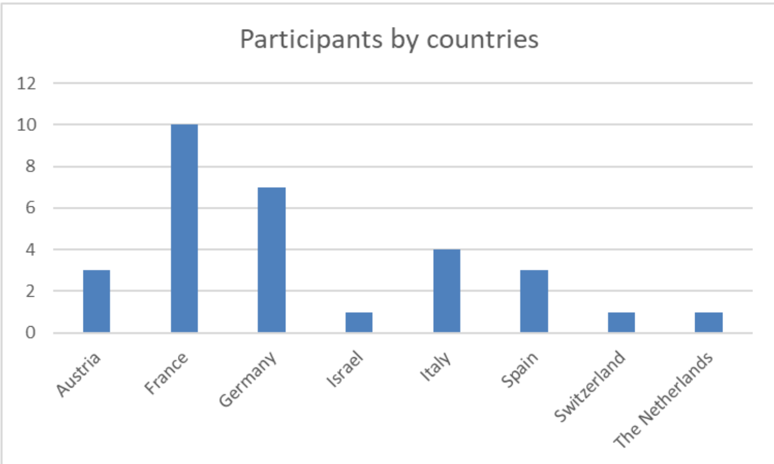
# Business Combinations: Disclosures, Goodwill and Impairment Results from questionnaires and interviews with preparers

## Objective

1 The objective of this agenda paper is to summarise the feedback received from EFRAG's surveys and interviews on its project *Business Combinations – Disclosures, Goodwill and Impairment.* A PDF version of the full questionnaire can be found here.

## Introduction and basis for preparation

2 The outcome of the survey, presented in each "Questionnaire" subparagraphs in the course of this paper, is the result of 30 completed surveys. The table below shows a breakdown by country of the respondents, whilst the full profile of the respondents (i.e. primary sectors, amount of goodwill recognised in the balance sheet, total assets, etc.) is included in Appendix 1.




3 The paper also includes comments received as part of 12 interviews carried out with preparers (an additional interview is scheduled after the finalisation of this paper). Due to a time constraint, the interviews were mostly addressing the M&A process and some aspects of subsequent accounting for goodwill.

4 Out of the overall 12 interviews, 7 had involved participants already responding to the questionnaire, whilst the other 5 only preferred to give EFRAG an interview.

5 Those interviews were addressing mainly an understanding of the M&A process and an understanding of the process of monitoring an acquisition, as well as the metrics used to assess its performance and if the acquisition meet the objectives and some aspects of accounting for goodwill. It was discussed which of the information could be disclosed based on the proposals in the DP considering (i) commercially sensitivity and (ii) costs and benefits of it.

6 This paper also benefits from 3 field-testing conducted by the IASB and attended by EFRAG. While the original purpose of the field-testing was the preparation of a mock disclosure based on the DP's proposals, due to time constraints, the field-test consisted of an interview specifically focused on the disclosures proposals.

7 Comments received from preparers during the interviews and field-tests have been included in each "Interviews and field testing" subparagraphs. With regards to the interviews, comments provided by preparers have been included regardless of whether the feedback provider provided a reply to the questionnaire. The paragraphs "Interviews and field testing" also include elaborations and detailed comments provided by the preparers in the "explanation boxes" within the questionnaire.

8 The questionnaire covered the key aspects of all the sections included in the IASB's Discussion Paper. However, for a sake of practicability, few of the detailed proposals have not been addressed in the questionnaire. As this paper focuses on the questions included in the questionnaire, comments received from preparers on topics beyond these questions have been documented in the Agenda Paper 04-01 "Overview of feedback received in outreaches events".

9 Some of the questions in the questionnaire required preparers to assess certain characteristics (i.e. complexity, usefulness, incremental costs, etc.) of a specific proposal based on a scale from "1 – i.e. *Not complex, not useful, not costly*" to "4 or 5 – i.e. Highly complex, highly useful, highly costly"). In these circumstances, for sake of concision, the paper presented the average score resulting from the responses, while the Appendix 1 include a breakdown of all the replies received. It is worth to highlight that the average score does not take into consideration "No Opinion" responses from preparers.

10 The questionnaire provided the opportunity to preparers to skip a question in cases they were not able or willing to respond. Accordingly, even if the number of completed survey is equal to 30, not all the questions were necessarily answered. The number of respondents for each of the questions can be found in the Appendix 1.

11 In appendix 1, EFRAG TEG members may find more detailed information about the 30 surveys.

## Structure of the Agenda paper

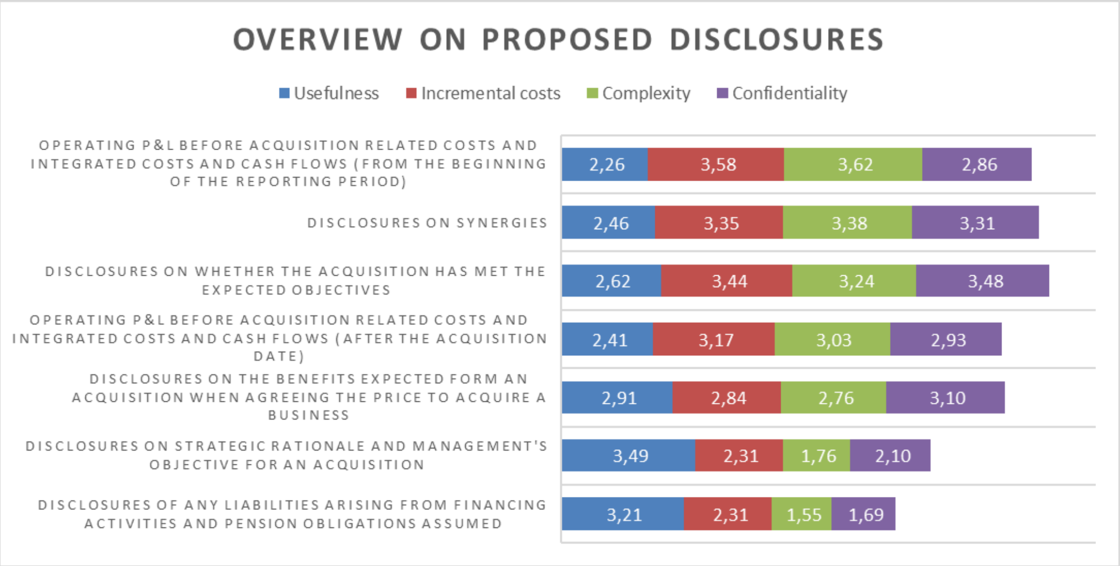
**Improving disclosures about acquisitions**

*Existing disclosures already extensive*

12 When asked whether current disclosure requirements on goodwill are already being extensive, the 86,2% of the respondents considered that current disclosure requirements are extensive and that any additional disclosure requirements should be considered in the context of overall amount of disclosure requirements.

*Overview on the IASB's proposed disclosures*

13 In the graph below we provide an overview of the replies provided by respondents on the IASB proposals. In particular, the graph shows the relative score of each proposed disclosures requirement, as resulting from the responses to the survey, under each of the perspectives (usefulness, incremental costs, complexity and confidentiality) assessed by the respondents on a scale from 0 to 4.




14 Key highlights from the above graphs are that:

(a) A significant level of complexity and costs is triggered by the disclosures on synergies and about whether the acquisition met its objectives. These proposals are also considered to be highly sensitive. The level of usefulness is assessed as only partial;

(b) The pro-forma information to be prepared considering the beginning of the reporting period as the acquisition date is rated as the most complex and costly. Also, pro-forma information to be provided for the period after the acquisition date is considered costly and complex, but to a lower extent. However, the level of sensitivity associated with this information is considered relatively lower when compared to synergies and about whether the acquisition met its objectives. The level of usefulness associated with these proposals is only partial;

(c) A lower level of complexity is associated with the disclosure of expected benefits when agreeing the price to be paid for an acquisition. However, even if it recognized a higher usefulness (compared for example to proposals included in letters a) and b) above), this information is considered to trigger a relevant level of sensitivity.

(d) Finally, the disclosure of the strategic rationale and management's objective for an acquisition and the disclosure of liabilities arising from financing activities and pension obligations assumed are associated with a higher level of usefulness and with an only moderate level of complexity, incremental costs and confidentiality. This information is considered as the most useful within all the DP's proposals.

15 Rationales underlying the above assessments are reported and discussed in the relevant sections across the paper.

*Feasibility of the proposed disclosures*

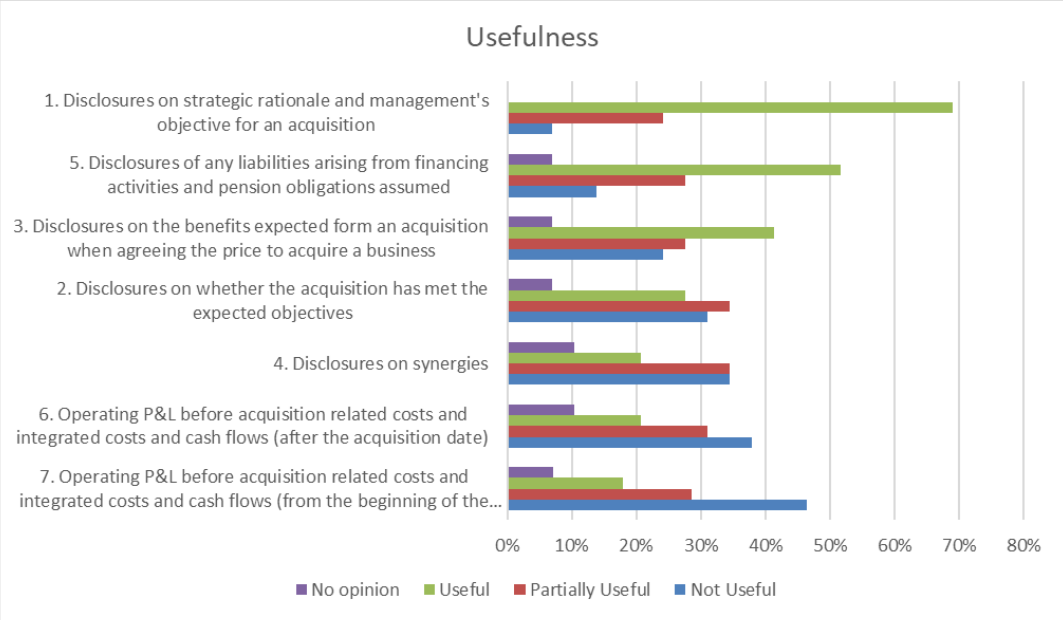
<u>Questionnaires</u>

16 Respondents have been preliminary asked to consider if it would be feasible for them to provide information required by the proposed disclosures (refer to Question 9 in the Appendix 1). The majority of the respondents (58,6%) considered that it would not be feasible. However, when providing a background for their responses, participants responding in the negative mostly argued about their willingness to provide this information rather than consider it as not feasible at all. For example, some of the respondents argued about the commercial sensitivity issue. Furthermore, some others argued about some complexities and incremental costs triggered by the proposed disclosures. Each of the issues has been investigated in the survey and is detailed in the next sections.

*Usefulness of the proposed disclosures*

<u>Questionnaires</u>

17 Respondents have been preliminary asked to assess the usefulness of the proposed disclosures (refer to Question 10 in the Appendix 1). A summary of the responses is presented below:




18 Most of the respondents considered the disclosures on the strategic rationale and management's objectives for an acquisition as useful (69,0%) or at least partially useful (24,1%). It also applies to the proposed disclosures of any liabilities arising from financing activities and pensions obligations assumed, considered useful or at least partially useful by the 51,7% and 27,6% of respondents, respectively. Only the 6,9% and the 13,8%, respectively, of the respondents considered these disclosures to be not useful.

19 More balanced views can be highlighted regarding the disclosures related to the price agreed for an acquisition, the disclosures on whether the acquisition met its objectives and the information about synergies. In these cases, even if the majority of respondents is still considering these disclosures as useful, the portion of them considering it as Not Useful increases to 24,1%, 31,0% and 34,5% respectively.

20 The majority of respondents considered as not useful (or only partially useful) the proposed disclosures on pro-forma information.

<u>Interviews and field testing</u>

21 Discussions with preparers showed that in very limited circumstances preparers questioned the relevance and the usefulness for investors of the proposed information. Most of the (larger) companies confirmed that the information already exist. E.g. Fairness opinions list potential synergies. Major concern was raised related to commercial sensitivity and partly to internal sensitivity. Considering this for a significant part of the acquisitions the preparers do not want to disclose the requested information.

22 Monitoring of the acquisitions takes place – but several mentioned that this will be replaced sooner or later with monitoring a (integrated) business. The major concerns addressed were in connection with moving targets (new information/new requirements like reduce carbon footprint), the integration process and resulting from this a mix of impacts that makes it complex and judgemental to analyse effects.

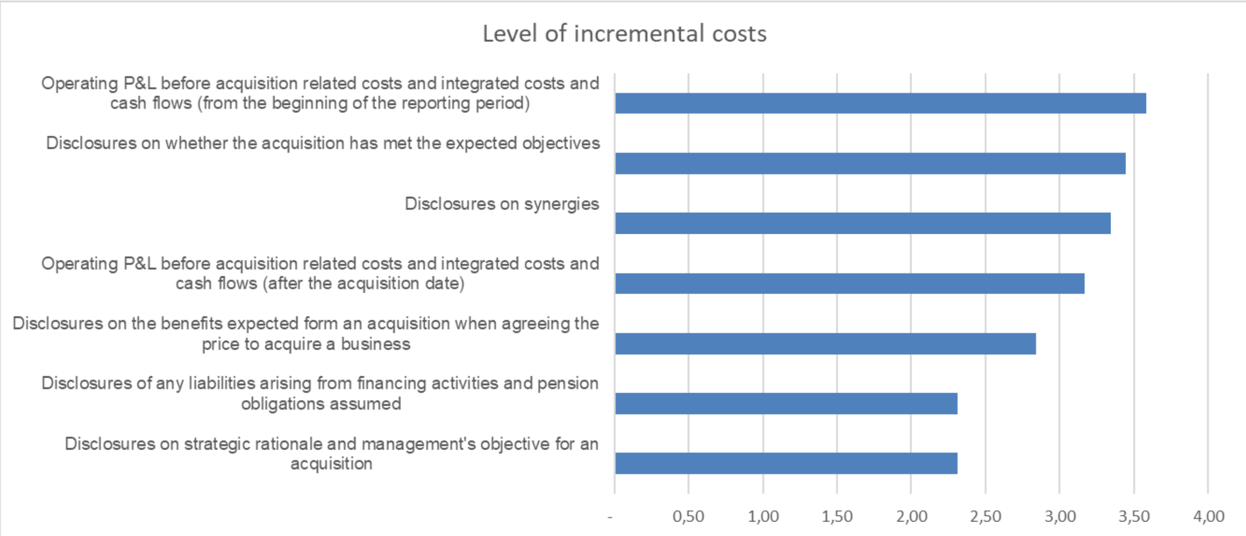
23 Beside this in some interviews it was mentioned that the costs to achieve goals are relevant (e.g. major marketing campaign or solving law suits) and essential to receive useful information.

24 The usefulness of this information is to be assessed by respecting confidentiality and considering the overlapping effects when monitoring.

*Incremental costs that may result from the IASB proposal*

Questionnaires

25 Respondents have been required to classify the incremental costs they consider to be triggered by each disclosure requirement included in the IASB discussion paper on a scale from "1 – None" to "4 – High" (refer to Question 11 in the Appendix 1). The results of the survey (a table is presented below with average score) on this specific question is aligned to those related to the complexity of the proposed disclosures:




26 A higher concern about the incremental costs is associated with the following disclosure requirements:

(a) Pro-forma information for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period, with an average score of 3,58;

(b) Whether the acquisition has met its objectives, averagely rated with 3,44;

(c) Information about synergies, with an average score of 3,35;

(d) Pro-forma information, including cash flow from operating activities, after the acquisition date, with an average score of 3,17;

(e) Information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business (average score of 2,84).

27 Incremental costs for providing the disclosure are considered less material with regards to the information related to the strategic rationale and management objectives for an acquisition and to the liabilities arising from financing activities and pension obligations assumed (both having an average score of 2,31).

Interviews and field testing

28 Arguments provided by the preparers supporting the level of incremental costs of the proposed disclosures are the same stated from paragraph 34 to 38 when discussing about its inherent complexity. The costs to information related to the information to be provided at acquisition day are mainly related to the acquisition and integration costs. The costs during the monitoring period depend on the level of integration. To identify different impacts can be costly.

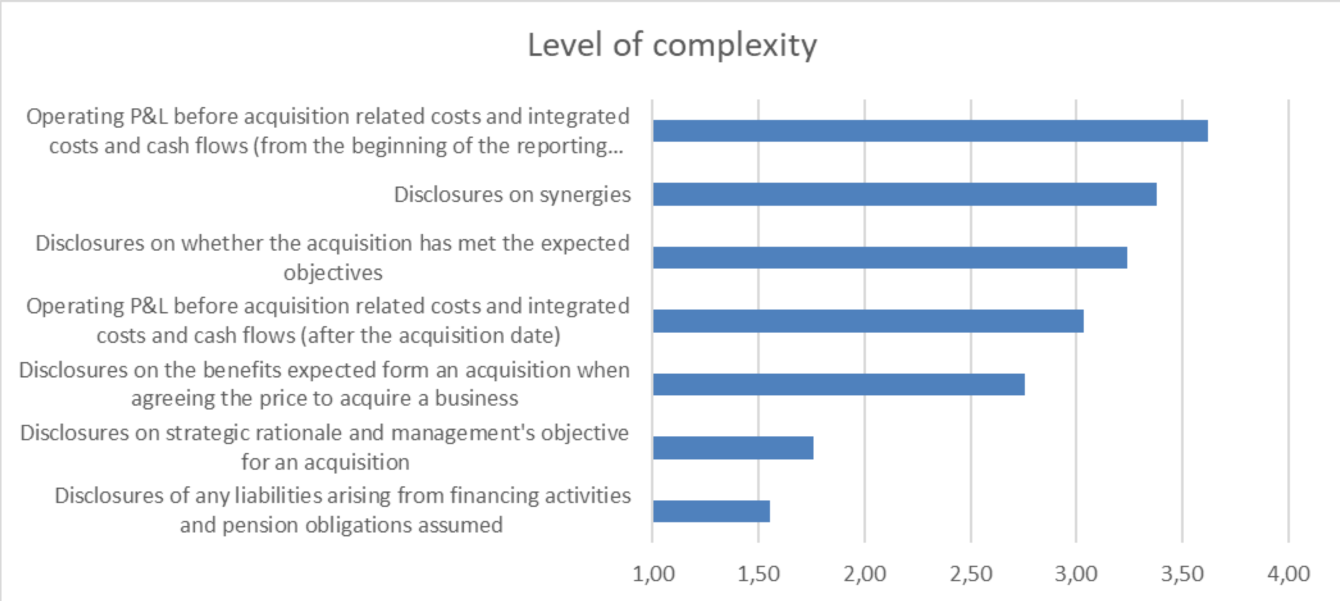
29 Some respondents added that, in addition to the preparation of the information itself, incremental costs would be also triggered by the implementation of an adequate

organisational and internal control processes, in order to guarantee the adequacy of the information.

