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IASB project on Business Combinations – *Disclosures, Goodwill and Impairment*
Project update

Objective

1 The objective of the session is:

(a) to provide EFRAG TEG members with an update on the IASB's discussions and tentative decisions taken so far based on the feedback received on the Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment* ('the DP')*.*

(b) to inform EFRAG TEG members on the status of the FASB project *Identifiable Intangible Assets and Subsequent Accounting for Goodwill* and tentative decisions taken by the FASB based on the feedback received on the FASB Invitation to Comment published in July 2019.

(c) ask EFRAG TEG members for their view on the more controversial aspects of the disclosure proposals in the DP and any other comments on the IASB and FASB tentative decisions so far on the project.

Structure of the paper

2 This paper is structured as follows:

(a) key points for discussion (paragraphs 3-6)

(b) background (paragraphs 8-11)

(c) summary of IASB feedback (paragraphs 12-22)

(d) IASB discussions and tentative decisions so far (paragraphs 23-45)

(e) ASAF discussions (paragraphs 46-56)

(f) EFRAG discussions so far (paragraphs 57-67)

(g) IASB and FASB joint meeting and tentative decisions (paragraphs 68-70)

(h) Questions to EFRAG TEG (paragraphs 71-72).

Key points for discussion

3 The IASB has decided to prioritise the deliberations on its preliminary views on the disclosure requirements in the DP. EFRAG TEG discussed IASB staff examples illustrating the information staff expect an entity would disclose applying the IASB preliminary views in the DP at its EFRAG TEG/CFSS meeting in November 2021 in preparation for the ASAF December 2021 meeting.

4 At the December 2021 ASAF meeting, members raised several concerns on the proposed disclosures noting that:

(a) the information was commercially sensitive (such as market share information; information about employment; and quantitative information about expected synergies);

(b) the information would be difficult to audit and would add additional risk to auditors; and

(c) the information should be included in the management commentary instead of the financial statements.

5 The concerns raised were consistent with the comments received by the IASB during its DP consultation (through comment letters and outreach).

6 The EFRAG project team would therefore like to better understand whether EFRAG TEG members share similar views to ASAF members and if so, what suggestions would EFRAG TEG members make to help the IASB develop improved disclosure requirements on business combinations that preparers would be able to provide and where such information should be included (financial statements or management commentary or elsewhere).

7 Questions to EFRAG TEG are included in paragraphs 71 – 72.

Background

8 The IASB started this project as a response to the concerns identified during the IASB's post-implementation review of IFRS 3 *Business Combinations* related to the timeliness and effectiveness of the current annual goodwill impairment test under IAS 36 *Impairment of Assets*.

9 In March 2020, the IASB published the DP including the IASB's preliminary views on how to address stakeholders' concerns. The DP included suggestions on improving the disclosures about business combinations by adding the information about its subsequent performance and objectives; including information about synergies; improving the accounting for goodwill by assessing whether the amortisation should be reintroduced and some other targeted improvements/simplifications to the current impairment test including the suggestion to only require a quantitative impairment test of CGUs including goodwill to be performed when there would be an indication of an impairment.

10 EFRAG published its final comment letter in January 2021. EFRAG TEG-CFSS discussed the feedback received by the IASB on its DP in its meetings in June 2021 and December 2021.

11 The IASB comment period ended in December 2020. The IASB discussed feedback received and made tentative decisions at its meetings in June 2021, July 2021, October 2021 and November 2021. The Accounting Standards Advisory Board (ASAF) discussed the project at its meetings in June and December 2021. In December 2021, the ASAF focused mainly on the IASB disclosure proposals.

Summary of IASB feedback

12 A high-level summary of feedback received on the IASB's preliminary views included the DP is provided in Agenda paper 18A of the IASB March 2021 meeting. The feedback is summarised below.

Subsequent performance of business combinations

13 Many respondents said that there are practical challenges that would make it costly to disclose the information being considered by the IASB. Notably, many preparers said that the information is commercially sensitive and would be difficult to audit. There were also concerns that the information is forward looking and that

subsequent integration of the acquired business into the acquirer's existing business would be a barrier to providing useful information.

14 Some respondents, mainly in Europe, were concerned that being required to disclose information about the subsequent performance of business combinations will put entities using IFRS Standards at a disadvantage compared to other entities, notably those reporting using US GAAP.

15 Many respondents said that the information being considered by the IASB should be provided in management commentary rather than in the notes to the financial statements.

Targeted improvements to existing disclosures

16 Of the IASB's other preliminary views on disclosures, the requirement to disclose additional quantitative information about synergies attracted most comment. The IASB received mixed feedback on this preliminary view.

