

## EFRAG SECRETARIAT PAPER FOR PUBLIC MEETING

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# Goodwill – a quantitative study

## Cover note

### Objective

- 1 The objective of the session is to:
  - (a) provide an update to EFRAG Board on the quantitative study performed by EFRAG Secretariat and seek EFRAG Board's view on the analysis;
  - (b) present some preliminary indications from the quantitative study and seek EFRAG Board's view on them; and
  - (c) seek EFRAG Board's view regarding EFRAG's Secretariat recommendation to publish the quantitative study.

### Introduction

- 2 The IASB is currently discussing possible changes to the accounting treatment of goodwill in the context of the post-implementation review of IFRS 3 *Business combination*.
- 3 Following an initial exchange of views at the EFRAG Board, it has been suggested to research quantitative evidence on the amount and trend of goodwill and goodwill impairment in Europe to be used as background information for the technical and conceptual discussion on goodwill.
- 4 An initial version of the study, which also included the results of a number of external studies, was presented to EFRAG TEG in January 2016, EFRAG Board in March 2016 and User Panel in April 2016.
- 5 Considering the comments received in these meetings, EFRAG Secretariat performed an analysis based on the companies included in the S&P Europe 350 index. The quantitative study is provided in agenda paper 09-02.
- 6 A similar analysis was performed by the ASBJ staff for companies listed in the S&P, ASX and Nikkei indices. EFRAG Secretariat and the ASBJ staff made a joint presentation of the quantitative study to the May 2016 IASB Board meeting.
- 7 In May 2016, EFRAG Secretariat also presented this quantitative analysis to EFRAG TEG, together with some preliminary indications and requested EFRAG TEG's initial comments.

**EFRAG Secretariat’s recommendation**

- 8 EFRAG Secretariat recommends publishing the quantitative study as a research paper in order to provide constituents with quantitative evidence to be used as a background for the conceptual discussion around goodwill. The paper would not draw any conclusions regarding the interpretation of the data. The ASBJ has expressed interest in a joint publication.
- 9 At a second stage, EFRAG Secretariat recommends doing some further work on the quantitative study, which would mainly focus on trying to identify the differences between industries analysing the underlying economic trends of each industry.

**Questions for EFRAG Board**

- 10 Does EFRAG Board have any comments on the quantitative analysis performed by EFRAG Secretariat?
- 11 Does EFRAG Board have any comments on EFRAG’s Secretariat preliminary indications from the quantitative study as presented in paragraphs 64 and 65 of Agenda paper 09-02?
- 12 Does EFRAG Board agree with EFRAG’s Secretariat recommendation to publish the joint quantitative study with the ASBJ?

**Agenda Papers**

- 13 In addition to this cover note, agenda paper 09-02 Issues paper on goodwill quantitative study has been provided for this session.