

IASB ED Goodwill and Impairment

SUPPORTING MATERIAL FOR TEG DISCUSSION

TEG MEETING 26 MARCH 2020

List of questions in the DP

QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q2. (a)+(b) (i)	Not discussed	Disclose whether objectives defined at acquisition date are met, using metrics that are consistent with CODM's monitoring	Agree
Q2. (b) (ii)	Not discussed	Subsequent disclosure whether objectives defined at acquisition date are met, using metrics that are consistent with CODM's monitoring	Agree, (consistent with internal information to the extent that it is possible. Guidance with list of metrics could help)
Q2. (b) (iii)	Not discussed	Do not disclose, if CODM does not monitor	Disagree, (for material GW disclosure should be required)
Q2. (b) (iv/v)	Not discussed	Stop disclosing if CODM stops monitoring	Disagree, (stop monitoring is a rebuttable presumption of impairment)
Q2. (b) (iv/v)	Not discussed	If metrics are changed, adjust disclosure accordingly	Agree
Q2. (c)	Not discussed	Disclosure is required only for acquisitions that are monitored	Disagree, (when there is material GW information has to be provided)

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q2. (d)	Discussed	Commercial sensitiveness	Agree, (plus question to constituents to collect examples)
Q2. (e)	Discussed	Forward-looking	Agree, (plus question to constituents to collect example)
Q3.	Discussed	Disclose information about the strategic rationale and management's objectives for an acquisition as at the acquisition date	Agree, (only as long as it continues to monitor the acquisition)
Q4.	Discussed	Disclosure to be provided in the acquisition period <ol style="list-style-type: none"> 1. Description of synergies; 2. When synergies are expected 3. Estimated amount/range of the synergies; 4. Expected cost to achieve synergies; 5. Specify liabilities from financing and DBP liabilities are major classes of liabilities. 	<ul style="list-style-type: none"> • Agree in general, however scope to be limited to transactions resulting in material GW. • Agree in detail with 1, 2 and 4. • Express doubts about reliability and commercial sensitiveness of 2 and 3. • If 2 and 3 are disclosed, judgement applied and hypothesis assumed in the quantification should be disclosed.

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q5. (a)+(b)	Not discussed	(a) Retain pro-forma information in IFRS 3 (b) Asks for input on additional guidance	Agree (suggest to develop illustrative examples)
Q5. (c)	Not discussed	Amend IFRS 3 (for acquisitions in the period disclose revenue and P&L of the acquired business after the acquisition date) (a) 'operating profit before acquisition-related transaction and integration costs' for both the pro forma information and information about the acquired business after the acquisition date. (b) disclose the cash flows from operating activities of the acquired business after the acquisition date, and of the combined business on a pro forma basis for the current reporting period.	Agree

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q6. (a)+(b)	Discussed	Not feasible to design an impairment test that is significantly more effective at a reasonable cost	Disagree, (Impairment testing can be improved at reasonable cost: (a) guidance on allocation to CGUs; (b) rules in relation to disposal of business and reorganisations; (c) transparency)
Q6. (c)+(d)	Discussed	Impairment losses are not recognised on a timely basis due to management over-optimism and the shielding effect	Agree, (disclosures of the expected management cash flows over the period before the terminal value should be improved)

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q7. (a)	Discussed	Retain impairment approach, without amortisation of goodwill	Agree, (EFRAG is seeking views from constituents. EFRAG agrees with the arguments exposed in the ED for supporting both approaches)
Q7. (b)	Discussed	Which new evidence do exist in favor and against impairment?	Agree, (EFRAG is seeking views from constituents. EFRAG agrees with the arguments exposed in the ED for supporting both approaches)
Q7. (c)	Discussed	Would amortisation solve the too late problem?	Partially Agree, (those that support amortisation do so from a practical point of view. Amortiation would avoid to have ever-lasting goodwill)
Q7. (d)	Discussed	Is acquired goodwill distinct from internally generated GW in a CGU?	Disagree, (from an accounting perspective, without a change to the allocation to the CGU, distinction is not possible)

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q7. (e)		<p>If amortisation were to be reintroduced, do you think companies would adjust or create new MPM to add back the amortisation expense?</p> <p>Under the impairment-only model, are companies adding back impairment losses in their MPM?</p>	<p>Question to constituents to be added</p> <p>Agree, (EFRAG knows that impairment of GW is one of the adjusting elements to derive the “recurring” operating profit)</p>
Q7. (f)		<p>If amortisation were to be reintroduced how should the useful life of goodwill and its amortisation pattern be determined</p>	<p>Question to constituents to be added</p>

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QUESTION	TEG PREVIOUS DISCUSSION	IASB PROPOSAL	EFRAG SECRETARIAT PROPOSAL
Q8. (a)+(b)		Present the amount of total equity excluding goodwill	Disagree, subtotal would create confusion
Q9. (a)	Discussed	Remove the requirement for a company to perform an annual impairment test for CGUs containing goodwill if there is no indication that CGUs may be impaired. Moving to an indicator-based approach would place more reliance on identifying indicators of impairment	Disagree, (to remove the requirement to perform a quantitative impairment test every year) Agree, (to an indicator-based approach but could accentuate 'too little too late' issue and could result in a further loss of information)
Q9. (b)	Discussed	Mixed views on the cost of the proposal in (a)	Agree, (could be some cost savings)
Q9. (c)	Discussed	Mixed views on the decreased of the robustness of the impairment test if apply the proposal in (a)	Agree, (simplify the test without making it significantly less robust)

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Q10. (a)+(b)	Discussed	Remove the restriction in IAS 36 that prohibits companies from including some cash flows in estimating ViU. Allow companies to use post-tax cash flows and post-tax discount rates in estimating ViU	Agree
Q11. (a)+(b)	Discussed	Develop further simplification to the impairment test	Agree
Q12. (a)+(b)+(c)	Not as part of the goodwill project – discussed for Better information on Intangibles	Do not develop a proposal to change the recognition criteria for identifiable intangible assets acquired in a business combination	Further discussion needed to see were the majority of TEG members is.



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THANK YOU



EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org

