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IASB Research project on Goodwill and Impairment

Cover note

Objective

- 1 The objective of this session is to seek input from EFRAG CFSS and EFRAG TEG on the following developments on the IASB's Research project on Goodwill and Impairment in preparation for the April 2018 ASAF meeting:
 - (a) The updated headroom approach;
 - (b) Separate recognition of identifiable intangible assets acquired in a business combination; and
 - (c) IASB's tentative decisions on other matters related to the Research project.

Developments so far

- 2 The objective of the IASB Research project is to respond to findings from its post-implementation review of IFRS 3 *Business Combinations*. The project aims to improve the effectiveness of the goodwill impairment test and simplify its application without losing information provided to users.
- 3 At its meetings in December 2017 and January 2018 the IASB tentatively decided to:
 - a) Use the unrecognised headroom of a cash-generating unit (CGU) (or group of CGU's) as an additional input in the impairment testing of goodwill – the updated headroom approach.
 - b) Not to reintroduce amortisation of goodwill.
 - c) Retain the current requirement of using the higher of value in use and fair value less costs of disposal as the basis for determining recoverable amount under IAS 36 *Impairment of Assets*.
 - d) Remove the requirement to exclude a future restructuring or a future enhancement from the value in use calculation.
 - e) Remove the explicit requirement to use pre-tax inputs to calculate value in use and to disclose the pre-tax discount rates used. Instead an entity would be required to use internally consistent assumptions about cash flows and discount rates and disclose the discount rate(s) used.
 - f) Consider additional disclosures to improve information about goodwill and impairment testing.

- 4 The IASB will discuss separate recognition of identifiable intangible assets acquired in a business combination at its meeting in April 2018.
- 5 The IASB expects to publish a discussion paper in the second half of 2018.

Agenda Papers

- 6 In addition to this paper, the following papers are provided:
 - (a) agenda paper 14-02 Issues paper – Goodwill and Impairment; and
 - (b) agenda paper 14-03 ASAF AP5 – Goodwill and Impairment [for background only].