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

<u>Questionnaires</u>

30 Respondents have been requested to classify the complexity of each disclosure requirement included in the IASB discussion paper on a scale from "1 – Not complex" to "4 – Very Complex" (refer to Question 12 in the Appendix 1). A table is presented below (average score):




31 In summary, respondents considered the following disclosures requirements to be complex or very complex:

(a) Disclosures on pro-forma information: A high level of complexity is also associated with the disclosures on pro-forma information, with specific reference to the one considering the current reporting period as though the acquisition date had been at the beginning of the annual reporting period (average score of 3,62).

(b) Disclosures on synergies: a significant level of complexity is associated with the disclosure of information on synergies (average score of 3,38).

(c) Disclosures on whether the acquisition met its objectives: averagely scored of 3,24).

32 The following disclosures requirements are also considered to be complex but scored relatively low (partially complex or complex):

(a) Disclosures of the operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date: averagely scored at 3,03;

(b) Disclosures of the expected benefits when agreeing the price to be paid for an acquisition: averagely scored at 2,76.

33 Finally, the following disclosures requirements are considered to trigger a limited level of complexity (Not complex or partially complex):

(a) Disclosures on strategic rationale and management's objective for an acquisition as at the acquisition date – not complex or partially complex: averagely scored at 1,76;

(b) Liabilities arising from financing activities and pension obligations assumed: averagely scored at 1,55.

Interviews and field testing

34 Discussions with preparers confirmed mixed views about the complexity of providing information about the strategic rationale and management objective for an acquisition. Some participants in the survey and the field test reported that they are already providing some of the information (for example, the strategic rationale and objectives and the expected amount of synergies and the timing for their realization) included in the IASB's proposal, mainly through press releases, analyst presentation and other means. However, some others argued that the objective of an acquisition may change over time as the knowledge over the acquired business deepens. In these circumstances, not all the relevant information is available at the acquisition date.

35 Discussions held also confirmed that preparers consider the disclosure of information on whether the acquisition has met the expected objectives as significantly complex. Arguments shared by participants have been the following:

(a) Acquired businesses are often quickly integrated to the extent that it is no longer possible to monitor it separately from the combined business. Furthermore, divesting activities, either due to strategic or regulatory purposes, may complicate such disclosures. In these circumstances, the subsequent M&A activities may generally require significant execution time and the underlying strategies are often not fully planned at the acquisition date[1].

(b) Acquisitions may need a significantly extended period of time to achieve the expected benefits, especially in the current environment where digitalisation plays a key role and often requires more time to generate the expected benefits. At the acquisition date, it is not possible to set an expectation about when the success could be definitively achieved.

(c) The metrics used to measure its success could change over time[2]. In other circumstances, the acquisition may be followed-up on a "business-as-usual" basis rather than against acquisition-specific metrics set at the acquisition date.

(d) It is sometimes too simplistic to state that an acquisition has been a success based on the achievement of one or more specific metrics. Sometimes entities may achieve few targets but may simultaneously spend more resources than expected. It would be complex to explain which metrics reflect a successful acquisition, especially in the context that most of these could be highly sensitive.

36 Arguments have been also given regarding the complexity involved in the proposed disclosures on synergies. In addition to comments referred to in paragraph 35 that also apply to synergies, preparers added the following:

(a) Some preparers indicated that synergies can often materialise in the long term and generally do not provide measurable benefits in the initial phase of an

[1] However, EFRAG Secretariat notes that entities will only have to provide disclosures to the extent that it is already using metrics for this assessment internally. If an entity does not think it is possible to provide metrics for the stated reasons, then it will not have to disclose any information.

[2] However, EFRAG Secretariat notes that the Discussion Paper includes a specific proposal in cases where management changes its metrics to monitor an acquisition. It these circumstances, the company should be required to disclose the new metrics and the reasons for the change.

acquisition. It would be then complicated to assess whether benefits expected from synergies are met at an earlier stage[3].

(b) A preparer stated that, as partial divesting of an acquired business often occurs in practice after the acquisition date, cost synergies may be unknown to the extent they are based on what the acquiror will keep of the acquired business.

(c) A preparer in the automotive industry argued that cost savings may only be attained after a number of years due to the industry's contractual arrangements. Even then, it would be difficult to separate the savings due to the acquisition (economies of scale) versus other factors such as economic outlook, commodity prices and negotiations.

37 Notwithstanding comments included in paragraphs 35 and 36 above, some of the participants recognised that for bigger acquisitions, or in circumstances where an acquisition results in a new business line for the acquirer, it would then be easier to track it separately and then the disclosure would be more feasible.

38 Feedback received from preparers also confirmed the results of the survey regarding pro-forma information (see paragraphs 31(a) and 32(a)). Concerns are related to the additional workload involved and to expected difficulties in preparing the financial figures. Some of the participants also considered that EFRAG's proposal to provide measures removing the effect of the PPA should imply costs that would outweigh benefits.

39 Finally, some of the preparers commented on whether what the CODM monitors would be the more appropriate level to base the information on. Some of them agreed with the IASB's proposal arguing that it would avoid entities to be required to provide information about immaterial acquisitions (leading to a further increase on the workload).

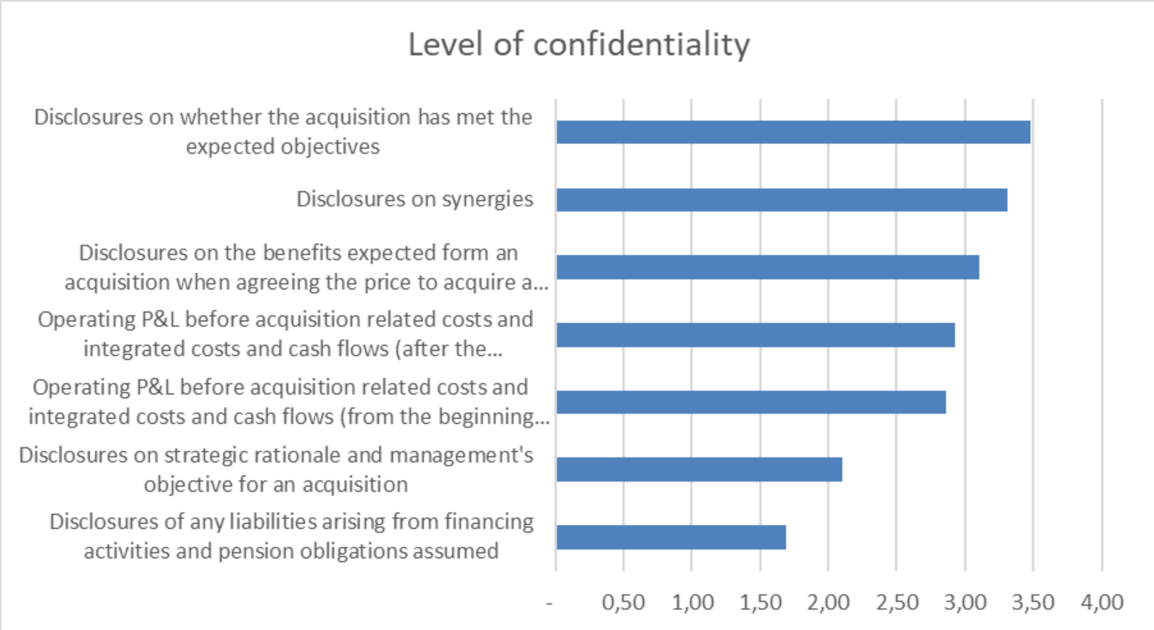
40 However, one prepared considered that in some circumstances the CODM may briefly consider some performance measures related to insignificant and/or immaterial acquisitions once a year and, therefore, insignificant acquisitions would still be captured by the proposals. Furthermore, some others considered that the CODM may not follow specifically and separately acquisitions, but rather more the whole performance obtained by all decisions taken and the disclosures might result in boilerplate information.

*Confidentiality*

Questionnaires

41 Respondents were requested to provide views on whether the proposed disclosure requirements would result in entities having to disclose commercial sensitive information (refer to Question 13 in the Appendix 1). Constituents were asked to provide their views based on a scale from "1 – Not Confidential" to "4 – Strictly confidential". The results are presented in the below table:

[3] However, EFRAG Secretariat clarifies that the DP does not require subsequent monitoring on whether synergies have been achieved, except when the CODM directly monitors these.




42 The results of the survey show that the disclosure requirements that mostly trigger confidentiality issues (from confidential to strictly confidential) are the following:

(a) Information about whether the acquisition has met the expected objectives, with an average score of 3,48;

(b) Information on synergies with an average score of 3,31; and

(c) Information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business, with a score of 3,10.

43 Confidentiality of pro-forma information to be disclosed are considered moderately confidential (from partially confidential to confidential) and averagely scored at 2,93 (information after the acquisition date) and 2,86 (information from the beginning of the annual reporting period).

44 The requirement to disclose information about the strategic rationale and management's objectives for an acquisition as at the acquisition date is considered partially confidential but scored relatively low (average score of 2,10). It is also based on the fact that some preparers assessed that they are currently already providing some of the information included in the IASB's proposal (mostly in the press releases and presentation to investors, out of the financial statements).

45 A very limited commercial sensitivity is associated with the disclosure of liabilities arising from financing activities and pension obligations assumed (average score of 1,61).

<u>Interviews and field testing</u>

46 Main arguments shared by preparers when assessing the confidentiality of information at paragraph 42 are the following:

(a) They have concerns that strategic information will be provided to competitors, both within EU and foreign markets (i.e. US or China). In this latter case, providing information on a worldwide basis could lead to a difficult competitive environment as accounting standards of other countries currently do not require the same level of information;

(b) One preparer had the concern that users that ask for the information might invest in their peer entities, and can sometimes be considered as competitors themselves;

(c) The proposed disclosures are deemed to engage the legal responsibility of management board to the extent it is based on forward-looking information. This would then increase the risk of litigation;

(d) If disclosed, the objectives for an acquisition could put an entity in a worse position in future transactions. Several preparers considered that it also applies to the disclosures on the expected benefits when agreeing the price to be paid, as it would give to external stakeholders sensitive information on the negotiation dynamics that stand beyond the intrinsic value of the acquired business;

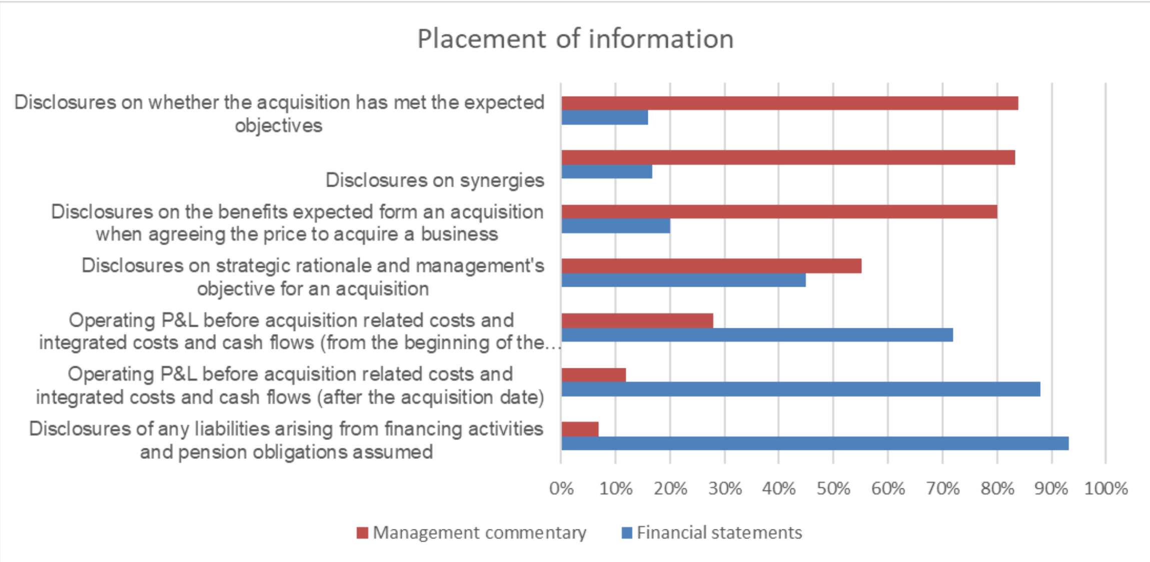
(e) Agreements with former owners may involve the prohibition to disclose some of the information related to the transactions.

47 Specifically on synergies, while preparers reported a general consensus about the expected synergies on revenues being highly sensitive from a commercial point of view, views are mixed when discussing cost synergies. Some of the preparers reported that they are already disclosing information to the market about cost synergies (not in the financial statements but instead through presentations and press releases). However, a preparer argued that cost synergies may sometimes trigger confidentiality issues under an internal point of view (i.e. cost synergies based on part of the workforce becoming redundant).

*Management commentary or notes to the financial statements*

<u>Questionnaires</u>

48 Respondents were requested to express their position about whether the proposed disclosure requirements would be better placed in the financial statements or in the management commentary (refer to Question 15 in the Appendix 1). A summary of responses is presented below:




49 The results of the survey show that preparers strongly preferred some of the information to be placed in the management commentary. In particular:

(a) the information about whether the acquisition has met its objectives (84,0%);

(b) the information about the expected benefits when agreeing the price to be paid (80,0%);

(c) information on synergies (83,3%).

50 Views from preparers are almost balanced regarding the information about the strategic rationale and management objectives for an acquisition. The 55,2% of respondents considered the management commentary the most appropriate place for the disclosure, whilst the 44,8% would prefer the financial statements.

51 Pro-forma information is considered to be better placed in the financial statements by the majority of respondents. The inclusion in the financial statements of those information to be presented for the period after the acquisition date is supported by the 88,0% of the respondents, whilst this percentage decreases when coming to the information to be provided as though the acquisition date had been at the beginning of the annual reporting period (72,0%).

52 The 93,1% consider the financial statements the most appropriate placement for the disclosure about liabilities arising from financing activities and pension obligations assumed.

Interviews and field testing

53 The proposed disclosures are partly Non-financial in nature or forward looking and they are including management perceptions. Such information might be considered best placed in the Management commentary where the business is described in a more qualitative way. Arguments shared by preparers present a strong link with the complexity of the disclosures, as described at paragraphs from 34 to 38. As such a complexity implies that the disclosures would be prepared based on non-GAAP measures, consisting of management views and assumptions, and involving forward-looking information, this would be resulting in complexity in terms of auditability.

54 One preparer prefers the disclosures to be outside of both the financial statements and management commentary. Even in the case of management commentary, there would be some level of external scrutiny from the auditors on the information. This information is fully based on internal rules and guidelines rather than on a recognised framework. Accordingly, as this entity is currently providing disclosures to investors in other presentations and would prefer for this to continue.

*Other questions on disclosures*

Questionnaires

55 Respondents have been questioned on whether they identified other operation implications on the IASB's proposal for better disclosures on business combinations (refer to Question 14 in the Appendix 1). Although the 69,0% of the respondents answered in the affirmative, rationale provided for these responses were mostly already addressed in the previous questions (i.e. integration of the acquired business, commercial sensitivity, reliability and auditability of the information). Accordingly, no new arguments arisen from this question.

56 The survey included a question about they would support the IASB to investigate whether it could remove any of the disclosure requirements from IFRS 3 without depriving investors of material information (IASB DP Paragraph 2.88) (refer to Question 17 in the Appendix 1). Only the 31,0% answered in the affirmative, whilst the remaining 69,0% considered that it is not feasible. Respondents that agreed argued that:

(a) the standard should more explicitly provide for the possibility of disclosing aggregated and not individual information for each of the acquisitions;

(b) if the overall proposed disclosures requirements would be introduced, some of the information currently required would be deemed to become immaterial;

(c) the pro-forma information on the combined business as though the acquisition date had been at the beginning of the reporting period have limited information value, as highly subjective and partially reliable;

(d) the aggregate information required for individual immaterial business combinations that are material collectively (IFRS 3. B65 & B67) is not considered useful as it does not help investors in understanding the various transactions and the business acquired.

57 Respondents that do not support this investigation argued that, even if the current requirements could be considered quite extensive, in practice these disclosures are only provided for significant acquisitions which happen quite infrequently. In general, these respondents considered that the information provided under current requirements is useful for investors.

**Goodwill, impairment and amortisation**

*Is the impairment test too complex and too costly?*

58 Respondents provided split views on whether impairment test is too complex and too costly (refer to Question 23 in the Appendix 1), with a slight majority replying affirmatively (i.e. it is too complex and costly). Those that replied positively, considered that it was the entire process that was complex and costly, in particular estimating the projection not included in approved budget and calculating the WACC (refer to Question 24 in the Appendix 1).

*Effectiveness of the impairment test – Allocation (and reallocation) of Goodwill to CGUs*

<u>Questionnaires</u>

59 Respondents have been required to consider whether the current guidance on the initial allocation of goodwill to (a group of) CGUs or to test at least on segment level should be further developed as contributing in the mitigation of the shielding effect (refer to Question 20 in the Appendix 1). They have also been asked to consider whether the current guidance on the reallocation of goodwill based on the relative value approach should be further developed because such guidance might contribute to the shielding.

60 The 75,0% of the respondents considered that both the arguments were not to be considered as a reason for the too-little too-late issue. A minor part of respondents, equal to 21,4%, considered that the further development of guidance on goodwill reallocation could be of help. Only the 3,6% considered that the improvement of current guidance on initial allocation of goodwill might help in mitigating the too-little too-late issue.

61 The 83,3%[4] of respondents in favour of the development of additional guidance considered that the benefits from changing current requirements would outweigh the costs (refer to Question 21 in the Appendix 1).

<u>Interviews and field testing</u>

62 There has been some scepticism that the impairment test can be made more effective and some understanding of the issue. During an interview, a preparer mentioned that goodwill might be allocated to a higher CGU level to cover synergies as well. The goodwill impairment test might be prepared on a higher level compared to which management monitors KPIs of the acquisition.

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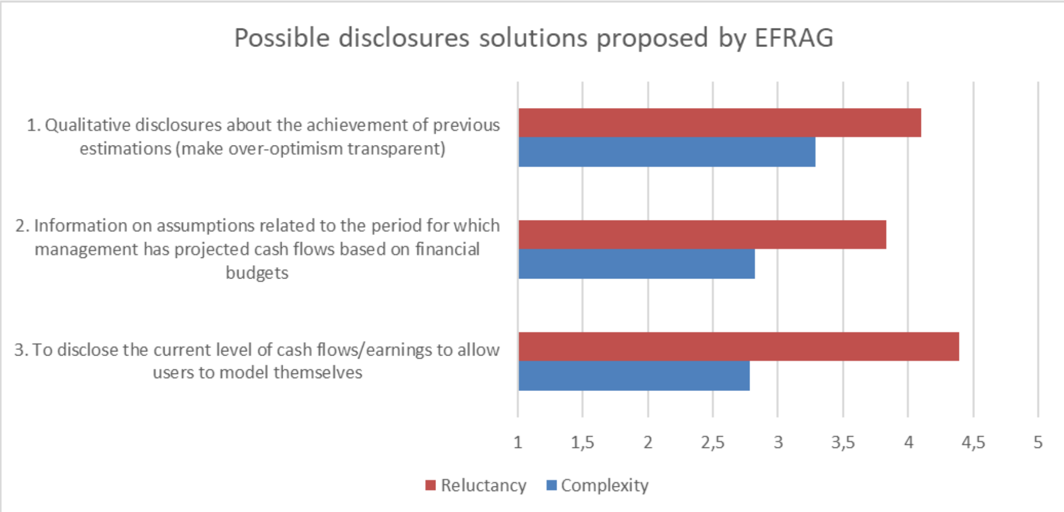
[4] This percentage (83,3%) diverge from the one reported in the Appendix 1 - Question 21 (56%) as the latter also considers some of the respondents that, even if replied “No” to question 20, erroneously answered the question. These responses (3) have been excluded for the purpose of this summary.

