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Outreach activities with CFSS members

Issues Paper

Objective

- 1 The purpose of this session is to discuss EFRAG CFSS members' outreach activities on the IASB Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment* ('the DP').
- 2 The DP proposes significant new disclosure requirements, changes to the impairment test of goodwill and consults on whether goodwill should be amortised. Additional questions are addressed to Constituents in the EFRAG's draft comment letter (e.g. improvements to the impairment testing or reversal of impairment).
- 3 Many CFSS members may accordingly plan outreach activities to learn the views of their constituents on these important issues. EFRAG performs outreach during the consultation period of relevant projects with a purpose to stimulate the debate in Europe and obtain input from European Constituents, also from those that may not intend to submit a comment letter to the IASB or EFRAG.
- 4 The involvement of National Standard Setters is a vital component of EFRAG's consultation process to ensure that any changes to IFRS Standards are fit for use in Europe.

Background

- 5 On 19 March 2020, the IASB published the DP. The DP explores:
 - (a) How disclosures about acquisitions can be improved. The IASB proposes to require entities to disclose the strategic rationale for an acquisition, the objectives for the acquisition, the managerial metrics for monitoring achievement of objectives (at the acquisition date) and the performance against the objectives (after the acquisition date). These proposals are innovative and are triggering debate, as they are mainly non-GAAP in nature and their preparation raises concerns about operability, auditability and cost. The assessment will likely have to involve M&A departments and not only reporting departments.
 - (b) Whether the impairment test of goodwill can be made more effective.
 - (c) Whether amortisation of goodwill should be reintroduced.
 - (d) Whether the impairment test can be simplified, for example by not requiring the impairment test to be performed annually, but only when there is an indication of impairment and by allowing entities to use post-tax inputs when calculating value in use.
 - (e) Whether some identifiable intangible assets acquired in a business combination could be included in goodwill (instead of being recognised separately from goodwill).

- 6 The comment period on the DP ends on 31 December 2020.
- 7 EFRAG issued its [Draft Comment Letter](#) in response to the DP on 29 May 2020 and is requesting comments by end of November 2020. A presentation of EFRAG's Draft Comment Letter is provided for background purposes as Paper 07-02.

Webinars

- 8 To stimulate the discussion on the DP and to learn the views of its constituents on the DP and to the suggestions made in EFRAG's Draft Comment Letter, EFRAG plans to arrange a series of webinars or physical meetings (if circumstances would allow) together with EFRAG CFSS members and other organisations. The webinars and physical meetings will be arranged jointly with the IASB whenever possible and will take place in the period July – October (if needed we can also consider November).
- 9 The webinars co-hosted with EFRAG CFSS members and other organisations (and with the IASB) for the primary financial statements project that took place in May and June were a success that overcame the expectations, with hundreds of registrants and participants at each event. These events managed to attract a large local audience and despite the fact that constituents could choose to attend any of the webinars, they generally chose to attend the webinar (co-)hosted by their national standard setter. The EFRAG Secretariat provided the technical infrastructure for the connection, the logistic support to Slido questions and supported the preparation of the technical contents, to the extent requested. Members may wish to watch the videos to better form their views; they are accessible [here](#).

Other outreach activities

- 10 In addition to webinars and any physical meetings arranged by/with EFRAG CFSS members, EFRAG will reach out to groups of users and preparers interested in preparing outreach activities with EFRAG. EFRAG is also ready to present its draft comment letter and receive the views of its member organisations and other interested organisations, in various ways, including closed meetings with local experts and technical working groups.
- 11 EFRAG will also issue a survey to a sample of European preparers (listed entities) with active M&A agendas and relative significant amounts of goodwill. The IASB staff will also be informed and involved. This survey should, among other things, help EFRAG to understand which information is already available on the performance of acquisitions and how goodwill, including its useful life, is considered by preparers.
- 12 The preferred approach would be to systematically involve EFRAG CFSS members when approaching preparers of the respective jurisdictions and EFRAG would, vice-appreciate help to reach out preparers.

Questions for EFRAG CFSS

- 13 Have EFRAG CFSS members already considered specific activities related to the DP? When they will start mobilising resources on this topic?
- 14 Would EFRAG CFSS members be interested in co-hosting outreach events related to the DP in the period July/October (if needed November)? If so, could this take form of a physical meeting or a webinar (and if so, when should this take place?)
- 15 The webinars on the primary financial statements project, while being designed similar to the usual the physical meeting as local events with the active involvement of one national standard setter, attracted the attention of a broader European and even global audience. As such, the EFRAG Secretariat would like to propose, as an alternative to a traditional event organised with one national standard setter, events where more than one national standard setter are involved, providing speakers and co-hosting the events. Preparers and users of the respective jurisdictions would also be involved, allowing a lively debate on the different views. Would EFRAG CFSS members be interested in co-hosting outreach events with more than one national standard setter involved in the period July/October (if needed November)?
- 16 Do EFRAG CFSS members have identified preparers with active M&A agendas and material goodwill to involve in the outreach activities related to preparers as described in paragraph 11 above? EFRAG Secretariat would appreciate to be put in contact with these preparers by mid-July.