

EFRAG PAPER FOR PUBLIC MEETING

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Goodwill impairment and amortisation – next steps

- 1 In 2014, EFRAG published together with ASBJ and OIC a discussion paper ('DP') authored by a Research Group on the subsequent accounting for goodwill.
- 2 Following the analysis of the feedback, EFRAG Board approved to continue the project. In the second phase of the project, EFRAG TEG has tentatively identified some possible improvements to the impairment test:
 - (a) The IASB should consider an approach in which an entity is required to perform a quantitative impairment test only if a qualitative assessment shows that the goodwill is likely to be impaired;
 - (b) The IASB should consider the advantages and disadvantages of requiring only one method to assess the recoverable amount. One way to do this, but not the only one, would be to require entities to select the method that reflects the expected manner of recovery of the investment;
 - (c) Entities should be allowed to include the effect of future restructurings in the VIU calculation, before the restructuring qualifies for recognition; and
 - (d) The IASB should allow entities to opt for a pre-tax or post-tax calculation of VIU.
- 3 EFRAG TEG has not expressed a view on whether the IASB should re-introduce annual amortisation of goodwill.
- 4 In the meantime, the IASB has completed its analysis of the findings from the Post-implementation Review of IFRS 3 *Business Combinations* and has started to debate the issues identified as priorities.
- 5 The IASB and the FASB have committed to maintain convergence and both Boards will first focus on ways to improve the impairment test, with re-introduction of annual amortisation to be considered at a later stage. The two Boards will also consider whether to change the requirements on recognition of separate intangibles from goodwill.
- 6 No decision has been taken yet on whether the IASB will move straight to an Exposure Draft or will first issue a Discussion Paper.
- 7 The IASB initial analysis of the aspects to discuss in relation to both the impairment test and the possible reintroduction of annual amortisation is very consistent with the topics identified by the Research Group and discussed by EFRAG TEG in phase II. At its October meeting, the IASB expressed interest in working together with ASBJ/EFRAG/OIC.

EFRAG TEG recommendation

- 8 EFRAG TEG recommended to partner with the IASB on the process, subject to agreeing terms of reference, and indicated that the priority was to work on improvements to the impairment test consistently with the preliminary views expressed on the IASB agenda consultation.

Questions to EFRAG Board

- 9 Do you agree with the recommendation of EFRAG TEG?
- 10 Do you have suggestions on how to manage the process with the IASB?