63 An argument shared by those preparers supporting the development of further guidance was the current IAS 36 requirements are too generic and needed to be improved to reduce the potential level of discretion involved.

*Effectiveness of the impairment test – Management over-optimism*

Questionnaires

64 Respondents have been requested to classify the complexity of, and their reluctance with, the possible disclosure solutions suggested by EFRAG for a better transparency of the estimates made or their achievement (refer to Question 22 in the Appendix 1). Each disclosure requirement has been rated by respondents on a scale from "1 – Not difficult" to "5 – Very difficult" and "1 – Not reluctant" to "5 – Very reluctant". Each of the proposed solutions have been averagely scored as follows:




65 Preparers averagely considered some of the proposed solution to be only moderately complex (namely no. 2 and 3 above). However, a higher level of complexity is associated with the qualitative disclosures about the achievement of previous estimation (i.e. the extent management's cash flow predictions differ from the obtained cash flow).

66 As showed in the table at paragraph 64, even if they consider the disclosure to be feasible to be provided, they would be more concerned on their willingness to make this information available to the market.

Interviews and field testing

67 The issue was not in detail addressed in most of the interviews. Main arguments underlying the expected complexity on disclosing qualitative information about the achievement of previous estimation are those already described at paragraphs 34 to 38.

68 Reasons for the preparers being reluctant in providing the proposed information are linked to confidentiality and legal issues already mentioned at paragraphs 46 and 47. It also related to the concern over reliability and auditability of the underlying information already mentioned at paragraph 53 and 54.

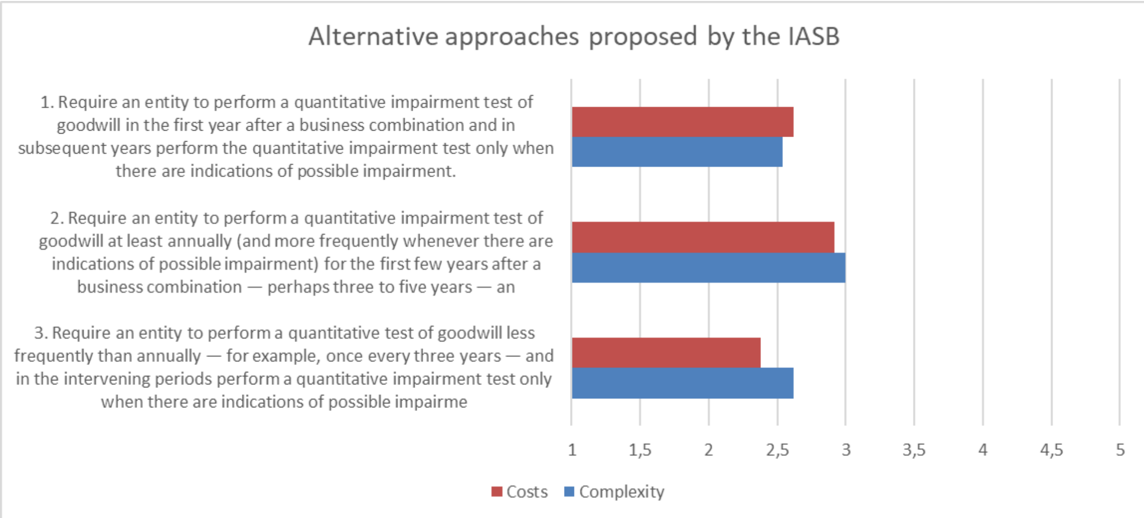
*Relief from an annual impairment test*

Questionnaires

69 The 60,7% of the respondents expressed the view that the current impairment test is too complex and too costly. However, less than half of the respondents considered that relief entities to perform an annual impairment test would provide significant (39,3%) or very significant (7,1%) cost-savings for an entity (refer to Question 25 in the Appendix 1).

70 Similar results also arisen from the assessment of whether the indicator-only approach could simplify entities' work in performing goodwill impairment test (refer to Question 26 in the Appendix 1). In particular, slightly less than the half of respondents (48,3%) argued that organisations would no longer need to perform an impairment calculation to justify that there would be no indications of goodwill impairment. However, the remaining part of respondents considered that they would in any case continue in performing a quantitative test, either due to the need to be able to document to auditors and other stakeholders that lack of occurrence of impairment indicators (31,0%) and for internal control and managerial reasons (20.7%).

71 Participants have been also required to assess costs and complexities triggered by the alternative approaches proposed by the IASB's Discussion Paper (par. 4.25) (refer to Question 27 in the Appendix 1). Each of the proposals have been rated by respondents on a scale from "1 – Not complex" to "5 – Very complex" and "1 – Not costly" to "5 – Very costly". Preparers' view for each of the proposals is the following:




72 While all the proposed solutions are considered less than complex compared to the current requirements, only the no. 3. is averagely considered to involve a higher cost savings for preparers.

73 Respondents have been also asked if they share concerns about the decline in management's skills in performing the impairment test if they were relieved to perform it annually (refer to Question 28 in the Appendix 1). The majority of respondents (62,5%) disagreed, whilst the remaining 37,5% agreed based on the fact they would expect difficulties:

(a) in data collection (15,6%);

(b) in the reliability of the test itself as a result of a decline in management's skill's (12,5%);

(c) in setting-up the model and perform the complex test immediately at the time of indication (9,4%).

74 The 66,6% of respondents agreeing on this concern believe that to require entities to mandatorily perform an impairment test every three years would not be sufficient to ensure that an adequate level of competency would be maintained (refer to Question 29 in the Appendix 1).

Interviews and field testing

75 Discussions had with preparers mostly confirmed the results of the survey and the existence of mixed views about whether the indicator-only approach may be an improvement.

76 Some confirmed that the indicator-only approach may play a role in circumstances where the available headroom is sufficiently large and added that disclosing sensitivity analysis regularly, is more useful than a yearly quantitative impairment test. However, even preparers supporting the change though that additional guidance on triggers will be necessary.

77 On the other hand, other preparers confirmed that they will continue performing the annual quantitative impairment test even if the indicator-only approach is adopted, for the following reasons:

a) The annual quantitative impairment test is embedded in the governance structure of the organisation - requested by and used to provide assurance to management;

b) The annual quantitative impairment test is required for preparing the statutory accounts under local GAAP as the cash generating units belong to legal entities; and

c) The annual quantitative impairment test enables the organisation to respond quickly to triggering events since the impairment test and the data of previous periods are readily available.

78 One preparer considered that, even if not performing an impairment test annually, management's skills are not likely to decline as they would still regularly valuate business plan as part of their M&A activities. Furthermore, underlying models are not expected to significantly change over-time, and it would sometimes result in an update of the variables used for the calculation (considered implying lower challenges).

*Reintroduction of goodwill amortisation*

Questionnaires

79 Respondents have been requested to provide views about what goodwill consists of and whether it is a wasting asset (refer to Question 30 in the Appendix 1). The results show that preparers have mixed views about whether the amortisation should be reintroduced, either based on conceptual or practical reasons. In particular:

(a) Only the 27,6% of respondents believed that goodwill is a non-wasting asset. The residual percentage responded that it is a fully (31,0%) or only partially (41,4%) wasting asset. In this last case, it would mainly depend on the specific components of goodwill on a case by case basis;

(b) The 56,7% believed the goodwill is a real economic asset, while the remaining percentage considered it as an accounting construct;

(c) The 69,0% considered that there are no new evidences or arguments (or new assessments of existing evidences) that should be taken into account when assessing whether the amortisation should be reintroduced. However, the remaining part of respondents based their response on the following arguments:

(i) The increased state of uncertainties in the markets;

(ii) The impairment model doesn't work in practice and cannot be improved significantly;

(iii) The weight of goodwill on total assets in companies' balance sheet is dramatically increased;

(iv) In some industries and related regulations (i.e. Solvency II for Insurance industry) the goodwill is deducted from the equity;

(v) Comparability with some accounting standards applying amortization, such as Japanese GAAP.

80 The results of the survey also show that, if amortisation would be reintroduced:

(a) the 76,7% of the respondents considered that the amortisation should be accompanied by an impairment test (refer to Question 32 in the Appendix 1). Respondents unanimously considered that the impairment test should be based on an indicator-only approach (refer to Question 33 in the Appendix 1);

(b) respondents believed (multiple choices were allowed) that amortisation period should be based (refer to Question 31 in the Appendix 1):

(i) on management's reasonable estimates (43,3%);

(ii) on a default period, but giving management the opportunity to document and justify an alternative amortisation period (23,7%),

(iii) on a default period (7,9%), a maximum cap (13,2%) or a minimum floor (2,6%);

(iv) on the useful life of the primary identifiable asset acquired or on the weighted-average useful lives of identifiable asset(s) acquired (10,8%);

(v) the 7,9% of respondents considered that the determination of the most appropriate amortisation period would be difficult to assess.

81 Respondents scored the cost of disclosing information about the "age" of goodwill as slightly higher than moderate (averagely scored at 2,89 on a scale from "1 – None" to "4- High" (refer to Question 36 in the Appendix 1).

<u>Interviews and field testing</u>

82 Discussions had with preparers mostly confirmed the mixed views over the nature of goodwill and, accordingly, on what the best solution for its subsequent accounting treatment would be. Some of the detailed comments received have been:

(a) The majority of comments received considered goodwill as only partially wasting (aligned with feedback at paragraph 79(a)). For instance, the labour force, synergies and technologies components could be wasting, whilst the trademarks and the reputation no. Splitting goodwill into components could be a technical solution but it would be considered complex and judgemental. However, someone considered goodwill as non wasting at all, as it has an economic substance and value and is a fundamental component of the going concern assumptions. That goodwill is a fundamental component of the going concern assumptions was mentioned by several others;

(b) However, some arguments had been also provided for goodwill being considered as a full wasting asset. In particular, some argued that goodwill components are wasting and completely merged it the business and processes of the acquiree, and then the external bought goodwill is replaced by internal goodwill over-time.

(c) Amortisation would be only a practical solution and would not have any beneficial information for investors. However, one preparer argued that it would sometimes result in an increase of financial resources retained into the entity as an effect of the lower dividend paid when the amortisation expenses is recognised;

(d) The estimation of the useful life would not be more complex than some other estimates made when preparing the financial statements;

(e) In some circumstances, goodwill is ignored from internal KPI and an amortisation expense would be treated in the same way.

83 The disclosure of age of goodwill is considered feasible, to the extent it has not been reorganised in the past years.

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Questionnaires

84 Preparers broadly favoured the proposal. A narrow majority (53,6%) are not concerned with this change leading to an increase of the risk of management over-optimism, whilst the remaining 46,4% considered that it could create a potential for earnings management (refer to Question 37 in the Appendix 1).

85 Views are also split about whether additional guidance would be included on when to include restructuring cash flows in the value in use calculation (a narrow majority of 51,7% responded that it would not be necessary) (refer to Question 38 in the Appendix 1).

86 The remaining 48,3% supported the development of a specific guidance. Among these respondents, the 71,4% considered that a specific threshold should be included in such guidance (refer to Question 39 in the Appendix 1). The most appropriate threshold should be "highly probable" for the 63,6% of the respondents, "more likely than not" for the 27,3% and "Very highly probable" for the 9,1% of the respondents (refer to Question 40 in the Appendix 1).

87 Respondents have been also required to share whether they think there are other cash flows that should be also included in the value in use calculation (refer to Question 41 in the Appendix 1). Only the 37,0% responded in the affirmative. Some of these respondents considered that it should be based on individual management judgment necessary to reflect individual facts and circumstances. Some others expressly mentioned the investments to be made to increase the production capacity, even in case projects are not finally approved.

Interviews and field testing

88 Discussions had with preparers confirmed the spread support for the proposal. In particular, some of the preparers argued that it would align the business plan used for the purpose of performing the impairment test with what is used by management to monitor the business.

*Permitting the use of post-tax inputs in the calculation of value in use*

Questionnaires

89 The 71,4% of respondents considered that the proposal could reduce the complexity of calculation the value in use when performing the impairment test (the 39,3% to a "significant" extent and the 32,1% to a "very significant" extent) (refer to Question 42 in the Appendix 1). However, only the 32,1% considered that it would also result in a reduction of the costs triggered by performing an impairment test (refer to Question 43 in the Appendix 1).

90 The 69,0% of the respondents also believed that the proposed change would not trigger a risk of impairment losses going undetected due to double counting of tax cash flow in the estimation of the value in use (refer to Question 44 in the Appendix 1).

Interviews and field testing

91 Discussions had with preparers confirmed the spread support for the proposal. Arguments heard from preparers are the same as at paragraph 88.

## Intangible assets

*Recognising separately intangible assets acquired in a business combination*

Questionnaires

92 Respondents have been asked as to whether they though that recognising intangible assets acquired in a business combination separately from goodwill is beneficial, costly and/or complex. The assessment was requested based on a scale from "1 – Not beneficial / costly / complex" to "5 – Most beneficial / costly / complex") (refer to Question 46 in the Appendix 1).

93 The results of the survey show that preparers consider the current accounting treatment to be beneficial and having an informative value (averagely scored at 3,75). However, it is also considered that it triggers a higher level of complexity (averagely scored at 4,21) and costs (averagely scored at 4,00).

Interviews and field testing

94 When elaborating their replies, the current accounting requirement is considered useful as it provides information about what an entity is specifically acquiring as part of a business combination.

95 One preparer considered that the comparison between the amount paid for an acquisition and the goodwill recognised based on the purchase price allocation provides useful information that allow investors to understand the portion that companies paid for the acquired business value at the date the acquisition is completed and the portion related to future benefits.

96 One preparer was agreeing with subsuming customer relationships within goodwill, as they are more complex to capture and value.

**Questions for EFRAG TEG**

97 Do EFRAG TEG members have comments about the results of the survey and/or on arguments shared by preparers as part of the interviews and field-testing performed?

# Appendix 1

## Report for Business Combinations—Disclosures, Goodwill and Impairment

## Questionnaire for preparers

## How could accounting for goodwill be improved?

**Introductory questions**

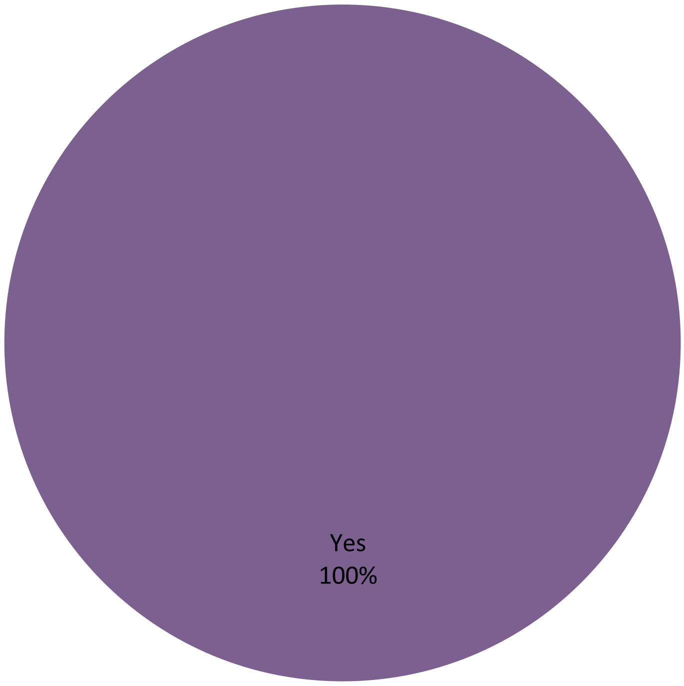
Question 1. What is your primary sector/industry category?

| Sector/industry | Percentage of responses | Number of responses |
|---|---|---|
| (ii) Manufacturing | 16.7% | 5 |
| (iii) Transportation and utilities | 23.3% | 7 |
| (iv) Retail | 3.3% | 1 |
| (v) Finance, insurance and real estate | 30.0% | 9 |
| (vi) Services | 3.3% | 1 |
| (vii) Other (Please explain what category) | 23.3% | 7 |
| | Totals | 30 |

| (vii) Other (Please explain what category) | Number of responses |
|---|---|
| Agriculture | 1 |
| Digital Industries, Smart Infrastructure, Mobility | 1 |
| Health Care, Medtech | 1 |
| Healthcare | 1 |
| Oil and gas | 1 |
| Technology / Software | 1 |
| Investment company | 1 |
| Totals | 7 |

**Introductory questions**

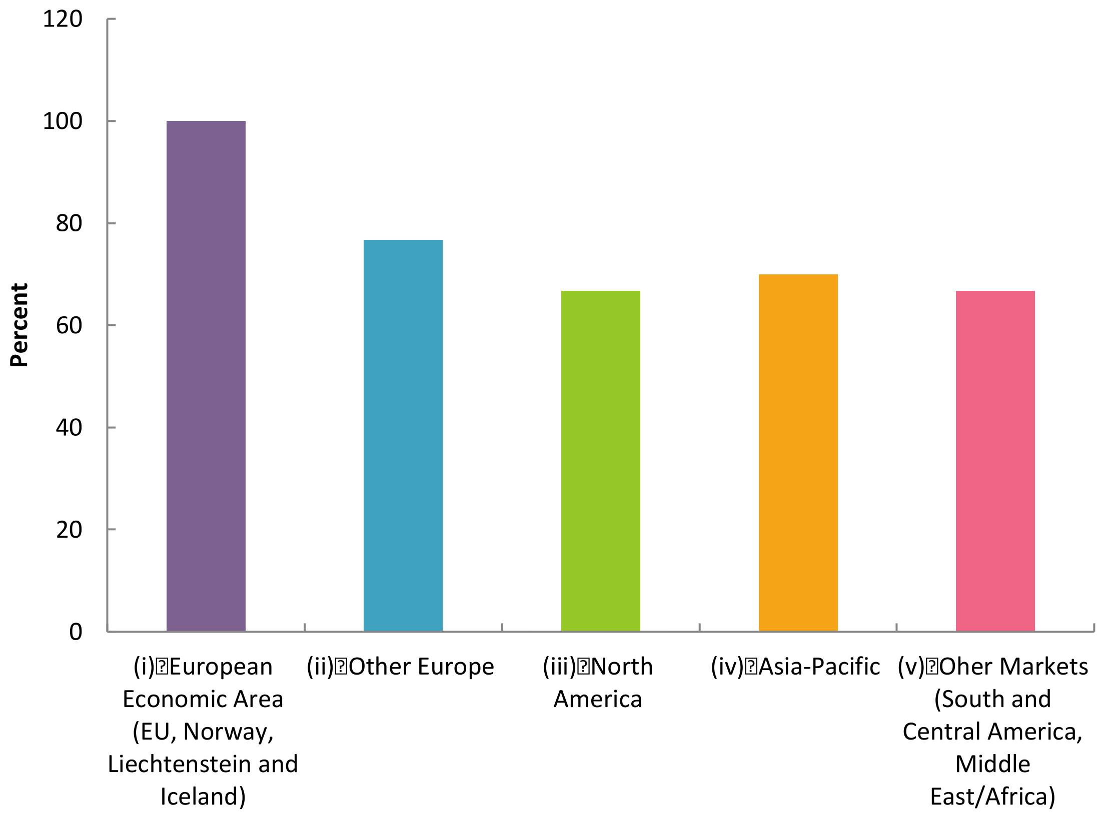
Question 2. Does your organisation have significant operations in the European Economic Area (EU, Norway, Liechtenstein and Iceland)?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) Yes | 100.0% | 30 |
| | Totals | 30 |

