

GOODWILL IMPAIRMENT TEST: CAN IT BE IMPROVED?

QUESTION 1 - HOW AN ENTITY SHOULD ALLOCATE GOODWILL

In paragraphs 2.3 to 2.22 of Chapter 2 EFRAG discusses additional guidance on the allocation of goodwill to CGU and disclosures on the break-down of goodwill by cash-generating unit.

Q1.1 Do you agree with the additional guidance on how an entity should allocate goodwill?
Yes, but it should be provided information about the rational used and should be principles based.

Q1.2 Do you have any other suggestions to improve this area of the goodwill impairment test?
No.

QUESTION 2 - WHEN AN ENTITY SHOULD DETERMINE THE RECOVERABLE AMOUNT

In paragraphs 2.23 to 2.37 of Chapter 2, EFRAG discusses the introduction of a 'Step Zero' to the impairment test.

Q2.1 Do you agree with the introduction of an initial qualitative assessment?
Yes if a first impairment test has been done. The qualitative assessment should be a kind of monitoring of the difference parameters used for the first test.

Q2.2 Do you have any other suggestions to improve this area of the goodwill impairment test?
On the macroeconomic conditions referred on par. 2.28a) one at least is missing: a significant raise, or change of benchmark, on risk free rate or on country risk factor used to assess the discount rate.

QUESTION 3 - HOW AN ENTITY SHOULD DETERMINE THE RECOVERABLE AMOUNT

In paragraphs 2.38 to 2.78 of Chapter 2, EFRAG discusses how an entity determines the recoverable amount.

Q3.1 Do you agree with having a single method for determining the recoverable amount?
No. However we believe that more information should be disclosed regarding the fair value assessment which would allow the user to judge the valuation.

Q3.2 Do you agree with the inclusion of future restructurings in the calculation of the value in use?
Yes. Restructuring cost to be included in the calculation of VIU must be pre-approved by the board members and that requirement should be explicit.

Q3.3 Do you agree with allowing the use of a post-tax discount rate?
Yes with the appropriated disclosures.

Q3.4 Do you agree that the impairment test should target internally generated goodwill? Is the goodwill accretion an acceptable way to do so?
No because it seems to be complex without value added. Instead it should be considered the possibility of amortization.

Q3.5 Do you have any other suggestions to improve this area of the goodwill impairment test?
No.

Lisbon, 18th December 2017