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IASB Research project on goodwill and impairment

Cover note

Objective

- 1 The objective of this session is to obtain EFRAG TEG members views' on the IASB's tentative decisions taken so far on its Research project on goodwill impairment testing.
- 2 The IASB has taken tentative decisions at its meetings in December 2017 and January 2018 on the following issues:
 - a) 'updated headroom approach' for goodwill impairment testing;
 - b) amortisation of goodwill;
 - c) recoverable amount – the higher of value in use and fair value less costs of disposal or single method approach;
 - d) cash flows from future restructuring and asset enhancements to calculate value in use;
 - e) post-tax versus pre-tax inputs to calculate value in use; and
 - f) disclosures to improve information about goodwill and impairment testing.
- 3 The IASB expects to publish a discussion paper in the second half of 2018 to consult on the above tentative decisions.

Background

IASB developments

- 4 The IASB has a Research project on goodwill and impairment that aims to explore whether it is possible to simplify and improve the application of the goodwill impairment test, improve the disclosures about impairment testing and simplify the separation of specified identifiable intangible assets from goodwill in a business combination.
- 5 At its December 2017 and January 2018 meetings, the IASB discussed and made tentative decisions on several issues related to the above objectives, including whether amortisation of goodwill should be reintroduced.

EFRAG Research project

- 6 EFRAG has a research project to provide input to any future IASB proposals on its goodwill and impairment project. In September 2016, EFRAG published a quantitative study on Goodwill and Impairment.
- 7 In June 2017 EFRAG published a *Discussion Paper Goodwill impairment test: can it be improved?* (EFRAG DP) that includes similar issues to those being considered by the IASB in its Research project on goodwill and impairment. The EFRAG Secretariat have included high level views expressed by respondents to EFRAG DP on those issues. The responses to EFRAG DP are discussed in session 7 for today's meeting.

Agenda Papers

- 8 In addition to this cover note, the following agenda papers are provided for this session:
 - (a) Agenda paper 08-02 – Updated headroom approach;
 - (b) Agenda paper 08-03 – Amortisation of goodwill, a single method for recoverable and other issues; and
 - (c) Agenda paper 08-04 – Improving disclosures about goodwill impairment testing.