**Introductory questions**

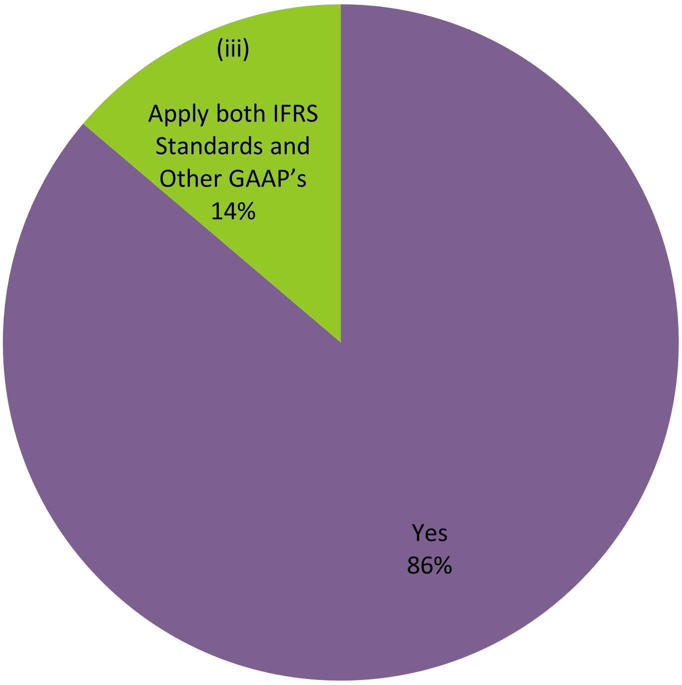
Question 3. In what region(s) does your organisation have significant operations (select all that apply)?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) European Economic Area (EU, Norway, Liechtenstein and Iceland) | 100.0% | 30 |
| (ii) Other Europe | 76.7% | 23 |
| (iii) North America | 66.7% | 20 |
| (iv) Asia-Pacific | 70.0% | 21 |
| (v) Oher Markets (South and Central America, Middle East/Africa) | 66.7% | 20 |

**Introductory questions**

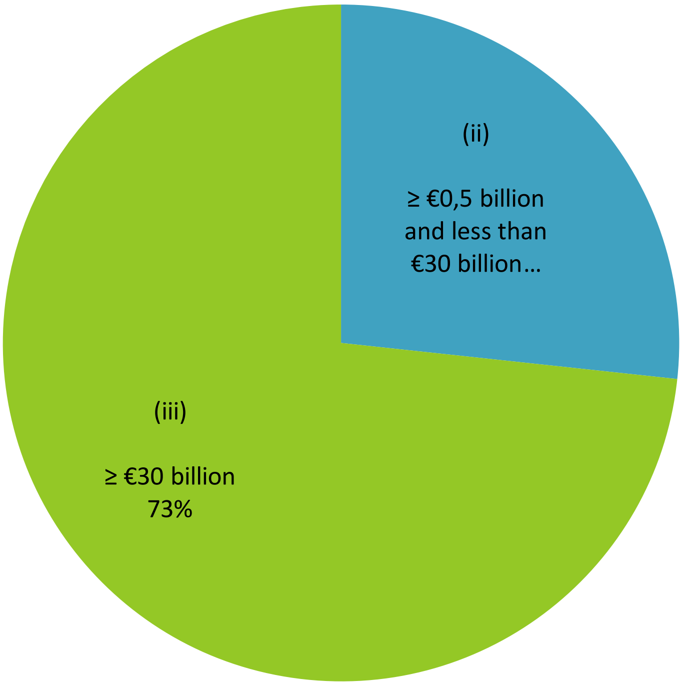
Question 4. Please specify whether your financial reporting is in accordance with IFRS.




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) Yes | 86.2% | 25 |
| (iii) Apply both IFRS Standards and Other GAAP's | 13.8% | 4 |
| | Totals | 29 |

**Introductory questions**

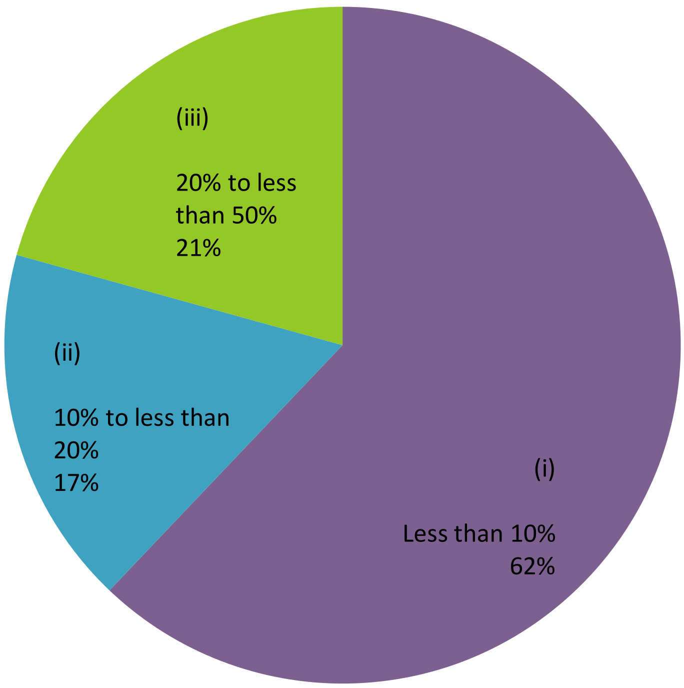
Question 5a. What is an indicative level of your organisation's total assets on the consolidated statement of financial position (e.g. as at 2019 year-end)?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (ii) ≥ €0,5 billion and less than €30 billion | 26.7% | 8 |
| (iii) ≥ €30 billion | 73.3% | 22 |
| | Totals | 30 |

**Introductory questions**

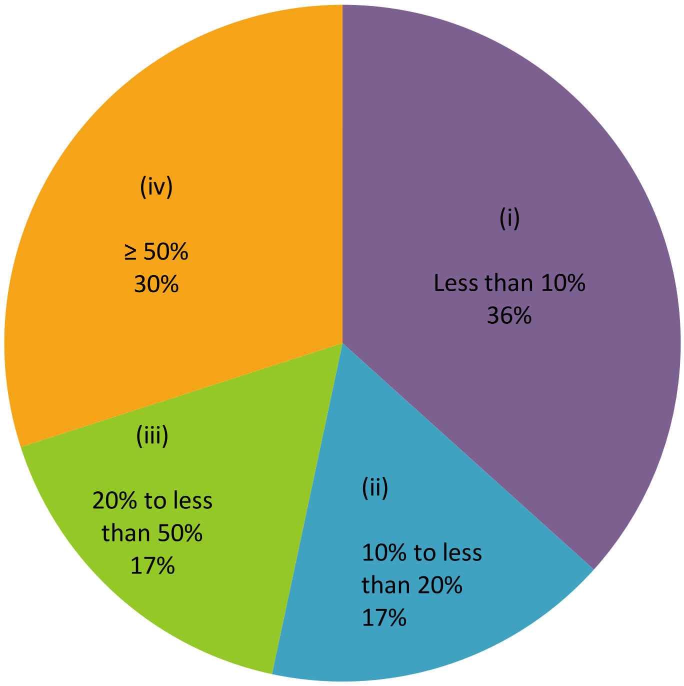
Question 5b. Within your capital structure, what is the current proportion of goodwill, relative to total assets? Please provide either the specific or approximate proportion (in percentage terms) as at 2019 year-end.




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) Less than 10% | 62.1% | 18 |
| (ii) 10% to less than 20% | 17.2% | 5 |
| (iii) 20% to less than 50% | 20.7% | 6 |
| | Totals | 29 |

**Introductory questions**

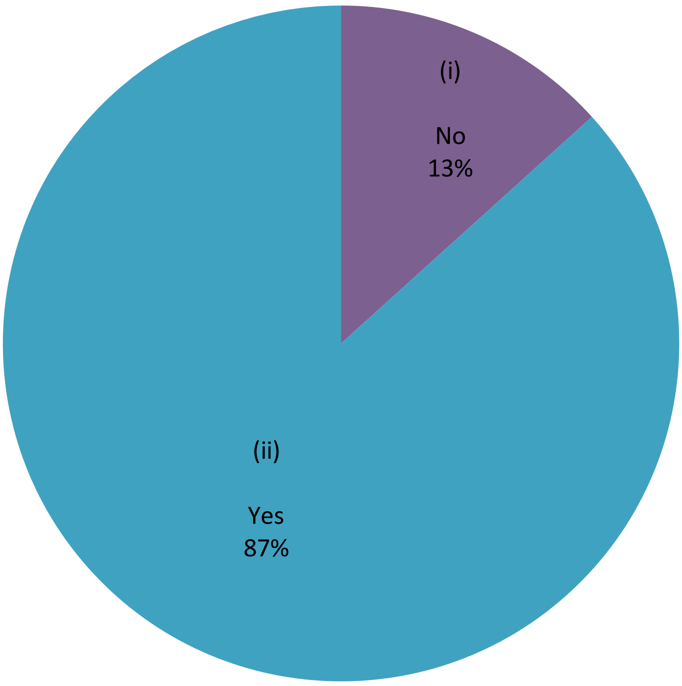
Question 6. Within your capital structure, what is the current proportion of goodwill, relative to total equity? Please provide either the specific or approximate proportion (in percentage terms) as at 2019 year-end.




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) Less than 10% | 36.7% | 11 |
| (ii) 10% to less than 20% | 16.7% | 5 |
| (iii) 20% to less than 50% | 16.7% | 5 |
| (iv) ≥ 50% | 30.0% | 9 |
| | Totals | 30 |

**Introductory questions**

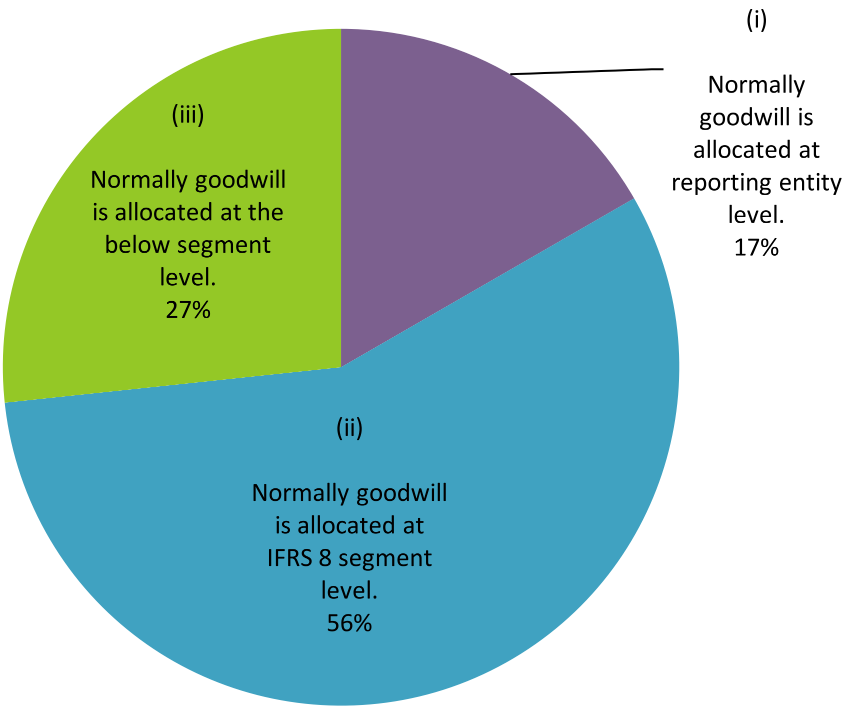
Question 7. Does your organisation regularly (at least one in two years) enter into business combinations?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) No | 13.3% | 4 |
| (ii) Yes | 86.7% | 26 |
| | Totals | 30 |

**Introductory questions**

Question 8. At which level goodwill is normally allocated by your organisation?

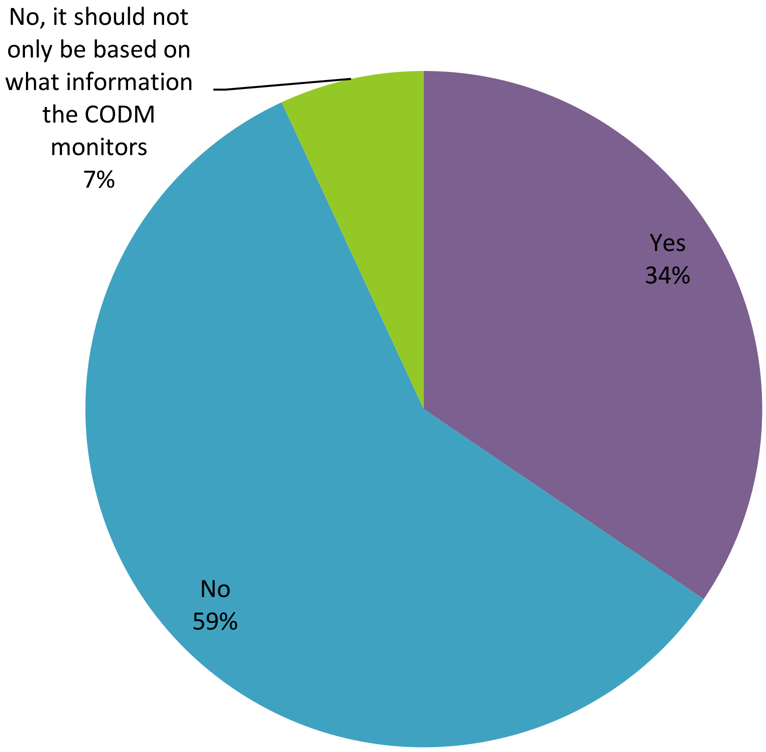



| Response | Percentage of responses | Number of responses |
|---|---|---|
| (i) Normally goodwill is allocated at reporting entity level. | 16.7% | 5 |
| (ii) Normally goodwill is allocated at IFRS 8 segment level. | 56.7% | 17 |
| (iii) Normally goodwill is allocated at the below segment level. | 26.7% | 8 |
| | Totals | 30 |

**Improving disclosures about acquisitions**

*Feasibility of the proposed disclosures*

Question 9. The DP proposes to disclose information about the strategic rationale and management's objectives for an acquisition based on how management (the chief operating decision maker's (CODM's)) monitors and measures whether the acquisition is meeting its objectives. Do you consider that this approach is feasible for you? (Please describe your response)



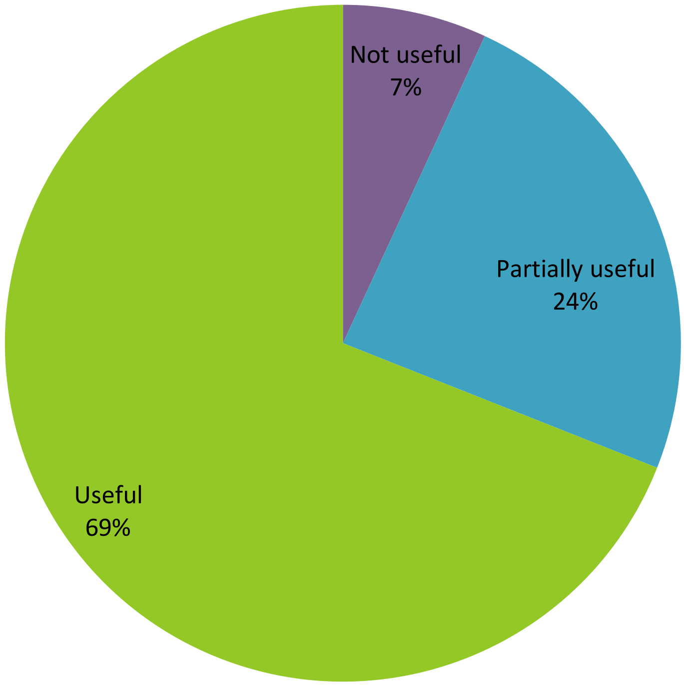

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 34.5% | 10 |
| No | 58.6% | 17 |
| No, it should not only be based on what information the CODM monitors | 6.9% | 2 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**1 - A requirement to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's)) objectives for an acquisition as at the acquisition date**



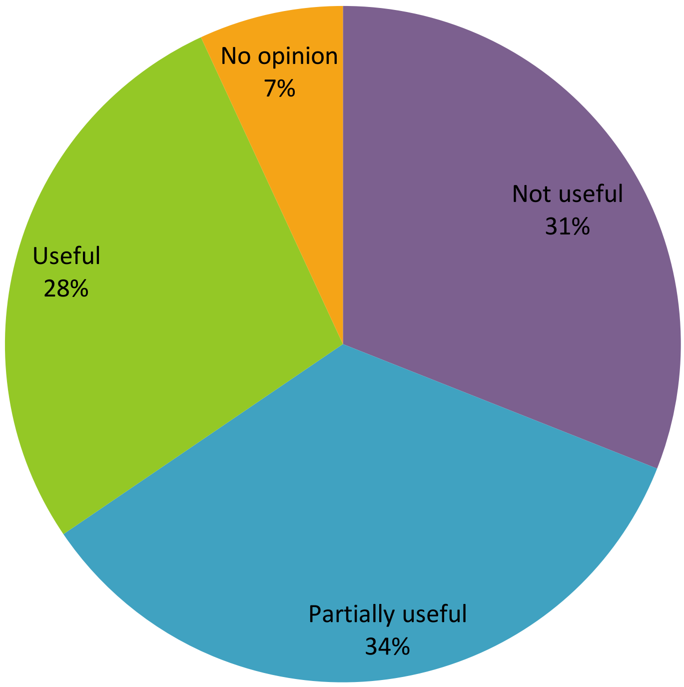

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 6.9% | 2 |
| Partially useful | 24.1% | 7 |
| Useful | 69.0% | 20 |
| | Totals | 8 |

**Improving disclosures about acquisitions**

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**2 - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives, rather than on metrics prescribed by the IASB**



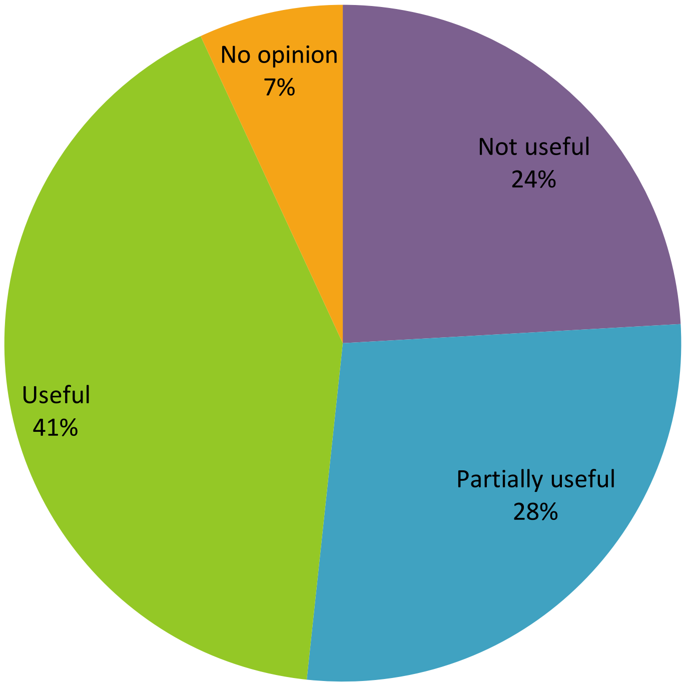

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 31.0% | 9 |
| Partially useful | 34.5% | 10 |
| Useful | 27.6% | 8 |
| No opinion | 6.9% | 2 |
| | Totals | 29 |

