and those filed with legal authorities as per local law of the land.<br><br>If KMP stops reviewing still it should be disclosed and should not be stopped as these are key information for users, without this objective of this amendment will not be achieved. | Further any information shared in agreement between buyer and seller should be disclosed.<br><br>Any periodical update between buyer and seller along with disclosure for commitment or contingent consideration related information should be disclosed. | Any key information tracked internally should be disclosed.<br><br>Even if target is achieved within 2 years still information should be disclosed.<br><br>Information should be disclosed till all strategy target planned during investments are achieved and till all legal filings are completed whichever is later.<br><br>Also, disclosure should be continued till compliances of other agreed terms between buyer and seller which could have impact on further operations after achieving strategic targets. |
| Question 5—Disclosures: Other proposals<br>Do you agree with the proposals? Why or why not? | Agreed for all proposal | | |

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| Question 6—Changes to the impairment test (paragraphs 80–81, 83, 85 and 134(a) of IAS 36)<br><br>(a) Do you agree with the proposals to reduce shielding? Why or why not?<br>(b) Do you agree with the proposal to reduce management over-optimism? Why or why not? | Partially agreed. | Management can misuse allocation or assumptions.<br><br>Disclosure of assumption and judgements should be provided in detail with changes compared to last year assumptions, actual achieved, reason for changes in assumptions and reason for variances. This is important to support discount rates, risk considered by management, beta and others. | Management should disclose sensitivity of working up and down by a specific threshold to disclose the strength of assumptions considered by management |
| 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)<br><br>(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?<br>(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? | Future investment plan consideration is partially agreed.<br><br>Removing pre-tax requirements for cash flow and discount rates is agreed as post tax measurement is the actual cash flow for the organisation. Using post-tax cash flows will better represent the actual cash available to the company from the asset. | Management might misuse additional investment by overestimating.<br><br>Additional investment for replacement or for component changes is appropriate to be considered and not new assets which is very different from bought assets.<br><br>Also as regards replacement and component changes management should disclose clear justification on planned action.<br><br>Further past trend of asset utilisation should be narrated to ensure replacement is not only on account of efflux of time but due to usage which can support future cash flow consistency without which business cannot continue. | Strong disclosure of assumptions used, achievement over assumptions, discount rate used, related party influence must be carried out by management.<br><br>Companies should ensure internal consistency between the assumptions used in the impairment test and those used in other financial valuations. |
| Question 8—Proposed amendments to IFRS X Subsidiaries without Public Accountability: Disclosures | Agreed | | |

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| Question 9—Transition (proposed paragraph 64R of IFRS 3, proposed paragraph 140O of IAS 36 and proposed paragraph B2 of the Subsidiaries Standard) | Restatement of comparative is important as this will have bearing on decisions by users | | Previous year comparatives are important to be changed for better analysis, informed decision by users and for analysing impact in consolidation with other companies for investors.<br><br>It would be beneficial if 2 years information's are shared for users of financials to make decisions. |

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards

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