17 Many respondents agreed that they expected the information will be useful for users. However, many respondents disagreed with the preliminary view because, in their view, such information is costly and difficult to prepare and audit, could be commercially sensitive or should be disclosed in management commentary rather than in financial statements. Many respondents said the IASB should define synergies if it requires entities to disclose more information about them in financial statements.

18 Respondents generally agreed with the IASB's preliminary views that it should add new disclosure objectives and a requirement to disclose debt and pension liabilities obtained in a business combination.

19 There was mixed feedback on the IASB's preliminary views on information about the contribution of the acquired business. Many respondents disagreed with the IASB's preliminary view that it should require disclosure of operating cash flow information. In their view, such information may not be useful and providing it would be costly.

Subsequent accounting for goodwill

20 Most respondents agreed with the IASB's preliminary view that it is not feasible to design a different impairment test that is significantly more effective than the impairment test of CGUs containing goodwill in IAS 36 at a reasonable cost.

21 However, respondents suggested the IASB could improve the application of the impairment test in IAS 36 by developing additional disclosure requirements to combat management over-optimism and developing additional guidance to improve the level at which goodwill is allocated to CGUs to reduce the 'shielding' effect described in the DP.

22 Respondents remain divided on whether the IASB should reintroduce amortisation of goodwill. Many respondents agreed with the IASB's preliminary view to retain the impairment-only approach but many other respondents disagreed with the IASB's preliminary view and instead advocated reintroducing amortisation of goodwill. In particular:

(a) individual users and user groups were split in their views;

(b) most preparers and many national standard-setters advocated reintroducing amortisation of goodwill; and

(c) a few respondents (for example, some accounting firms, accounting bodies and national standard-setters, and many regulators) did not offer a view, with many observing the merits and limitations of both models and mixed views within their organisations.

IASB discussions and tentative decisions so far

23 The IASB has redeliberated various aspects of its DP proposals from June to November 2021. In July 2021, the IASB decided to consider disclosures before discussing the subsequent accounting for goodwill. A summary of the discussions and tentative decisions is provided below.

June 2021

24 In June 2021, the IASB discussed the feedback received on the objective and scope of the project.

25 Most of respondents agreed with the objective and scope of the project, which is to provide users of financial statements with more useful information about the business combinations those entities make.

26 However, many respondents said that they did not view the IASB's preliminary views as a package with a unifying objective. Many of those respondents suggested considering disclosures separately from the subsequent accounting for goodwill. Based on the feedback received, the IASB decided not to make changes to the original objective and scope of the project. See the IASB staff paper 18A for more details.

July 2021

27 At the IASB meeting in July 2021, the IASB redeliberated its preliminary views on the subsequent accounting for goodwill focusing on:

(a) location of the information resulting from, and practical challenges related to the IASB proposals on improving disclosures. See the IASB staff paper 18A;

(b) improving the effectiveness of the impairment test. See the IASB staff paper 18B and 18C; and

(c) the subsequent accounting for goodwill, including whether to reintroduce amortisation. See the IASB staff paper 18D.

28 The IASB did not take any decisions at this meeting but suggested to consider the question about subsequent accounting for goodwill as part of a broader package that aims to meet the overall project's objective. The IASB asked the IASB staff to conduct further research regarding the feasibility of estimating a useful life for goodwill and the effects of moving to a goodwill amortisation model.

September 2021

29 At the IASB meeting in September 2021, the IASB staff presented an updated project plan. At this meeting the IASB decided to prioritise performing further work:

(a) to make tentative decisions on the package of disclosure requirements about business combinations described in the DP; and

(b) to analyse specific aspects of the feedback on the subsequent accounting for goodwill including:

(i) whether it is feasible to make a reliable estimate of the useful life of goodwill and the pattern in which it diminishes; and