**Improving disclosures about acquisitions**

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**3 - A requirement to provide information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business**



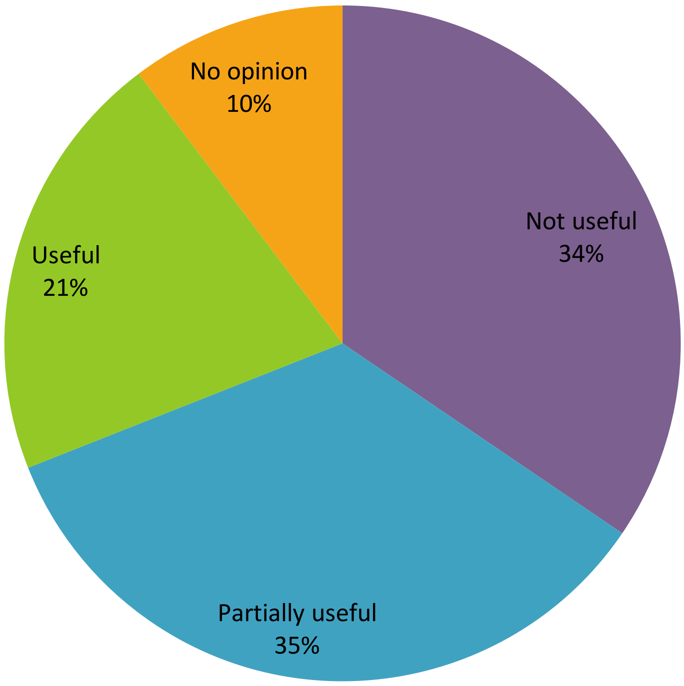

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 24.1% | 7 |
| Partially useful | 27.6% | 8 |
| Useful | 41.4% | 12 |
| No opinion | 6.9% | 2 |
| | Totals | 9 |

**Improving disclosures about acquisitions**

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**4 - A requirement to disclose information on synergies (description of the expected synergies, when the synergies are expected to be realised, the estimated amount or range of amounts of the synergies, the expected cost or range of costs to achieve those synergies)**



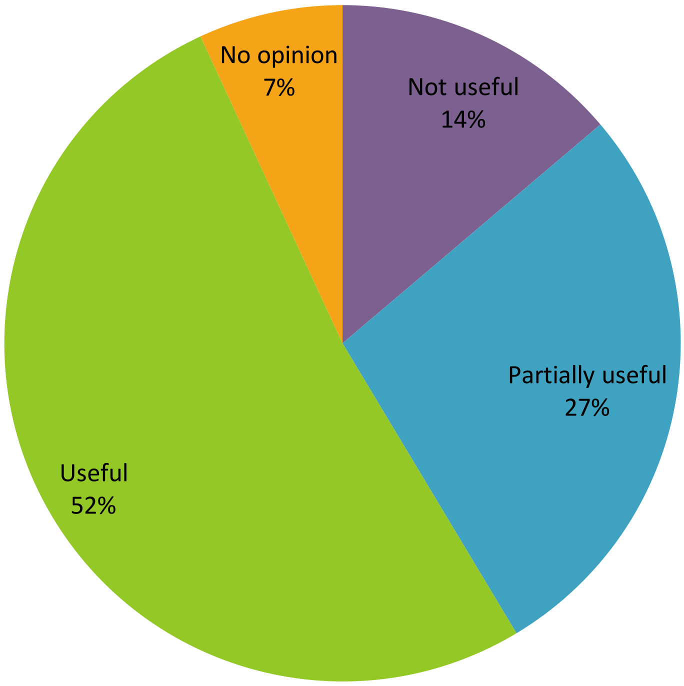

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 34.5% | 10 |
| Partially useful | 34.5% | 10 |
| Useful | 20.7% | 6 |
| No opinion | 10.3% | 3 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**5 - Disclosures of any liabilities arising from financing activities and pension obligations assumed**



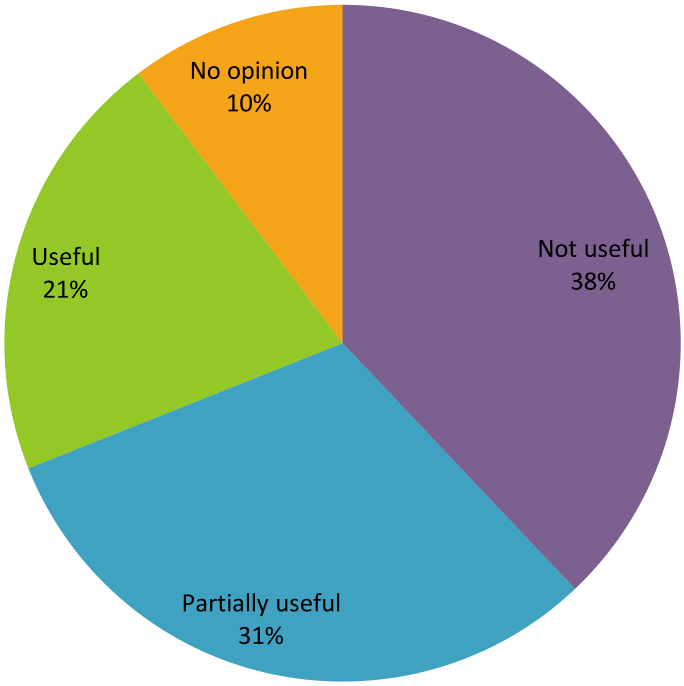

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 13.8% | 4 |
| Partially useful | 27.6% | 8 |
| Useful | 51.7% | 15 |
| No opinion | 6.9% | 2 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**6 - Disclosures of an acquiree's revenue, operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date**



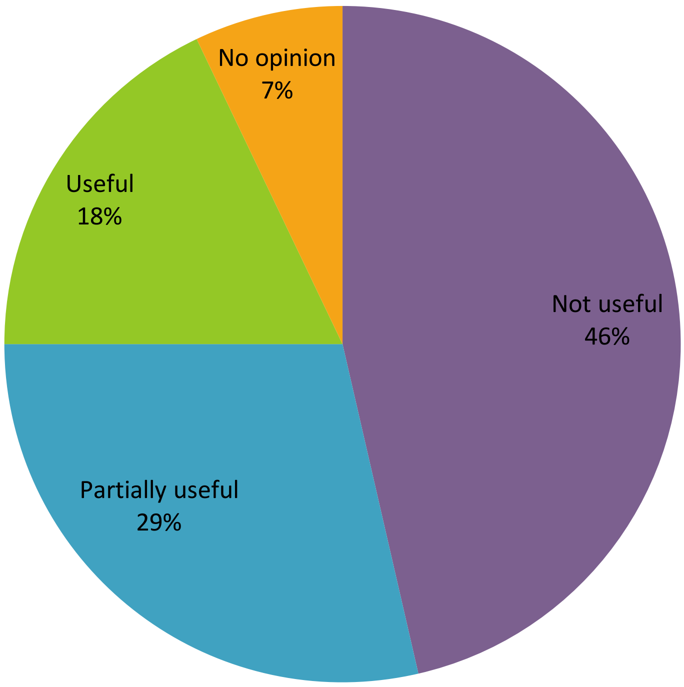

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 37.9% | 11 |
| Partially useful | 31.0% | 9 |
| Useful | 20.7% | 6 |
| No opinion | 10.3% | 3 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Usefulness of the proposed disclosures*

Question 10. Please indicate the usefulness of the following IASB proposals for enhanced disclosures for business combinations:

**7 - Disclosures of revenue, operating profit before acquisition-related transaction and integration costs and cash flows from operating activities of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period**



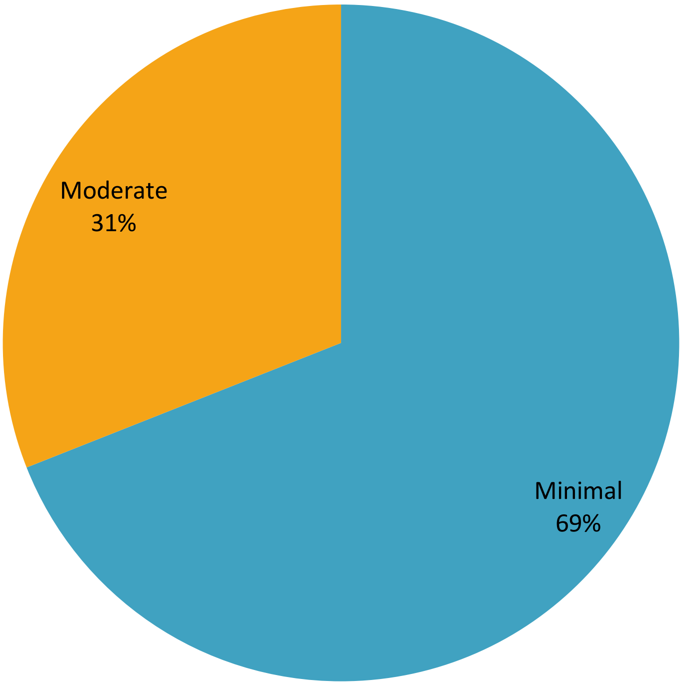

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not useful | 46.4% | 13 |
| Partially useful | 28.6% | 8 |
| Useful | 17.9% | 5 |
| No opinion | 7.1% | 2 |
| | Totals | 28 |

**Improving disclosures about acquisitions**

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - A requirement to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's) objectives for an acquisition as at the acquisition date**



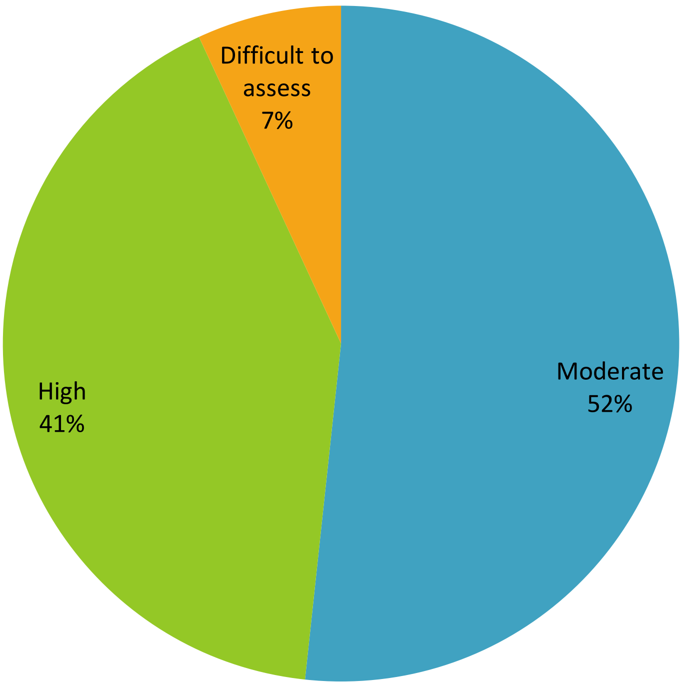

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 69.0% | 20 |
| Moderate | 31.0% | 9 |
| | Totals | 10 |

## Improving disclosures about acquisitions

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives, rather than on metrics prescribed by the IASB**



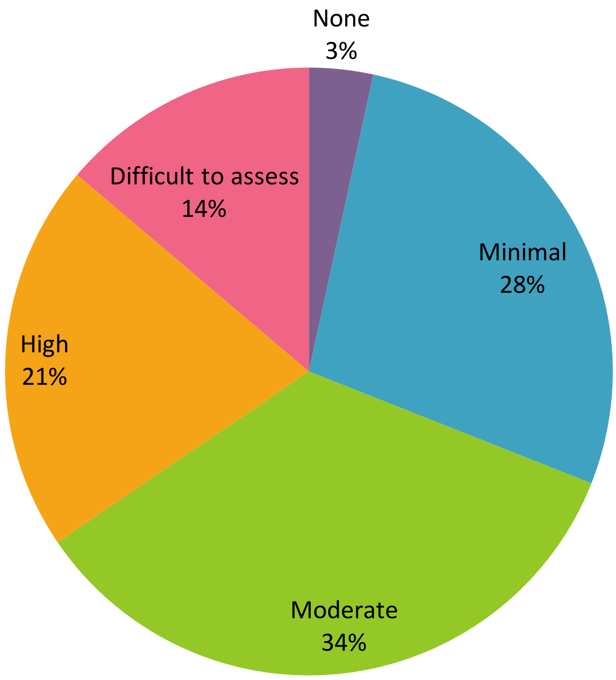

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Moderate | 51.7% | 15 |
| High | 41.4% | 12 |
| Difficult to assess | 6.9% | 2 |
| | Totals | 11 |

## Improving disclosures about acquisitions

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - A requirement to provide information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business**



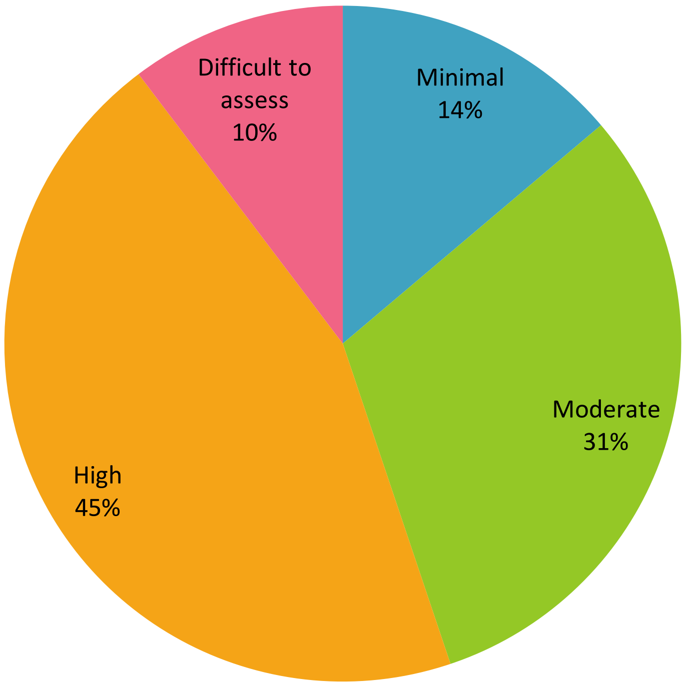

| Response | Percentage of responses | Number of responses |
|---|---|---|
| None | 3.4% | 1 |
| Minimal | 27.6% | 8 |
| Moderate | 34.5% | 10 |
| High | 20.7% | 6 |
| Difficult to assess | 13.8% | 4 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - A requirement to disclose information on synergies (description of the expected synergies, when the synergies are expected to be realised, the estimated amount or range of amounts of the synergies, the expected cost or range of costs to achieve those synergies)**



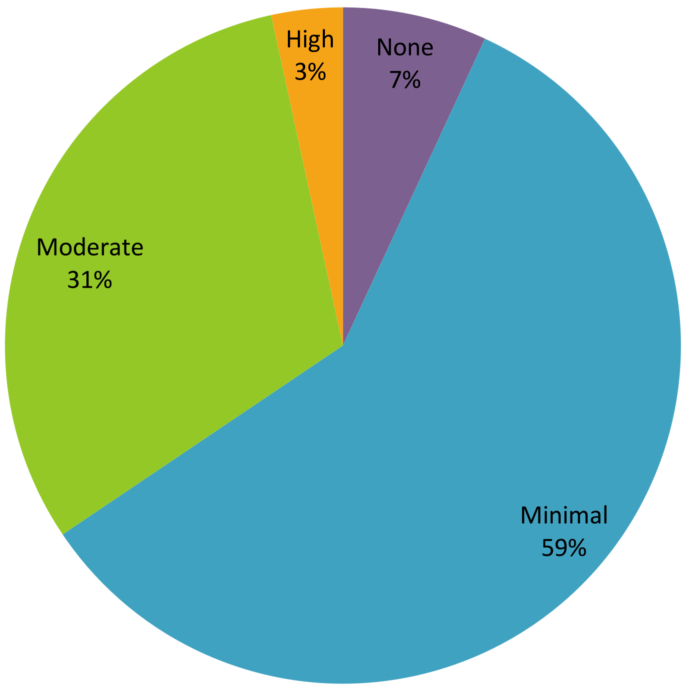

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 13.8% | 4 |
| Moderate | 31.0% | 9 |
| High | 44.8% | 13 |
| Difficult to assess | 10.3% | 3 |
| | Totals | 12 |

**Improving disclosures about acquisitions**

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - Disclosures of any liabilities arising from financing activities and pension obligations assumed**



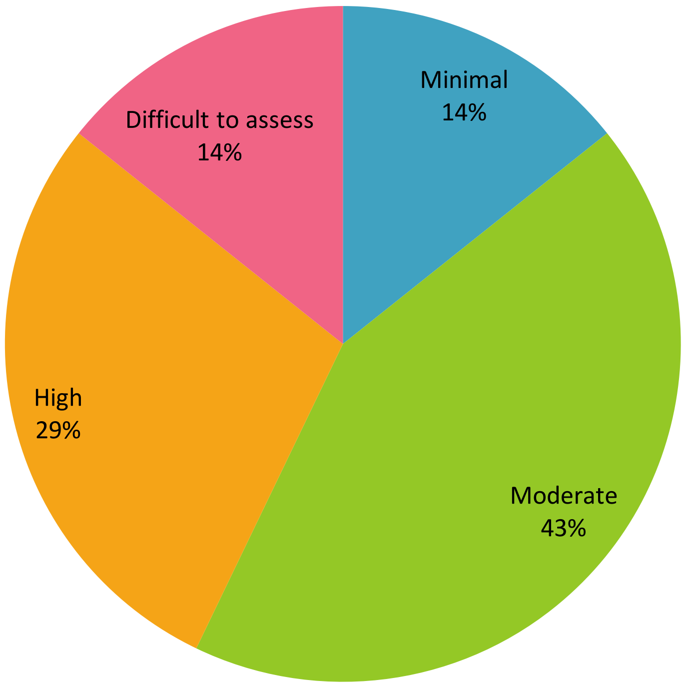

| Response | Percentage of responses | Number of responses |
|---|---|---|
| None | 6.9% | 2 |
| Minimal | 58.6% | 17 |
| Moderate | 31.0% | 9 |
| High | 3.4% | 1 |
| | Totals | 13 |

## Improving disclosures about acquisitions

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - Disclosures of an acquiree's revenue, operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date**



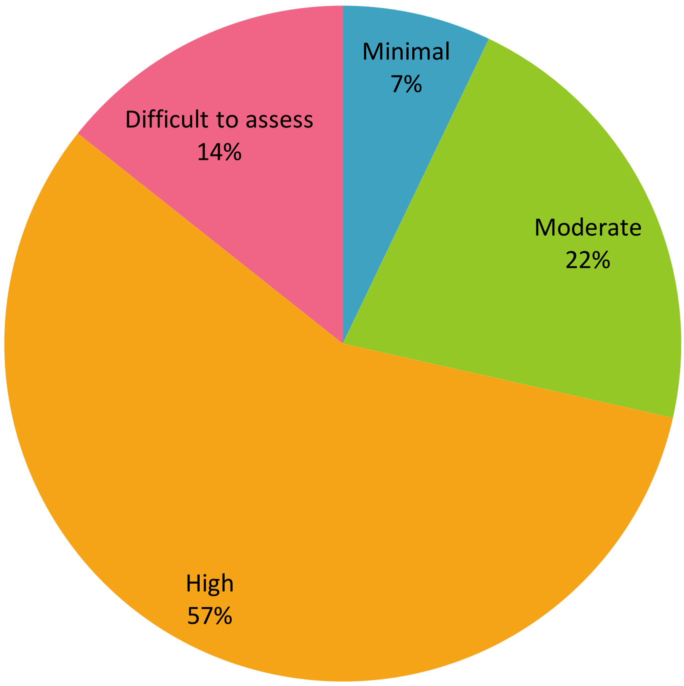

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 14.3% | 4 |
| Moderate | 42.9% | 12 |
| High | 28.6% | 8 |
| Difficult to assess | 14.3% | 4 |
| | Totals | 14 |

## Improving disclosures about acquisitions

*Incremental costs that may result from the IASB proposal*

Question 11. What is your estimation of the level of general incremental costs that may result for your organisation from the IASB proposals for enhanced disclosures for business combinations?

