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EFRAG User Panel observations on Disclosures Issues Paper

Objective

- 1 This paper serves as background for EFRAG TEG about the feedback received from 1 April 2020 EFRAG User Panel on the Disclosures in the IASB DP on *Business Combinations: Disclosures, Goodwill and Impairment*.
- 2 At this meeting, EFRAG Secretariat presented to the EFRAG User Panel a summary of the proposed requirements regarding the disclosures and the tentative decisions of EFRAG TEG. Questions 2, 3, 4,5 and 12 of the IASB Discussion Paper were discussed.

Summary of feedback received

- 3 In relation to question number two, users had some reservations about the focus being on the CODM; some members expressed the view that the information was not useful in assessing goodwill while others suggested that it should not be used to assess goodwill; that if a company stopped monitoring a material acquisition one user would impair, there were concerns that two years of monitoring was short, especially for big acquisitions and that if a company had cash flows for the PPA then it should have reliable synergies (it would be audited as part of the goodwill impairment test) to be disclosed.
- 4 Regarding question four it was stated that, the verifiability of cost synergies was much higher than those of revenues; the market would be more disciplined if estimates of expected benefits were provided; and that the disclosure should be in broad terms and based on ranges rather than specific figures. A user did not see value in adding additional disclosures as synergies are not evident in the profit and loss account.
- 5 Following a question from one of the users, it was explained that there was divergence in how entities calculated the pro-forma result and that there was not much guidance on this, having EFRAG highlighted this on its DCL (question 5 DP). One of the users agreed with the tentative wording of EFRAG.
- 6 Regarding question number 12, some users indicated that such a proposal should focus on a different project as it was a very extensive and conceptual one. One user opined that the IASB should not open a debate on which intangible assets should be subsumed into goodwill and which should not.