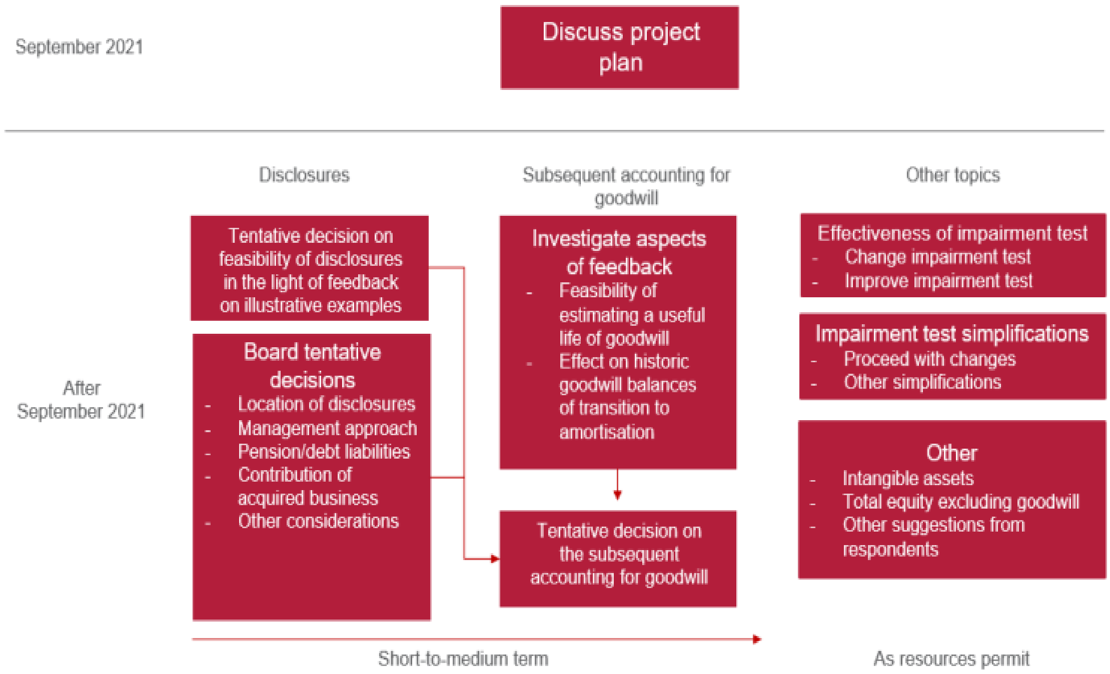
(ii) the potential effects of derecognising significant amounts of goodwill on transition to an amortisation-based model were the IASB to decide to reintroduce amortisation.

30 The IASB will then redeliberate its preliminary view that it should retain the impairment-only model to account for goodwill.

31 In September 2021, the IASB staff sent a request to IFASS members requesting the information on the accounting for goodwill under local GAAP.

32 Regarding disclosures, the IASB staff proposed to develop illustrative examples to better understand whether it is feasible to continue with its proposals to provide information about the subsequent performance of business combinations and quantitative information about expected synergies, and if not, what alternative disclosures could preparers provide so that users have better information about business combinations. The IASB staff examples were discussed at the ASAF December 2021 meeting.

33 The updated IASB project plan presented to the IASB in September 2021 is presented below:



October 2021

34 At its meeting in October 2021, the IASB discussed:

(a) Conceptual considerations for location of disclosures (See IASB Staff paper 18A); and

(b) Practical challenges – Forward-looking information (See IASB Staff paper 18B).

Conceptual considerations for location of disclosures

35 The IASB tentatively decided that, based on the *Conceptual Framework for Financial Reporting*, information can be required in financial statements about the benefits an entity's management expects from a business combination and the extent to which management's objectives are being met—such as information about the subsequent performance of a business combination, and quantitative information about expected synergies.

Practical challenges - Forward-looking information

36 The IASB also discussed practical concerns over requiring entities to include such information in financial statements. In particular, the IASB discussed the IASB staff's additional research and analysis of concerns over requiring entities to disclose information that might be considered forward-looking in some jurisdictions.

37 The IASB was not asked to make any decisions about the practical concerns.

November 2021

38 At its meeting in November 2021, the IASB redeliberated aspects of its preliminary views on improving the disclosure requirements in IFRS 3. The IASB discussed the following disclosure proposals:

(a) Expected synergies arising from a business combination (See [IASB Staff paper 18A]);

(b) Contribution of the acquired business (See [IASB Staff paper 18B]); and

(c) Liabilities arising from financing activities and defined benefit pension liabilities (See [IASB Staff paper 18C]).

Expected synergies arising from a business combination

39 The IASB discussed aspects of the feedback on its preliminary view of requiring an entity to disclose (a) the estimated amount or range of amounts of the synergies, and (b) when the synergies are expected to be realised.

40 To understand better the practical concerns raised by respondents the IASB will test examples with stakeholders. The examples should illustrate disclosure of information about:

(a) total expected synergies disaggregated by nature; for example, total revenue, total cost and totals for other types of synergies; and

(b) when the benefits expected from the synergies are expected to start and how long they will last (which would require an entity to identify whether those synergies are expected to be one-off or recurring).