**Incremental cost - Disclosures of revenue, operating profit before acquisition-related transaction and integration costs and cash flows from operating activities of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period**



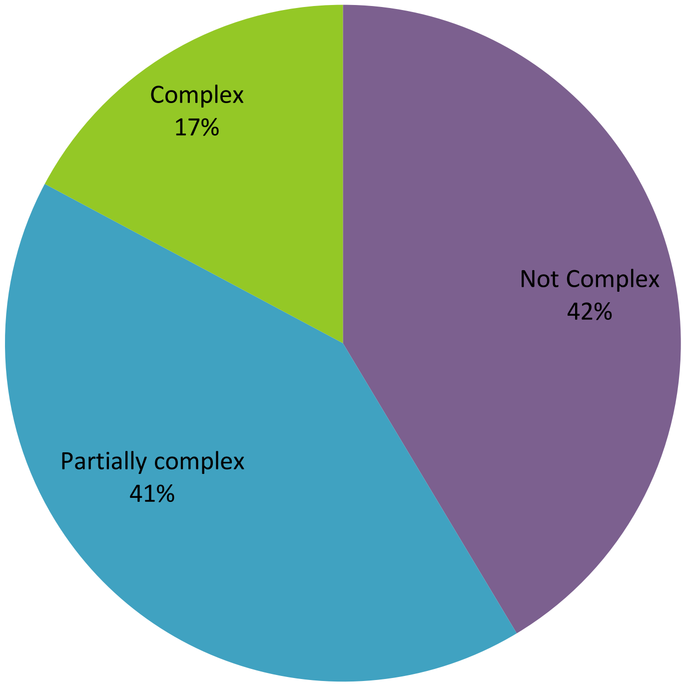

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 7.1% | 2 |
| Moderate | 21.4% | 6 |
| High | 57.1% | 16 |
| Difficult to assess | 14.3% | 4 |
| | Totals | 28 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - A requirement to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's)) objectives for an acquisition as at the acquisition date**



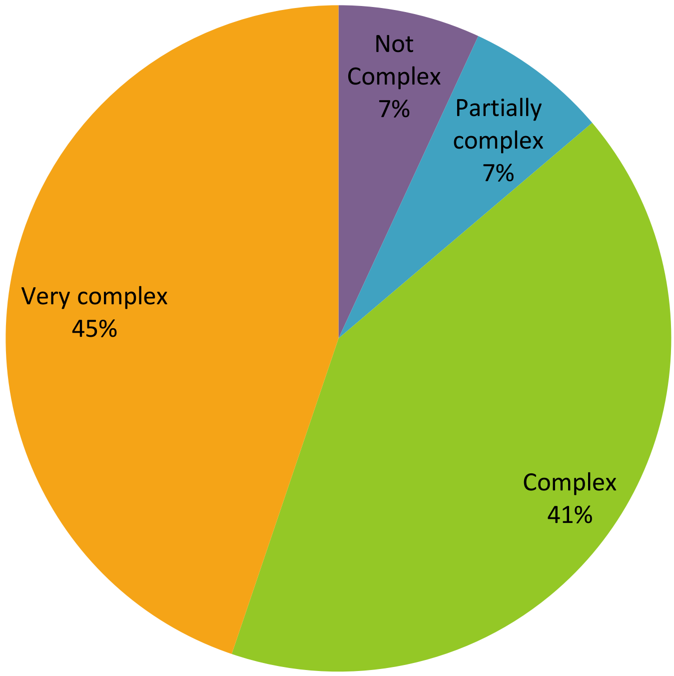

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 41.4% | 12 |
| Partially complex | 41.4% | 12 |
| Complex | 17.2% | 5 |
| | Totals | 15 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives, rather than on metrics prescribed by the IASB**



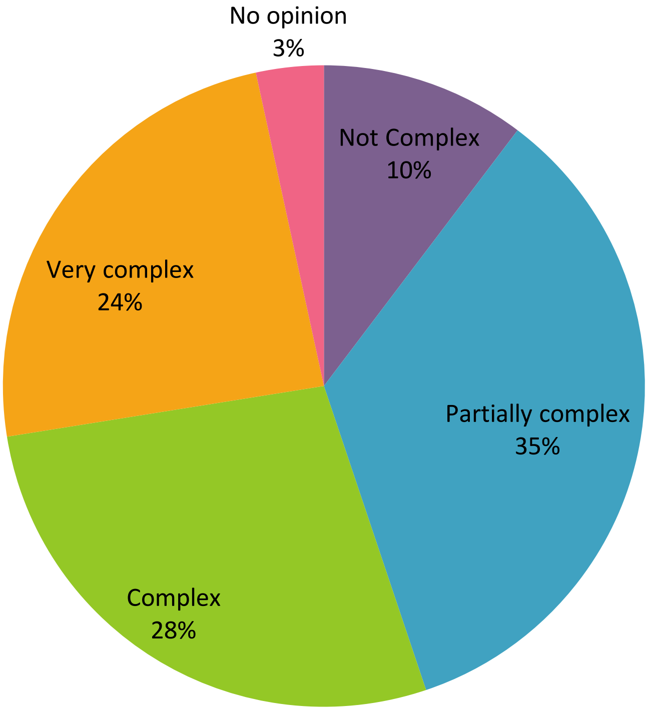

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 6.9% | 2 |
| Partially complex | 6.9% | 2 |
| Complex | 41.4% | 12 |
| Very complex | 44.8% | 13 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - A requirement to provide information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business**



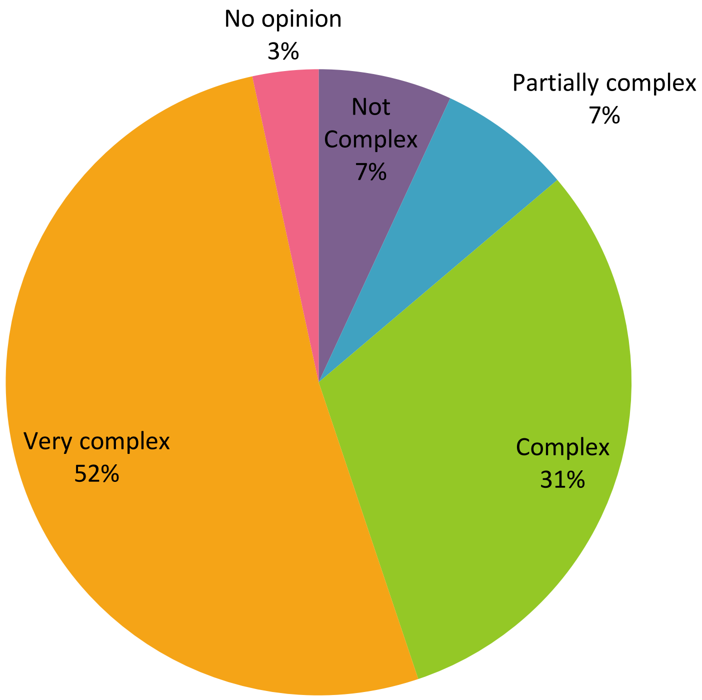

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 10.3% | 3 |
| Partially complex | 34.5% | 10 |
| Complex | 27.6% | 8 |
| Very complex | 24.1% | 7 |
| No opinion | 3.4% | 1 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - A requirement to disclose information on synergies (description of the expected synergies, when the synergies are expected to be realised, the estimated amount or range of amounts of the synergies, the expected cost or range of costs to achieve those synergies)**



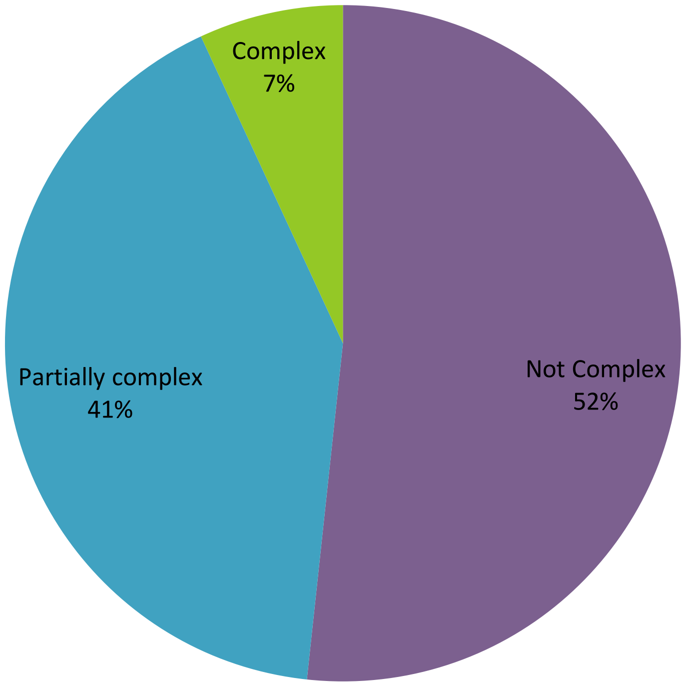

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 6.9% | 2 |
| Partially complex | 6.9% | 2 |
| Complex | 31.0% | 9 |
| Very complex | 51.7% | 15 |
| No opinion | 3.4% | 1 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - Disclosures of any liabilities arising from financing activities and pension obligations assumed**



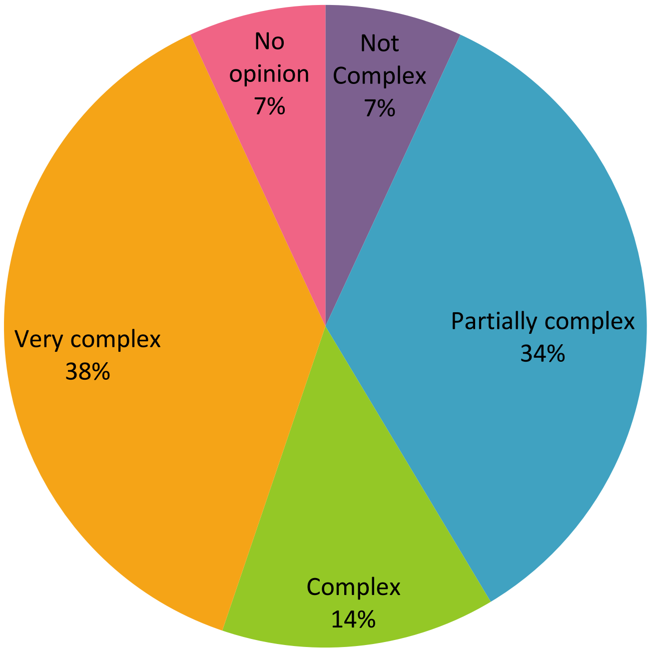

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 51.7% | 15 |
| Partially complex | 41.4% | 12 |
| Complex | 6.9% | 2 |
| | Totals | 16 |

## Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - Disclosures of an acquiree's revenue, operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date**



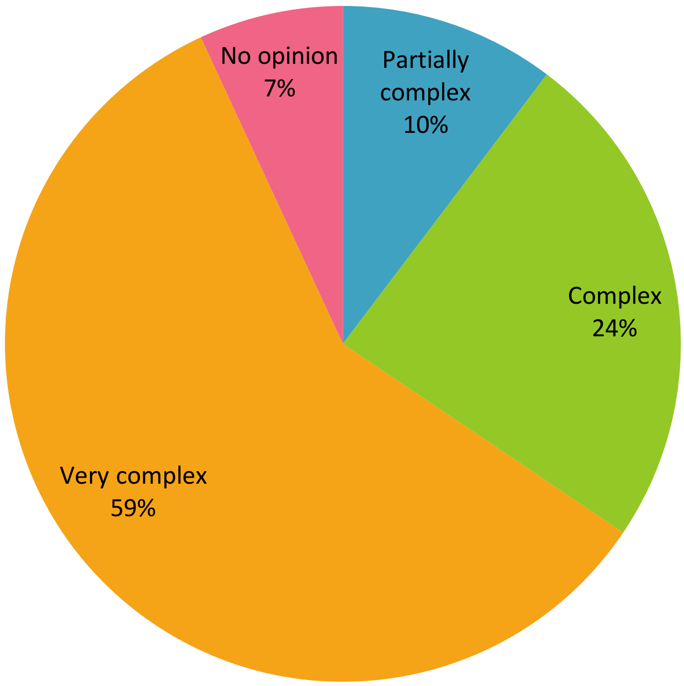

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not Complex | 6.9% | 2 |
| Partially complex | 34.5% | 10 |
| Complex | 13.8% | 4 |
| Very complex | 37.9% | 11 |
| No opinion | 6.9% | 2 |
| | Totals | 29 |

### Improving disclosures about acquisitions

*Complexity of the IASB proposals for enhanced disclosures for business combinations*

Question 12. Please indicate the complexity of the following IASB proposals for enhanced disclosures for business combinations:

**Complexity - Disclosures of revenue, operating profit before acquisition-related transaction and integration costs and cash flows from operating activities of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period**



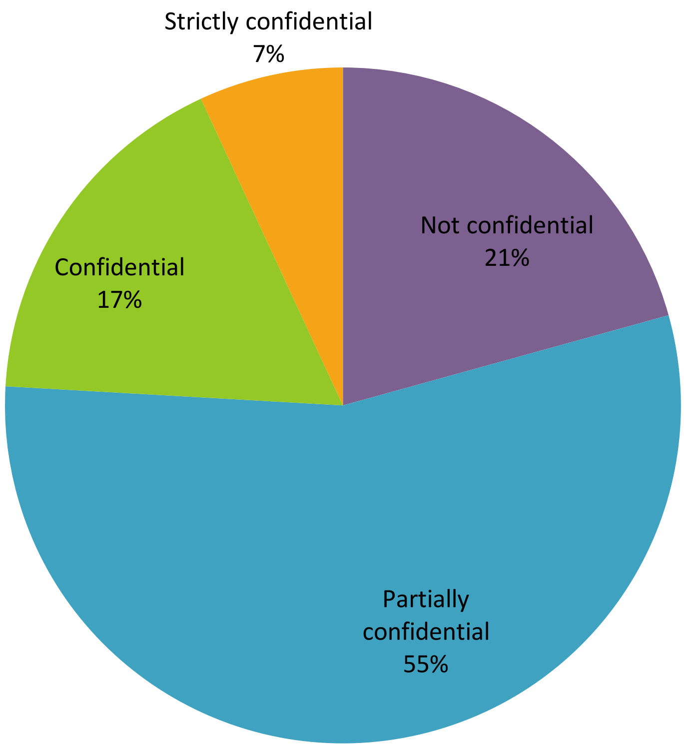

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Partially complex | 10.3% | 3 |
| Complex | 24.1% | 7 |
| Very complex | 58.6% | 17 |
| No opinion | 6.9% | 2 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - A requirement to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's)) objectives for an acquisition as at the acquisition date**



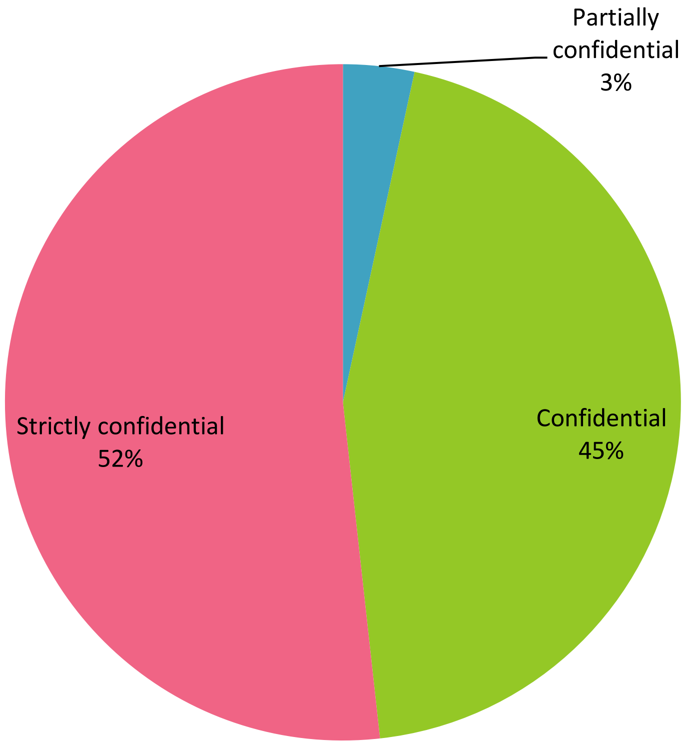

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 20.7% | 6 |
| Partially confidential | 55.2% | 16 |
| Confidential | 17.2% | 5 |
| Strictly confidential | 6.9% | 2 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives, rather than on metrics prescribed by the IASB**



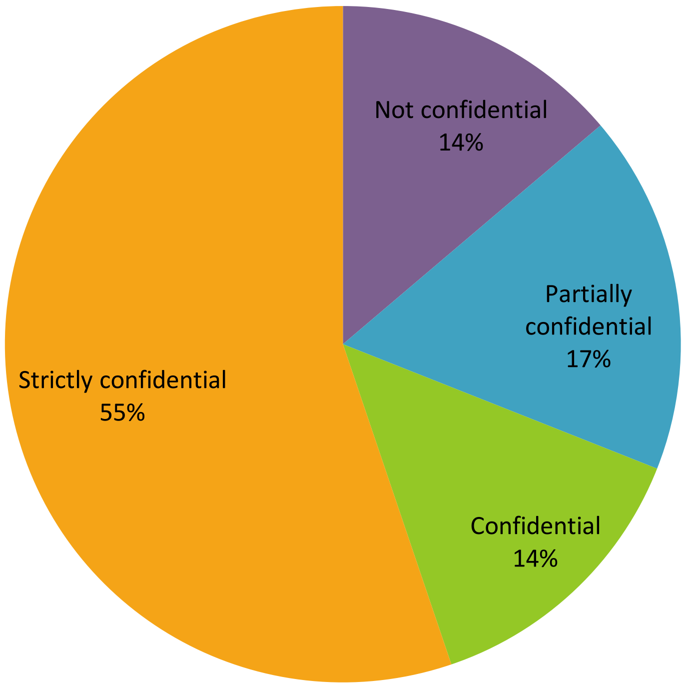

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Partially confidential | 3.4% | 1 |
| Confidential | 44.8% | 13 |
| Strictly confidential | 51.7% | 15 |
| | Totals | 17 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - A requirement to provide information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business**



