

Questions to Constituents

1. Do you agree that there should be a requirement to recognise goodwill as an asset and amortise it over subsequent periods? If so, do you support amortisation because:
 - (a) goodwill existing at acquisition date is consumed and replaced with internally generated goodwill over time, thus it should be allocated to subsequent periods as part of the cost of acquiring an entity;
 - (b) an impairment-only model is not sufficiently reliable due to the large use of assumptions in the impairment test (future cash flows, terminal growth rate and discount rate); or
 - (c) amortisation of goodwill, in addition to the impairment test, achieves an appropriate cost-benefit balance.

We agree that there should be a requirement to recognize goodwill as an asset and amortize it over subsequent periods because goodwill existing at acquisition date is consumed and replaced with internally generated goodwill over time, thus it should be allocated to subsequent periods as part of the cost of acquiring an entity.

2. Assuming that there was a requirement to amortise goodwill, do you think that the IASB should:
 - (a) indicate what the amortisation period should be?
 - (b) indicate a maximum amortisation period?
 - (c) provide guidance on how entities should assess the amortisation period (for instance, by referring to the expected payback period or the useful life of the primary asset)?
 - (d) allow entities to elect the amortisation period that they consider appropriate?

Assuming there was a requirement to amortize goodwill, the IASB should indicate a maximum amortization period.

3. The DP suggests the need for improved guidance in a number of areas in IAS 36. Do you think that the IASB should improve and/or provide additional guidance in relation to:
 - (a) the methods to determine the recoverable amount of the goodwill;
 - (b) the application of the value-in-use method;
 - (c) the identification of cash-generating units and allocation of goodwill to each unit; and
 - (d) the choice of the discount rate.

If not, please indicate why. Please state any specific suggestions for improvements if you have.

The IASB should provide additional guidance in relation to the methods to determine the recoverable amount of goodwill and the identification of cash generating units and allocation of goodwill to each unit.

There is adequate guidance and literature available for the application of the value in use method, and the choice of the discount rate.

4. The DP suggests a number of possible new disclosures about impairment testing for goodwill. Do you think that the IASB should consider improving requirements to:
- (a) assist users in understanding the robustness of the modelling and the entity's current assumptions;
 - (b) provide confirmation of the 'reasonableness' of the entity's past assumptions; and
 - (c) assist users in predicting future impairment.

The new disclosures about impairment testing for goodwill should take account of the users understanding of the robustness of the modeling and the entity's current assumptions.

Confirmation of the reasonableness of the entity's past assumptions and prediction about future impairment may confuse the users.

5. IAS 38 requires that intangible assets with indefinite useful lives are not amortised but tested for impairment at least annually. Assuming that there was a requirement to amortise the goodwill, do you think that the same requirement should be extended to other intangible assets with indefinite useful lives? In addition, assuming that there was a requirement to amortise goodwill, do you think that the current requirements of identifying intangible assets separately from goodwill should be reconsidered? If so, how?

Assuming there was a requirement to amortize the goodwill, the same requirement should be extended to other assets with indefinite useful life. Furthermore, the current requirement to identify intangible assets separately from goodwill should be retained, otherwise the amount of goodwill may become too large.