41 The IASB also tentatively decided not to define 'synergies'.

Contribution of the acquired business

42 The IASB tentatively decided:

(a) To retain the requirement in paragraph B64(q) of IFRS 3[1].

(b) To explain the objective of the requirement in paragraph B64(q)(ii) of IFRS 3 but not to provide guidance on how the information required by paragraph B64(q)(ii) should be prepared.

(c) To specify in paragraph B64(q)(ii) of IFRS 3 that the basis that an entity applies in preparing the information required by that paragraph is an accounting policy.

(d) To replace the term 'profit or loss' in paragraph B64(q) of IFRS 3 with 'operating profit or loss'. 'Operating profit or loss' will be as defined in the IASB's *Primary Financial Statements* project.

(e) Not to add a requirement to disclose information about cash flows arising from operating activities.

Liabilities arising from financing activities and defined benefit pension liabilities

43 The IASB discussed feedback on its preliminary view on developing proposals to specify that liabilities arising from financing activities and defined benefit pension liabilities are major classes of liabilities.

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[1] Paragraph 64(q) of IFRS 3 requires an entity to disclose (i) the amounts of revenue and profit or loss of the acquiree since the acquisition date; and (ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

44 The IASB tentatively decided to achieve the objective of its preliminary view by not specifying that these liabilities are major classes of liabilities but instead by proposing to amend:

(a) paragraph B64(i) of IFRS 3 to remove the term ‘major’; and

(b) paragraph IE72 of the Illustrative Examples accompanying IFRS 3 to illustrate liabilities arising from financing activities and defined benefit pension liabilities as classes of liabilities assumed.

45 The IASB will continue redeliberating its preliminary views that it should improve the disclosure requirements in IFRS 3 at future meetings.

ASAF discussions

June 2021

46 At its June 2021 meeting, the ASAF discussed the **areas that the IASB should consider in its redeliberation process and the importance of convergence** on this topic with US GAAP. The outcome of the discussion can be found in the ASAF meeting summary published on the IASB website. The main messages from ASAF members were:

(a) Decisions on the subsequent accounting of goodwill, including improvements to the impairment test, should be prioritised over disclosures, because the IASB’s decisions on the subsequent accounting of goodwill could affect the disclosures that would be required.

(b) ASAF members expressed various opinions on the importance of convergence with US GAAP. While some members said that convergence is a key factor for the IASB to consider, other members (including EFRAG) said that, although convergence is an important factor for the IASB to consider, it should not be the determining factor in the IASB’s decision making. However, one member noted that the collaboration between the two boards on convergence would be beneficial if the focus of both boards is to improve the decision usefulness of information provided applying the current model for accounting for goodwill.

(c) The FASB member said the FASB is leaning towards reintroducing amortisation of goodwill. The member further commented that there is substantial benefit in achieving convergence on the topic and from discussions with the Board. The FASB member said the FASB would like to persuade the IASB to reintroduce amortisation for goodwill.

December 2021

47 In December 2021, ASAF members received an update on the IASB’s recent discussions and were asked for **feedback on IASB staff examples illustrating the information staff expect an entity would disclose applying the IASB preliminary views** in the DP. Specifically, ASAF members’ discussed the following aspects on the proposed discloses in the DP:

(a) whether the aggregation of information in the disclosures section of the staff examples, compared to the background section, achieves the right balance between providing useful information to users of financial statements and not disclosing information that is too commercially sensitive;

(b) whether, considering legislation and regulations in their jurisdictions, any information in the disclosure section would raise significant additional litigation risk if disclosed in financial statements and why; and

(c) other comments on the staff examples.

48 The main messages from ASAF members on the information in the IASB staff examples are summarised below.

Commercial sensitivity

49 Most ASAF members reported that preparers in their jurisdictions said some or all information in the staff examples is, in their view, commercially sensitive. For example, one ASAF member from a European jurisdiction said preparers in his jurisdiction expressed concern that information in the staff examples could provide competitors with insights into the entity's strategy and potential future business combinations. The following information was generally considered to be commercially sensitive:

(a) numerical information about management's objectives;

(b) non-financial metrics;

(c) market share information;

(d) information about employment;

(e) quantitative information about expected synergies; and

(f) qualitative information about synergies because such information is often perceived as relating to redundancies.

50 Some ASAF members said that it is difficult to determine whether the preliminary views would require the disclosure of commercially sensitive information because whether information is sensitive depends on the facts and circumstances. The IASB staff examples were simple ones and did not illustrate more extreme cases of commercially sensitive information such as a fact pattern in which an entity acquires a business to obtain sufficient market power to set monopolistic prices.