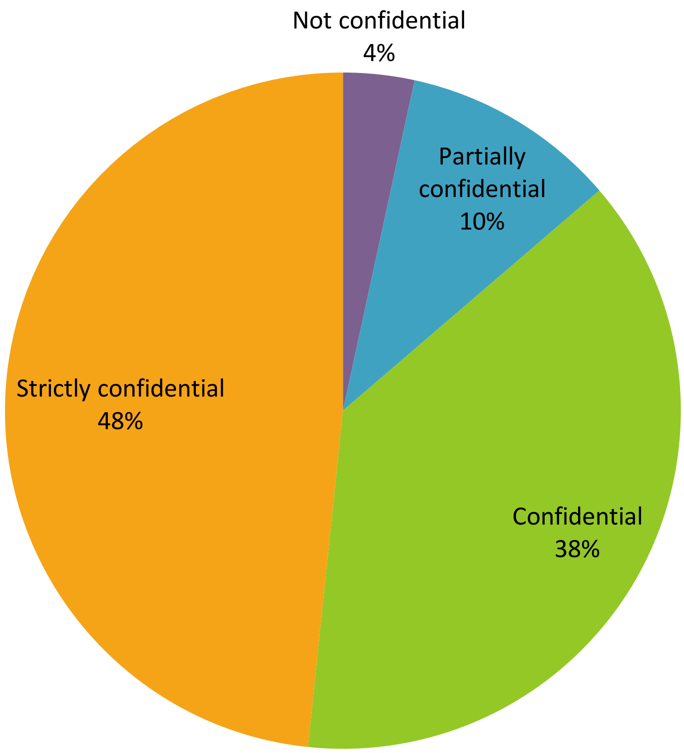

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 13.8% | 4 |
| Partially confidential | 17.2% | 5 |
| Confidential | 13.8% | 4 |
| Strictly confidential | 55.2% | 16 |
| | Totals | 18 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - A requirement to disclose information on synergies (description of the expected synergies, when the synergies are expected to be realised, the estimated amount or range of amounts of the synergies, the expected cost or range of costs to achieve those synergies)**



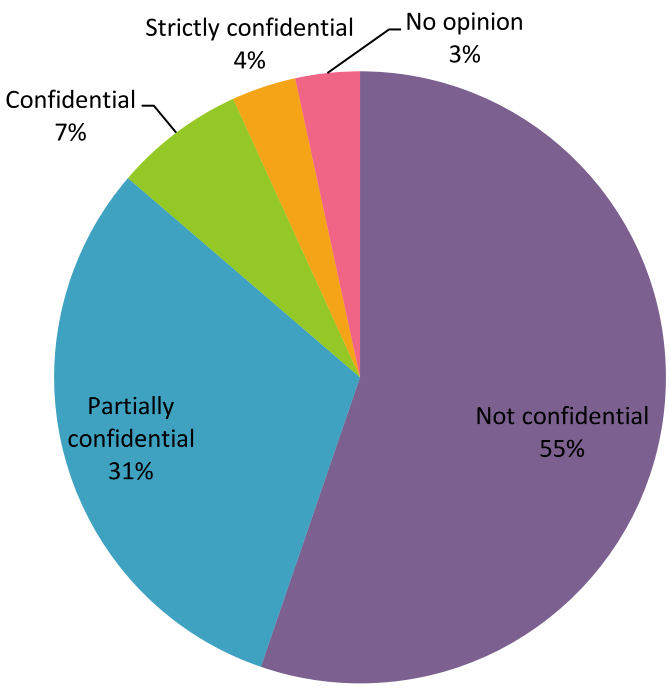

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 3.4% | 1 |
| Partially confidential | 10.3% | 3 |
| Confidential | 37.9% | 11 |
| Strictly confidential | 48.3% | 14 |
| | Totals | 19 |

### Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - Disclosures of any liabilities arising from financing activities and pension obligations assumed**



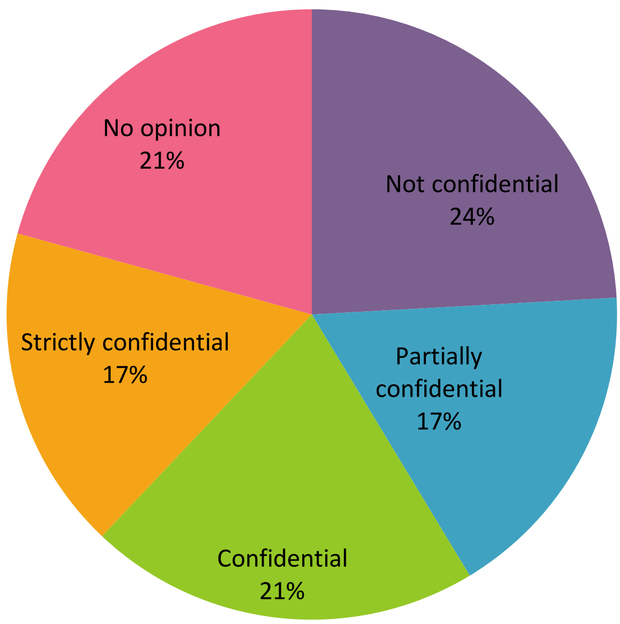

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 55.2% | 16 |
| Partially confidential | 31.0% | 9 |
| Confidential | 6.9% | 2 |
| Strictly confidential | 3.4% | 1 |
| No opinion | 3.4% | 1 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - Disclosures of an acquiree's revenue, operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date**



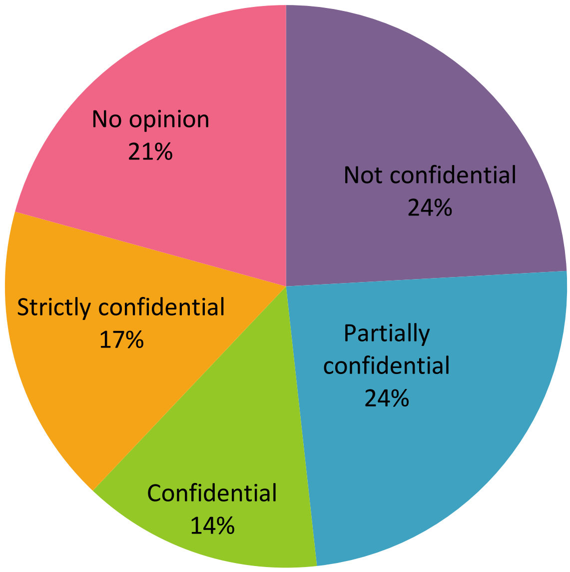

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 24.1% | 7 |
| Partially confidential | 17.2% | 5 |
| Confidential | 20.7% | 6 |
| Strictly confidential | 17.2% | 5 |
| No opinion | 20.7% | 6 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Confidentiality*

Question 13. Please indicate whether the following IASB proposals for enhanced disclosures for business combinations are so confidential that if they were detailed in the financial reports your competitors could obtain private-key information of your organisation.

**Confidentiality - Disclosures of revenue, operating profit before acquisition-related transaction and integration costs and cash flows from operating activities of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period**

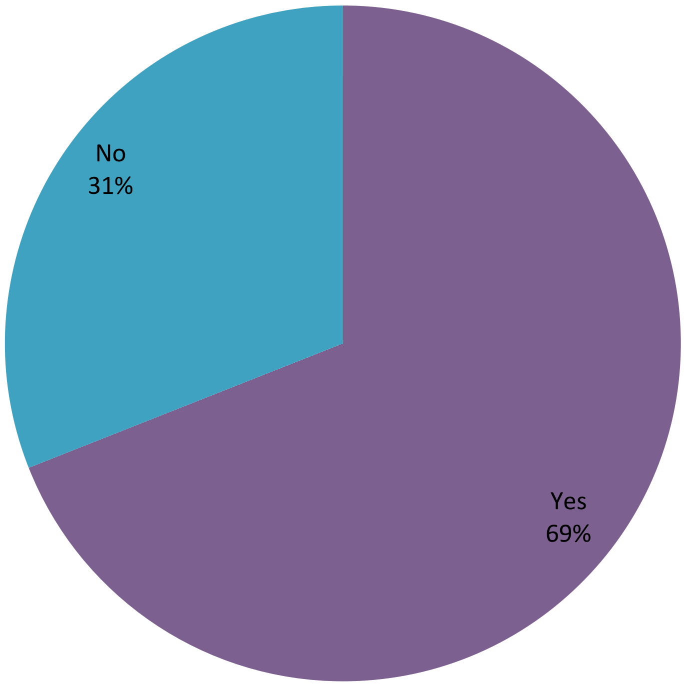



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Not confidential | 24.1% | 7 |
| Partially confidential | 24.1% | 7 |
| Confidential | 13.8% | 4 |
| Strictly confidential | 17.2% | 5 |
| No opinion | 20.7% | 6 |
| | Totals | 29 |

**Improving disclosures about acquisitions**

*Other questions on disclosures*

Question 14. Would you have other operational implications on the IASB's proposals for better disclosures on business combinations when preparing the financial information (e.g. quality of data, internal control and auditability).




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 69.0% | 20 |
| No | 31.0% | 9 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Other questions on disclosures*

Question 14. Would you have other operational implications on the IASB's proposals for better disclosures on business combinations when preparing the financial information (e.g. quality of data, internal control and auditability).

| Response | Number of responses |
|---|---|
| 1) The information related to acquisitions should rather be provided at a high level (i.e. CODM level) as the acquisitions are monitored at this level. Moreover, materiality criteria should be taken into account (i.e. only material acquisitions should be subject to such disclosures). 2) An acquisition generally is a long-term project and, whatever its objective could be, its achievement can hardly be assessed over a short (2-years or 3-years) period. For example, for a foreign subsidiary acquired with the goal of penetrating a new marked, the acquisition's overall objective may only be achieved over a long (10- or 15-years) period, whereas any interim assessment may show discouraging results. 3) Following the previous point, no direct link should be supposed between the achievement or non-achievement of an acquisition's objectives over a short 2- or 3-years period and the reported goodwill figures (i.e. the non-achievement of the acquisition's objectives over a 2- or 3-years period | 1 |
| Acquired companies are integrated as soon as possible; therefore, synergies cannot be tracked separately; commercial sensitivity needs to be considered: former owners of acquired companies emphasize quite often that certain information should not be disclosed externally (e.g. purchase price details), otherwise they would not sell --> disadvantage for listed companies applying IFRS | 1 |
| Audit trail preparation could be complex ; some information are highly sensitive | 1 |
| Auditability | 1 |
| Availability and auditability of data | 1 |
| Difficulty & costs to collect all the qualitative information required and to obtain a proper audit opinion on it. | 1 |
| Has implications for audit - data has to be auditable, and much of this is judgemental add-ons to the main reporting systems. Eg how do you define and measure a "synergy" - and how do you control and audit those entries | 1 |
| If the information to be disclosed is very detailed, it will be difficult to review and to audit. And it will be dificult operationally if it is provided by different business areas to have a homogeneus criteria and information to be disclosed. | 1 |
| Lack of usefulness of disclosure as well as difficulty in providing the figures requested for the business purchased | 1 |

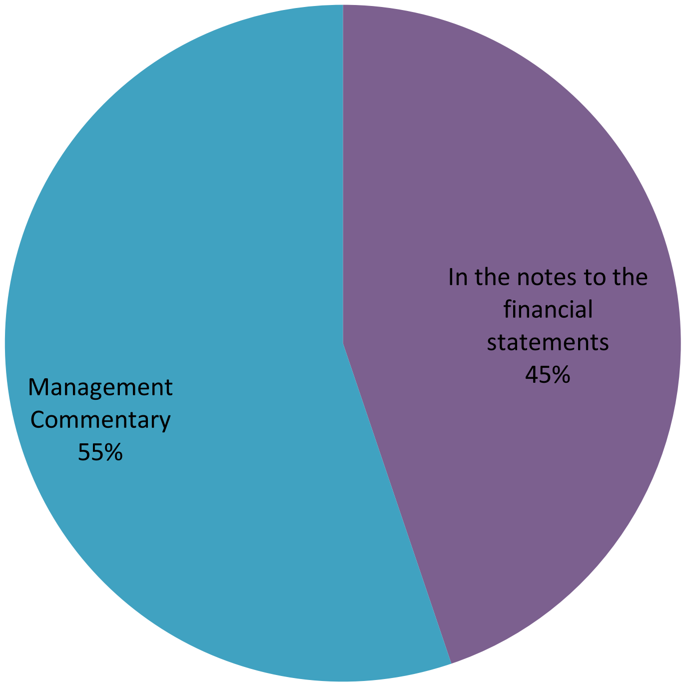
| | |
|---|---|
| Many new required information are not data and as such do not exist in the systems. Due to their proforma or projections nature, their reliability and auditability is questionable. | |
| Quality, internal control, auditability | 1 |
| Some information may not be available shortly after the acquisition date | 1 |
| The measurement of synergies will in many cases be difficult, highly judgemental and subjective. This will impair the usefulness of this information. | 1 |
| Usually businesses are integrated into the existing structures which makes it almost impossible to generate reliable information on an isolated basis. This is also not perfromed for internal purposes as cost and complexity outweigh the benefits. | 1 |
| We agree to provide additionnal qualitative information. Quantitive information would be confidential, useful to our competitors to the detriment of our group | 1 |
| as it will be necessary to implement an adequate organizational process, which involves several structures in the bank, in order to guarantee adequate information (this process involves costs and time). | 1 |
| auditability in case of narrow explanations as well as traceability. Usefulness and timing: how long should an entity perform such analysis whether an acquisition met the expectations etc. | 1 |
| internal control and auditability. New internal control should be set.Auditors do not currently check this information | 1 |
| since the newly proposed measures are often of qualitative nature and strategic dimension, it is also questionable whether they can easily be audited | 1 |
| Totals | 1 |
| | 19 |

## Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - A requirement to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's)) objectives for an acquisition as at the acquisition date**



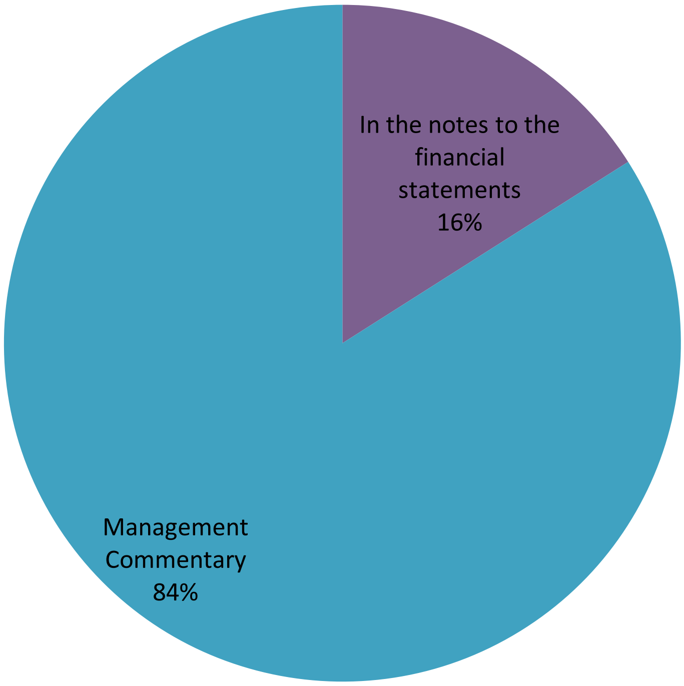

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 44.8% | 13 |
| Management Commentary | 55.2% | 16 |
| | Totals | 29 |

## Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and**



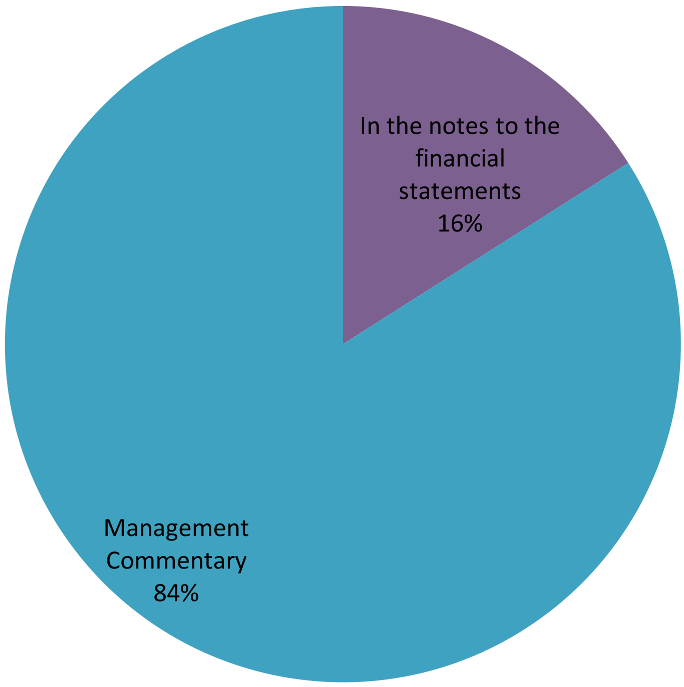

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 16.0% | 4 |
| Management Commentary | 84.0% | 21 |
| | Totals | 20 |

### Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - A requirement to disclose information about whether the acquisition has met the expected objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives, rather than on metrics prescribed by the IASB**



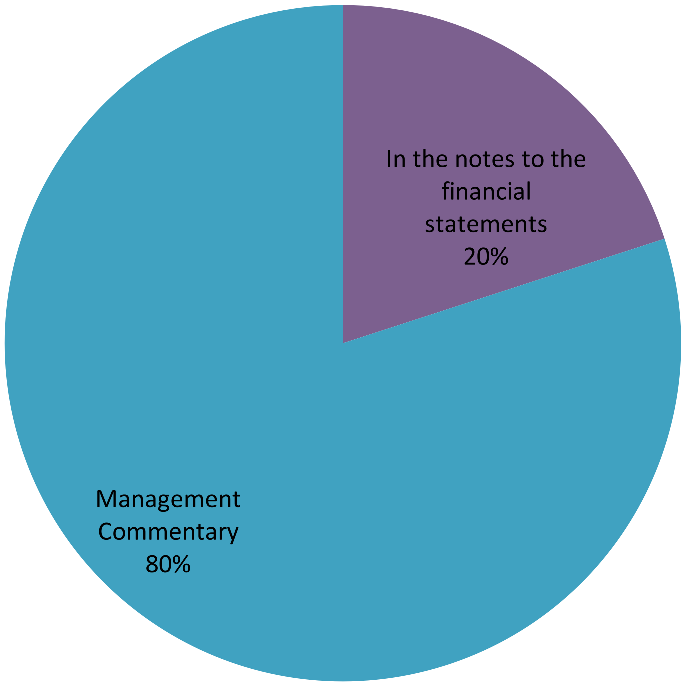

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 16.0% | 4 |
| Management Commentary | 84.0% | 21 |
| | Totals | 21 |

### Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - A requirement to provide information to help investors to understand the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business**



