

EFRAG SECRETARIAT PAPER FOR PUBLIC MEETING

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EFRAG publication of a quantitative analysis on Goodwill and Impairment**Cover note****Objective**

- 1 The objective of this session is to present and recommend to the EFRAG Board a publication of a quantitative study on goodwill and impairment.

Background

- 2 In the context of the post-implementation review of IFRS 3 *Business Combinations*, EFRAG TEG had a number of discussions in 2015 about possible improvements to the impairment test and possible approaches to determine a useful life of goodwill. However, EFRAG TEG did not express a preference between impairment-only and impairment and amortisation. Moreover, EFRAG TEG was able to reach little consensus on any proposal.
- 3 In December 2015, the EFRAG Secretariat reported on the outcome of the discussion and lack of consensus. The EFRAG Board requested the EFRAG Secretariat to perform an analysis of quantitative data on goodwill and impairment across European entities, with a view that quantitative data may offer some evidence and provide a useful background to move further with the conceptual discussion. The current quantitative analysis is the result of the original EFRAG Board request.
- 4 The EFRAG Secretariat collected quantitative information and discussed initial version of the analysis a number of times with both EFRAG TEG and the EFRAG Board. A number of suggestions were made to make the analysis wider and deeper, and the EFRAG Secretariat has addressed them in full. EFRAG Board agreed that EFRAG should publish the European quantitative data and indicate how they could be used in relation to the conceptual debate.
- 5 Moreover, EFRAG Board approved the structure of the publication in July 2016 and that the publication would contain a comparison of data for the European companies to the non-European companies. This part of the publication was performed in cooperation with the ASBJ.
- 6 The EFRAG Secretariat has taken into account all the previous EFRAG Board and EFRAG TEG discussions, and as a result, the publication does not explicitly or implicitly suggest an EFRAG support to maintain the current impairment-only model or to bring back annual amortisation of goodwill, as neither TEG nor the Board have reached a position.

Publication of a Quantitative Analysis on Goodwill and Impairment – cover note

- 7 Also, as advised by EFRAG TEG, the publication indicates what the inherent limitations of the research are, in the sense that the quantitative data analysis, in isolation, cannot provide an undisputed indication of what the accounting should be.

July 2016 EFRAG TEG meeting

- 8 The EFRAG Secretariat brought a full version of the paper to the July 2016 TEG meeting. EFRAG TEG generally agreed with the content of the paper and recommended a number of improvements. TEG members recommended that the study should not present any conclusive interpretation of the data.

Question for the EFRAG Board

- 9 Does the EFRAG Board agree to proceed with the publication of the quantitative analysis?

Agenda Papers

- 10 In addition to this cover note, agenda paper 08-02 *Publication of goodwill quantitative study* has been provided for the session.