51 Some ASAF members commented on whether there is a difference between accounting estimates and management's targets in a business combination. Some ASAF members thought there was no difference. Another ASAF member said it depends—information about a successful business combination in future periods is likely to be less commercially sensitive. This member considered that requiring disclosure of information about business combinations can invite strong reactions, because it is an area where it can be obvious whether management has made a good or bad decision.

52 Regarding user views, some ASAF members noted that users in their jurisdiction had said that the information in the staff examples is useful to users. However, one ASAF member said that users in his jurisdiction were sceptical as to whether the information in the staff examples would be useful because those users were concerned that the information might be unreliable.

Litigation risk

53 ASAF members from Canada and the United States said that said 'safe-harbour' protections exist in their jurisdictions. 'Safe-harbour' provides entities with protection from litigation by users of forward-looking information published in some documents other than financial statements.

54 ASAF members from jurisdictions outside Canada and the United States said no 'safe-harbour' protections exist in their jurisdictions. However, one member said some information could attract additional litigation risk if disclosed because of particular sensitivities—for example, information about earn-out clauses or information about synergies that could provide employees with sensitive information about planned restructurings.

55 ASAF members discussed whether information about management's targets for a business combination differs from other information in financial statements, such as

information about assumptions used in the impairment test in IAS 36 *Impairment of Assets* or the expected credit loss model in IFRS 9 *Financial Instruments*.

Other comments

56 Other comments and suggestions on how to improve disclosures made by ASAF members included:

(a) The IASB should consider that the performance of business combinations could be affected by events outside management's control – for example the effects of the COVID pandemic. This member suggested following a principle-based approach without being too specific and focus the disclosure on the key success factors of a business combination, rather than detailed information, because circumstances change and business units evolve.

(b) If the IASB required the disclosure of 'non-GAAP' information, that information would become part of GAAP and, therefore, the IASB would need to provide guidance on how to measure and audit that information.

(c) The information required when applying the IASB's preliminary views is similar to value creation and sustainability information and, therefore, could be included in management commentary.

(d) There were concerns about the auditability of the information if included in the financial statements. The IASB should communicate with auditors because auditors might be exposed to additional risk if required to audit information they do not currently audit, for example, information about an entity's market share.

EFRAG discussions so far

EFRAG TEG/CFSS

57 At its meeting in November 2021, EFRAG TEG/CFSS members discussed the same examples presented at the ASAF discussion in December 2021.

58 EFRAG TEG and EFRAG CFSS members noted that the IASB examples were useful for better understanding of the IASB proposals, although quite simplistic and straightforward and did not properly address the commercial sensitivity as there was no sensitive information in the underlying fact patterns. It was suggested that an example with a sensitive information were included, for instance if the business acquisition was made to obtain a market power to set monopolistic prices. They also noted that if expected cost savings were disclosed it could trigger the suppliers to renegotiate the contracts to increase the prices, therefore it could be considered a sensitive information.

59 Some EFRAG TEG and CFSS members considered that information on subsequent performance of business combinations (like information on expected synergies and whether they are being met in subsequent periods) related to non-financial reporting should be provided in the management commentary, rather than the financial statements. On the other hand, they raised a question of auditability and reliability of the information if it would be placed in the management commentary. Members noted that the level of assurance provided by this document was different in different jurisdictions. If the disclosure of some information needs to be mandatory, it should be placed in financial statements and not in management commentary.

60 EFRAG TEG and CFSS members expressed practical issues regarding the sensitivity of the of some information regarding the types of synergies and quantitative information on expected synergies, determining the information in a reliable manner and whether this type of information is auditable.

61 Some EFRAG TEG and CFSS members also questioned whether users of financial statements would find information on ''expected'' synergies useful as in many cases detailed calculations of cost savings would be difficult to estimate reliably.

EFRAG User Panel

62 In December 2021, EFRAG User Panel members discussed the IASB disclosure requirements that describe the objectives and provide information on the subsequent performance of the business combination as well as the IASB staff disclosure examples. EFRAG User Panel members provided the following feedback:

(a) A more consistent application of disclosures currently already required for the purchase price allocation would be beneficial for users.

(b) The proforma comparative information with detailed information up to the operating profit line especially for the first year of acquisition is very important for investors as it gives the information on how the acquisition is structured. Therefore, some additional guidance in IFRS Standards would be welcome and improving the requirements with possible guidance for proforma information would be helpful.

(c) The disclosures on business acquisitions should be audited no matter whether they are provided within the financial statements or outside (e.g., in Management Commentary). The location of information is less important than its availability and reliability.

(d) The equivalent disclosures about any other major investments (other than mergers and acquisitions) would also be beneficial to evaluate company performance and management stewardship.

(e) The proposed disclosures do not solve the main problem – the subsequent accounting of goodwill. Some members also `noted that improvements were needed to the purchase price allocation for business combinations.

EFRAG FIWG

63 EFRAG FIWG also discussed the IASB staff examples and considered them simple illustrations of small business combinations. Nonetheless, the examples highlighted that the information disclosed was non-financial information and raised concerns about providing this type of information in the financial statements.

64 It was noted that it might be easier to provide information on ''cost-related synergies'' compared to synergies related to revenue, but the problem would be that the information would be difficult to audit.

65 Overall, the general view was that the information on synergies should not be provided in the financial statements but rather in the management report. This is mainly because the information was non-financial and did not fit well in the financial statements. It would not be possible to tie this information neither to goodwill balances nor to the eventual impairment amounts. Such information could also be beyond what auditors can provide assurance on. However, it was acknowledged that not all jurisdictions require companies to prepare a management report and therefore the users of financial statements from entities in these jurisdictions might not be able to obtain this information.

66 It was noted that the IASB could focus on the level at which goodwill is tested for impairment under the current impairment model instead of trying to solve the issue through disclosures. One suggestion was to test for goodwill impairment at a lower level. Regarding disclosures, a suggestion was to focus on qualitative information rather than quantitative which was based on management estimates and thus might be less useful to users of financial statements and might not provide users with the comparability they sought.

67 Other concerns noted were:

(a) It was not clear whether the disclosures were focused on monitoring the goodwill number or the acquisition as a whole.

(b) It would be difficult to monitor synergies specific to an amount of acquired goodwill once the acquired business was integrated with other businesses or business units. Information on synergies after integration could therefore only be provided at a higher and general level (for example generic milestones).

(c) It was also difficult to define ''forward-looking'' so it was difficult at this stage to know whether the information could result in litigation risks.

(d) There were different interpretations of synergies and interpretations would generally be based on management definitions which would vary from company to company.

IASB and FASB joint meeting and tentative decisions

68 In July 2019, the FASB issued an Invitation to Comment (FASB ITC) *Identifiable Intangible Assets and Subsequent Accounting for Goodwill.* The FASB ITC was issued as part of the FASB's project on certain identifiable intangible assets acquired in a business combination and subsequent accounting for goodwill.

69 In July 2021, the IASB and the FASB held a joint educational meeting and discussed the status, feedback received and tentative decisions on their respective goodwill and impairment projects. Here are the links to the IASB and the FASB presentations.

70 The summary of the feedback received, and tentative decisions made by the two boards is presented in appendix 1.

Questions for EFRAG TEG

71 The feedback from users and preparers on the issue of increased disclosures on the strategic rationale, the objectives for a business combination (including expected synergies) and the metrics that management will use to monitor whether the objectives of the business combination are being met are conflicting (with preparers arguing that many aspects of the proposed requirements is commercially sensitive information). Does EFRAG TEG consider the current requirements in IFRS 3 paragraph B64(d) and (e) to be sufficient?[2] If so, why? If not, and given the feedback received so far, what would be the expanded disclosures that should be provided to enhance the information provided to users?

72 The feedback from preparers and auditors is that the proposed disclosures relate mainly to non-financial information with some information considered by some to be forward-looking and therefore difficult to audit. For this reason, they consider that the information should be presented in the management commentary rather than the financial statements. In your view, where should additional information be presented?

73 Do you have any other comments on the IASB and FASB tentative decisions so far on the project?

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[2] Paragraph B64(d) requires information about the primary reasons for the business combination [and a description of how the acquirer obtained control of the acquiree].

Paragraph B64(e) requires a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.

APPENDIX 1 - Summary of feedback received and tentative decisions by the IASB and the FASB

Standard Setter	Preliminary views and recent discussions	Overall feedback to the IASB DP / FASB ITC	Tentative decision
	Objective and Scope		
IASB	**Objective**: To improve the information entities provide to investors, at a reasonable cost, about the business combinations those entities make. **Scope:** A package of preliminary views with a unifying objective that covers: disclosures about business combinations; the accounting for goodwill, including the impairment test; and recognition of acquired intangible assets.	Most respondents who commented **agreed with the project's objective** of exploring whether entities can, at a reasonable cost, provide users with more useful information about the business combinations those entities make. **Mixed views** on whether the **package** of preliminary views would achieve the right balance between improving the information provided to users and limiting the cost to preparers	IASB tentatively **decided to leave the objective and the scope unchanged.** (June 2021)
FASB	**Objective**: To revisit the subsequent accounting for goodwill and identifiable intangible assets broadly for all entities. Including considerations for improving the decision usefulness of the information and rebalancing the cost-benefit factors. **Scope:** New guidance would apply to all entities with additional considerations for private companies and non-for-profit entities.	Stakeholders that responded to the FASB ITC commented that, despite the changes to the goodwill impairment model, the test continues **to impose undue cost and complexity** while providing users with **information that is "too little, too late."** **Mixed views** on whether the project will achieve the right **balance between reducing cost to preparers and maintaining informational value to users.**	N/A

Standard Setter	Preliminary views and recent discussions	Overall feedback to the IASB DP / FASB ITC	Tentative decision
	Subsequent accounting for goodwill – reintroducing amortisation		
IASB	The IASB considered whether there is **compelling new evidence** supporting the reintroduction goodwill amortisation, with the aim of **taking some pressure off the impairment test** and providing a **simple mechanism that targets the acquired goodwill directly** and reduces the possibility that the carrying amount of goodwill could be overstated because of management over-optimism or because goodwill cannot be tested for impairment directly. By a small majority (8 out of 14), the IASB reached a preliminary view that it **should retain the impairment-only model**.	Respondents' **views** remain **mixed**. **Many respondents agreed** with the IASB's preliminary view that it should **retain the impairment-only model** but **many other respondents disagreed, saying amortisation of goodwill should be reintroduced**. Respondents generally did not provide new conceptual arguments or evidence.	N/A
FASB	Whether to reintroduce goodwill amortisation and over which amortisation period. Would it provide decision-useful information? The FASB directed staff to perform additional research and outreach on certain **factors** that may be used to **estimate the useful life of goodwill**, including management's estimated payback period. (April 2021)	Overall, stakeholders presented diverse, **mixed views** on amortisation and impairment**. More than half of the respondents supported amortisation of goodwill**, including some financial statement users. However, **many others supported the impairment only model**. Respondents generally did not provide new conceptual rationales for amortisation. Respondents' views on moving to an **impairment-with amortisation model or retaining an impairment-only model remain mixed.**	FASB tentatively decided: 1. An entity **should amortise goodwill on a straight-line basis;** 2. Over a **10-year default period**, unless an entity elects and justifies another amortisation period based on its facts and circumstances ; 3. Deviation from the default period will be **subject to a cap** (to be determined) with **no reassessment** required. (December 2020)
	Subsequent accounting for goodwill – improving impairment test		
IASB	The IASB preliminary view in the DP is that it is not feasible to design a different impairment test that is	Most respondents **agreed that it is not feasible to design a different impairment test** that is	N/A

<table>
<tr><th>Standard Setter</th><th>Preliminary views and recent discussions</th><th>Overall feedback to the IASB DP / FASB ITC</th><th>Tentative decision</th></tr>
<tr><td></td><td>significantly more effective than the impairment test in IAS 36 Impairment of Assets at a reasonable cost.

To reduce cost and complexity the IASB's preliminary view is to:
provide relief from the mandatory annual quantitative impairment test of CGUs containing goodwill, thereby leaving only an indicator-based test;
allow an entity to use post-tax cash flows and post-tax discount rates in estimating value in use (VIU); and
remove restrictions on including in estimates of VIU cash flows arising from a future restructuring to which an entity is not yet committed or from improving or enhancing an asset's performance.</td><td>significantly more effective at a reasonable cost. However, many respondents suggested improvements to the impairment test such as:
Ensuring consistency of assumptions used;
Disclosing a comparison of forecasts prepared for the impairment test in prior years with actual cash flows;
Reconsidering the level at which the test is performed;
Adding guidance on allocating goodwill to CGUs, etc.
Most respondents, including some preparers, did not support the IASB's preliminary view that it should provide relief from the annual quantitative impairment test of CGUs containing goodwill. Respondents generally welcomed the IASB's preliminary views on simplifying and improving the estimation of value in use.</td><td></td></tr>
<tr><td>FASB</td><td>The FASB discussed potential changes to the existing goodwill impairment model:
Unit of account to test goodwill for impairment;
Frequency of the goodwill impairment test; and
Timing of triggering-event evaluation.
(June 2021)

The FASB discussed of the merits of either retaining the unit of account for testing goodwill impairment at the reporting unit (RU) level or moving to either the operating or reportable segment level.

The FASB discussed whether to retain the annual goodwill testing requirement or move to a trigger-based test.</td><td>Users preferred more disaggregated and granular information about specific acquisitions and therefore, most supported retaining impairment testing at the RU level.

Some stakeholders (including a few users) noted that the impairment testing should be performed at the reportable segment level.

Many stakeholders that responded to the FASB's ITC, supported using a trigger-only impairment test when paired with the amortisation of goodwill.

Some stakeholders supported retaining the current model including the annual impairment test.</td><td>N/A</td></tr>
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<tr><th>Standard Setter</th><th>Preliminary views and recent discussions</th><th>Overall feedback to the IASB DP / FASB ITC</th><th>Tentative decision</th></tr>
<tr><td></td><td></td><td>Most users did not object to eliminating the annual impairment test.</td><td></td></tr>
<tr><td></td><td>Disclosures about Business Combinations and Goodwill</td><td></td><td></td></tr>
<tr><td>IASB</td><td>In its DP, the IASB tentatively decided to add a requirement to disclose:
• in the year in which a business combination occurs:
  ○ the strategic rationale and objective for a business combination;
  ○ the metrics that management will use to monitor whether the objectives of the business combination are being met.
• in subsequent periods, the extent to which management's objectives for the business combination are being met using those metrics.

Make targeted improvements to disclosure requirements, e.g. requiring quantitative information about expected synergies.</td><td>Many respondents, including almost all users, agreed with the IASB's preliminary views. However, many respondents, including almost all preparers, disagreed. Those respondents identified practical challenges with the IASB's preliminary view, such as costs outweighing the benefits.

Some respondents, mainly in Europe, were also concerned that the required disclosure will put entities applying IFRS Standards at a disadvantage compared to other entities, notably those applying US GAAP.</td><td>N/A</td></tr>
<tr><td>FASB</td><td>Goodwill and Impairment: Disclose facts and circumstances associated with an impairment test not resulting in impairment loss.

Intangible Assets: Disclose quantitative and qualitative information about the agreements (contracts) underpinning material intangible assets.

Consequential Disclosures such as amortisation period if goodwill amortisation is reintroduced.

The ITC discussed several reasons for not considering disclosures on acquisition-specific performance.</td><td>Most respondents did not support the additional disclosures included in the FASB's ITC.

The following reasons were provided:
• It would require an entity to track against management-designated targets for several years and, thus, would require additional cost and introduce commercial sensitivity;
• Disclosing that type of forward-looking information may overlap with MD&A disclosures.</td><td>N/A</td></tr>
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Standard Setter	Preliminary views and recent discussions	Overall feedback to the IASB DP / FASB ITC	Tentative decision
	Intangible Assets Acquired in a Business Combination		
IASB	The IASB's preliminary view in the DP is that it **should not** develop a proposal to **change the recognition criteria for identifiable intangible assets** acquired in a business combination. The IASB found no compelling evidence that existing requirements should be amended.	Most respondents agreed with the IASB's preliminary view that it should not develop proposals to change the recognition criteria for identifiable intangible assets acquired in a business combination.	N/A
FASB	The FASB asked respondents to comment on four potential approaches for the recognition of identifiable intangible assets: **Approach 1**: Extend the private company alternative to subsume certain customer-related intangible assets (CRIs) and all noncompete agreements (NCAs) into goodwill. **Approach 2:** Apply a principles-based criterion for intangible assets. **Approach 3:** Subsume all intangible assets into goodwill. **Approach 4:** Do not amend the existing guidance. The FASB directed the staff to perform additional research and outreach on users' perspectives on what types of intangibles provide decision-useful information. (April 2021)	Most stakeholders that responded to the FASB ITC supported **retaining current accounting** for intangible assets acquired in a business combination, because it provides decision useful information and the benefits justify the costs.	N/A
	Convergence between IFRS and US GAAP		
IASB	The IASB asked respondents whether their responses depend on whether the outcome is consistent with US GAAP.	Most of those respondents commenting said that convergence on this topic with US GAAP **was desirable**. However, many respondents said that	N/A

Standard Setter	Preliminary views and recent discussions	Overall feedback to the IASB DP / FASB ITC	Tentative decision
		their view on subsequent accounting of goodwill did not depend on maintaining convergence.	
FASB	The FASB asked respondents to consider comparability and its importance between U.S. PBEs, between GAAP and IFRS Standards, and between all U.S. entities, both public and private.	Many respondents commented that maintaining convergence **was desirable**, while others were less concerned about possible divergence. Many respondents said that **comparability with IFRS is relatively less important** than comparability between U.S. public business entities and between all U.S. entities, both public and private.	N/A