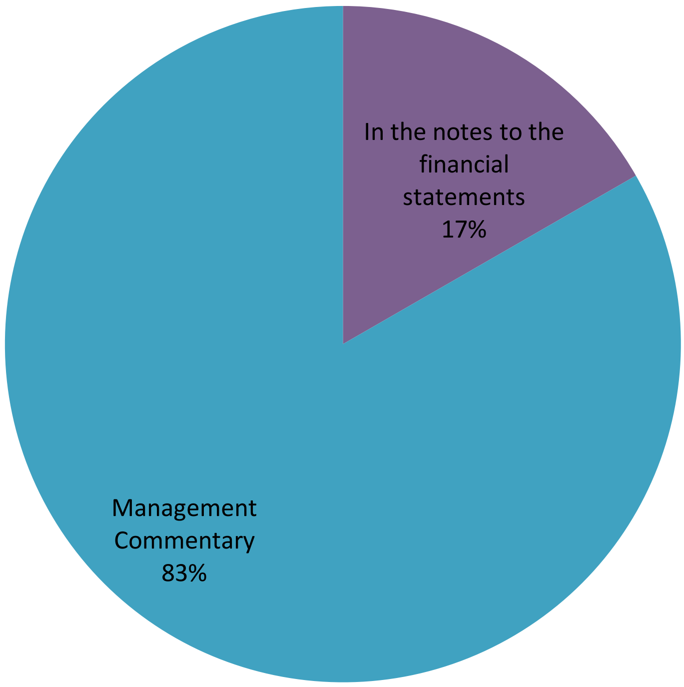

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 20.0% | 5 |
| Management Commentary | 80.0% | 20 |
| | Totals | 25 |

### Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - A requirement to disclose information on synergies (description of the expected synergies, when the synergies are expected to be realised, the estimated amount or range of amounts of the synergies, the expected cost or range of costs to achieve those synergies)**



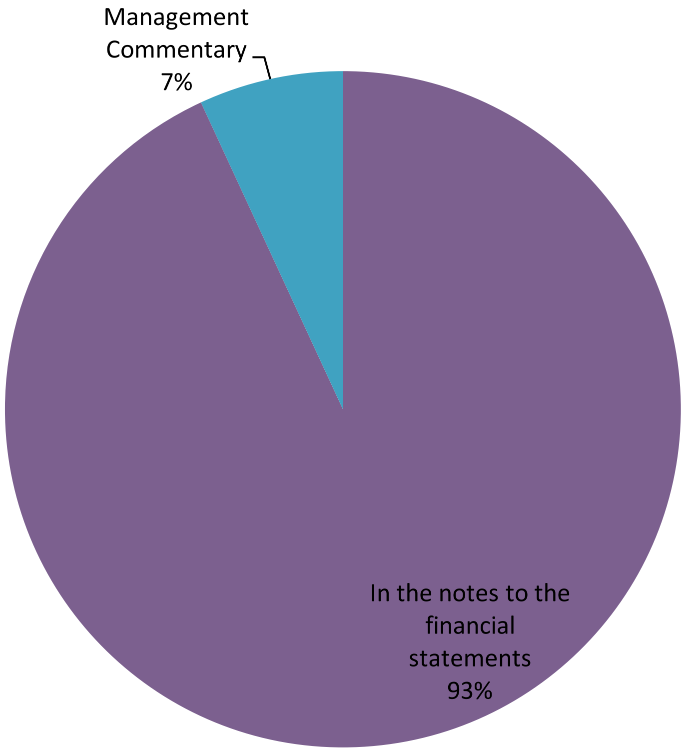

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 16.7% | 4 |
| Management Commentary | 83.3% | 20 |
| | Totals | 22 |

## Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - Disclosures of any liabilities arising from financing activities and pension obligations assumed**



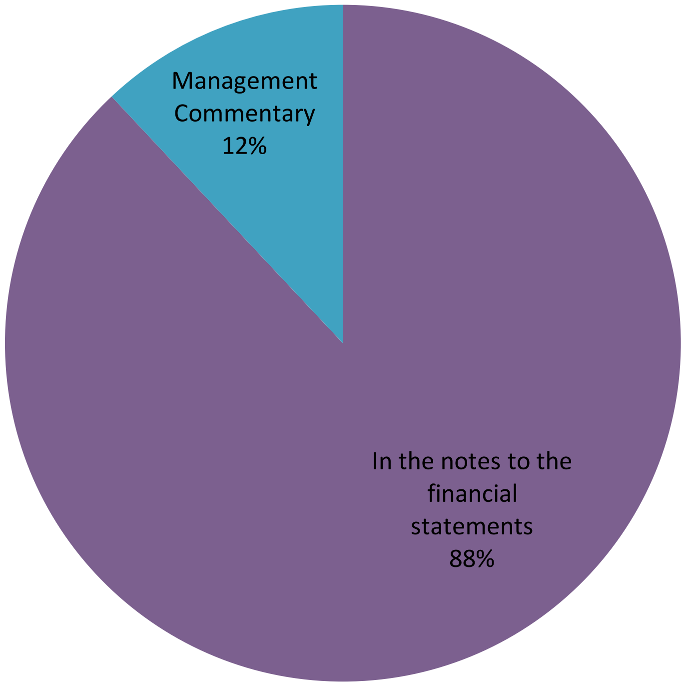

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 93.1% | 27 |
| Management Commentary | 6.9% | 2 |
| | Totals | 23 |

## Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - Disclosures of an acquiree's revenue, operating profit or loss before acquisition-related transaction and integration costs, and cash flow from operating activities after the acquisition date**



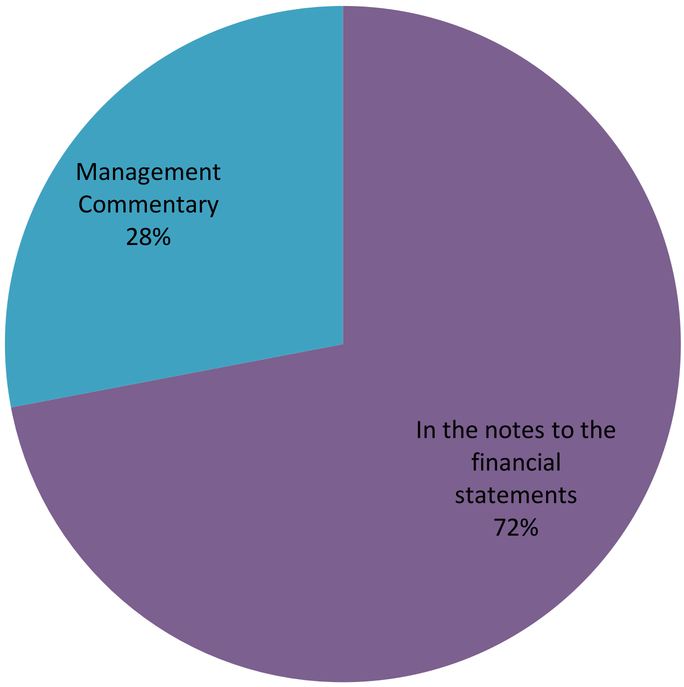

| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 88.0% | 22 |
| Management Commentary | 12.0% | 3 |
| | Totals | 24 |

## Improving disclosures about acquisitions

*Management commentary or notes to the financial statements*

Question 15. Please indicate where the following IASB proposals for enhanced disclosures for business combinations should be placed.

**Where it should be placed - Disclosures of revenue, operating profit before acquisition-related transaction and integration costs and cash flows from operating activities of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period**

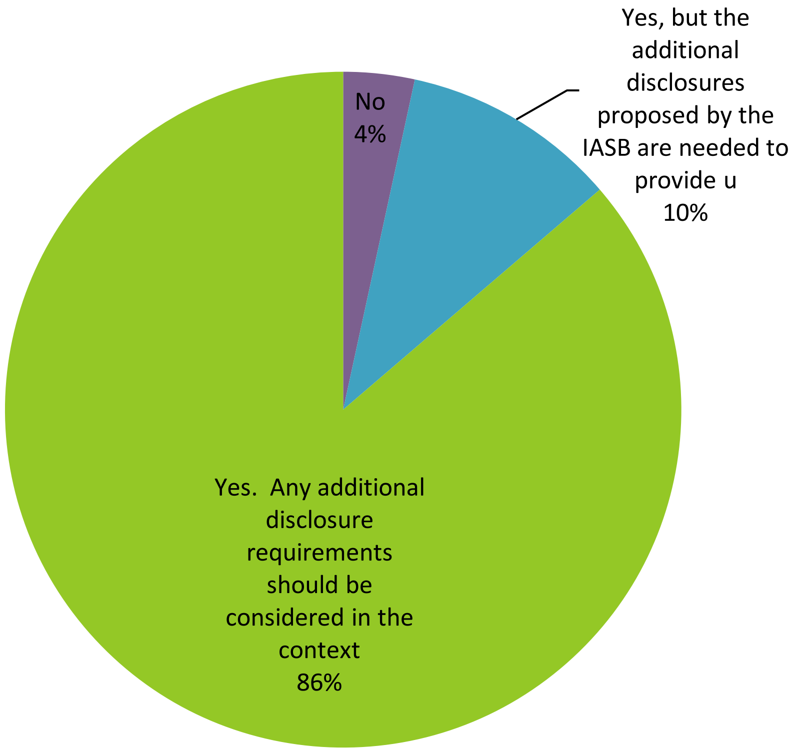



| Response | Percentage of responses | Number of responses |
|---|---|---|
| In the notes to the financial statements | 72.0% | 18 |
| Management Commentary | 28.0% | 7 |
| | Totals | 25 |

**Improving disclosures about acquisitions**

*Other questions on disclosures*

Question 16. Do you consider the current disclosure requirements on goodwill is already being extensive?

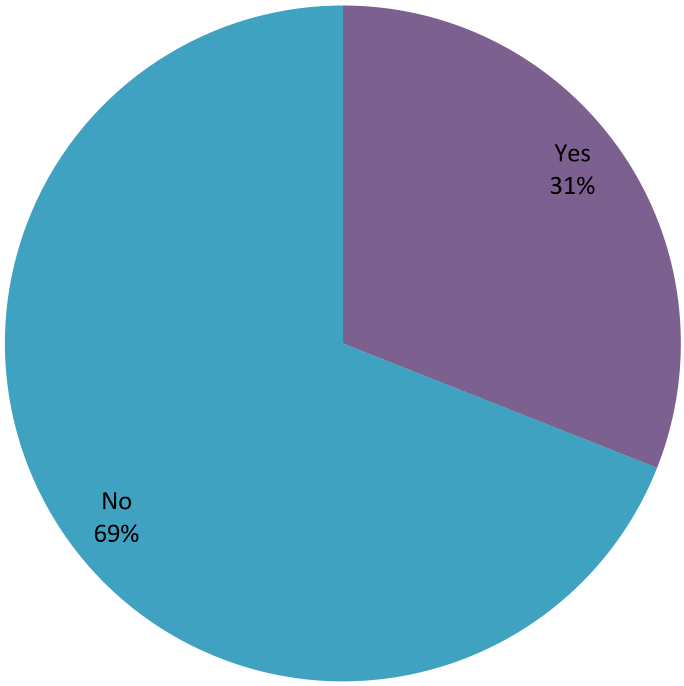



| Response | Percentage of responses | Number of responses |
|---|---|---|
| No | 3.4% | 1 |
| Yes, but the additional disclosures proposed by the IASB are needed to provide users with information. | 10.3% | 3 |
| Yes. Any additional disclosure requirements should be considered in the context of overall amount of disclosure requirements, which are already extensive. | 86.2% | 25 |
| | Totals | 25 |

**Improving disclosures about acquisitions**

*Other questions on disclosures*

Question 17. As a next step in the IASB project, the IASB intends to investigate whether it could remove any of the disclosure requirements from IFRS 3 without depriving investors of material information (IASB DP Paragraph 2.88). Do you have specific input on this topic?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 31.0% | 9 |
| No | 69.0% | 26 |

## Improving disclosures about acquisitions

*Other questions on disclosures*

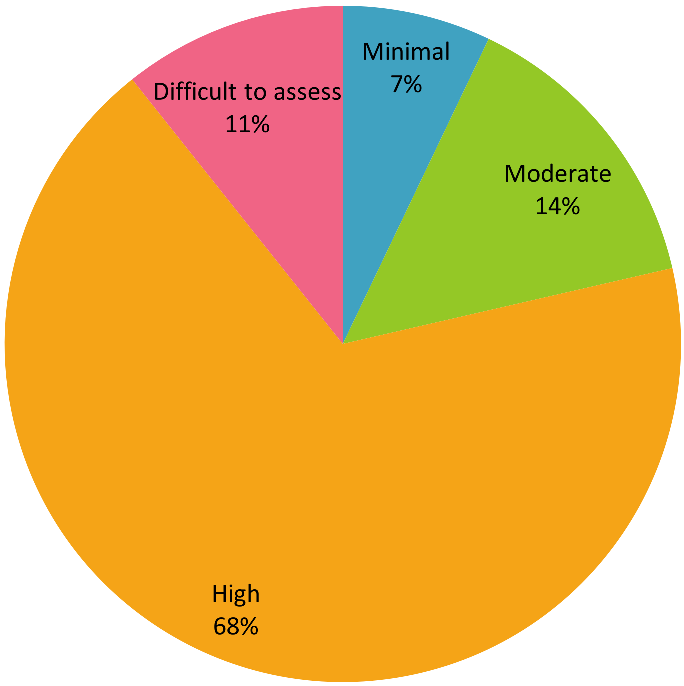
Question 17. As a next step in the IASB project, the IASB intends to investigate whether it could remove any of the disclosure requirements from IFRS 3 without depriving investors of material information (IASB DP Paragraph 2.88). Do you have specific input on this topic?

| Responded Yes – Input: | Number of responses |
|---|---|
| By experience, we have concerns with the IASB's proposal to retain existing IFRS 3 requirement to provide the pro forma information on the combined business' profit or loss for the acquisition's annual period as though the acquisition date had been at the beginning of this period, regardless of whether or not the 'profit or loss' is replaced with 'operating profit before acquisition-related transaction and integration costs'. In our opinion, and based on our experience on past business combinations, the requested figures are pure estimates based on financial statements issued by the previous owner. This information is not necessarily indicative of the results that could have been achieved within the acquirer's group if the acquisition had actually taken place on January 1 of the acquisition period. In particular, this information does not factor in any synergy, nor does it provide an indication of future results. Producing such information is almost as burdensome as if it were | 1 |
| Explanations on goodwil or badwill. By definition this is a residual and any explanations will be rather generic in nature. Details on conditional payments as these often entail confidential information. The necessity to disclose details on the transaction even if the completion happened after the balance sheet date. | 1 |
| IFRS 3 B 67 (a) and IFRS 3 B 64 (m) and IFRS 3 B 64 (q) (ii) | 1 |
| Some disclosures could be removed as proforma revenue since the beginning of the annual reporting period of the adquisition. | 1 |
| The disclosure requirements of IFRS 3 are extensive. The usefulness and the costs induced of some of the requirements shall be reconsidered, e.g. we suggest to eliminate the disclosure (1) of acquisition-related costs (IFRS 3.B64(m)) as they are sunk costs and are no longer of relevance for decision making, (2) of revenue and profit or loss information had the business combination occurred at the beginning of the annual reporting period (IFRS 3.B64(q)(ii)) as the determination of such information is usually impracticable and (3) for business combinations that occurred after the end of the reporting period but before the financial statements are authorized for issue (IFRS 3.B66) due to an overlap with subsequent events disclosures pursuant to IAS 10. | 1 |
| The standard should more explicitely provide for the possibility of disclosing aggregated and not individual information for each of the acquisitions. | 1 |
| We are questioning the usefulness of all aggregate information required for individual immaterial business combinations that are material collectively (IFRS 3. B65 & B67). Except for some specific financial indicators at group level (e.g. net debt impact or goodwill) such aggregated information | 1 |

| | |
|---|---|
| do not provide very useful elements helping in understanding the various transactions and the businesses acquired, especially if those businesses are very different between themselves. | |
| You should look also at IAS 36, which requires extensive disclosure of goodwill impairment process, which is allegedly done to "hold management to account". If we add new disclosures in IFRS 3, then these redundant disclosures in IAS 36 should be dropped. | 1 |
| disclosure requirements should, e.g., be reduced in cases where business combinations are closed shortly after the fiscal year end (so far, basically a, potentially preliminary, PPA has to be included in the notes) | 1 |
| Totals | 9 |
| | |
| Responded No - Input: | Number of responses |
| - | 1 |
| IFRS 3 does contain some extensive onerous disclosure requirements which could be seen as excessive in certain areas. However, in practice these disclosures are only provided for significant acquisitions which happen quite infrequently. The frequent business combinations (referred to in our response to question (h) above) are normally not large enough at a group level to warrant the all IFRS 3 disclosures. Accordingly revising IFRS 3 disclosure requirements is not a major concern for us and we have no further specific input on this topic. | 1 |
| In our view, IFRS 3 does not require excessive information | 1 |
| No specific input | 1 |
| all information requested is useful for investors. | 1 |
| Totals | 5 |

**Goodwill, impairment and amortisation**

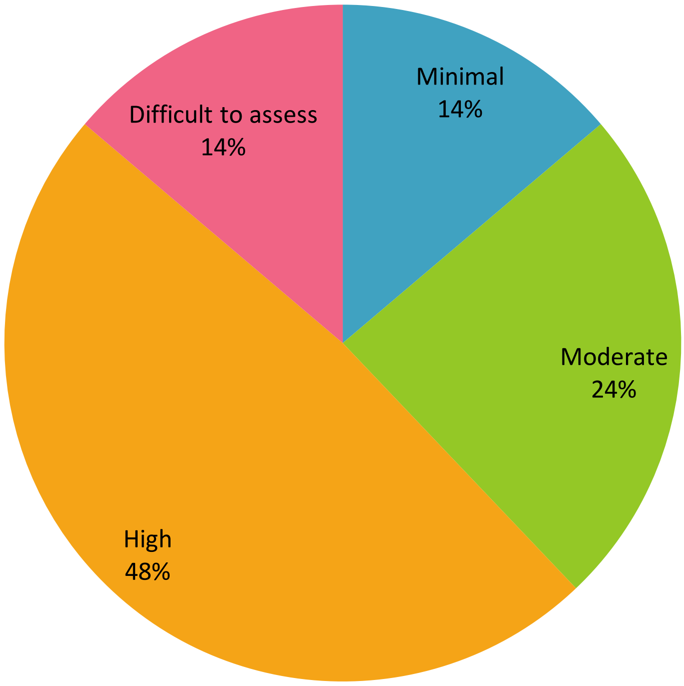
Question 18. The following proposal is not included in the DP. However, in looking for ways to reduce the behavioural incentives to the too little too late and enhance discipline in the application of the current measurement requirements, EFRAG is consulting in its DCL on possible additional disclosures. What would be the level of incremental costs that your organisation would incur to provide information on how the impairment test projections have been met and what are the deviations with performance obtained, within a sensitivity analysis?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 7.1% | 2 |
| Moderate | 14.3% | 4 |
| High | 67.9% | 19 |
| Difficult to assess | 10.7% | 3 |
| | Totals | 28 |

**Goodwill, impairment and amortisation**

Question 19. IAS 36 requires entities to disclose information of the terminal value, and the projection to reach to the terminal value. For the terminal value quantitative disclosures are normally provided, but for the intermediate period preceding the terminal value (e.g. projections of year 4, year 5), projections are currently normally not required in financial reports. In looking for ways to reduce the behavioural incentives to the too little too late and enhance discipline in the application of the current measurement requirements, EFRAG is consulting in its DCL on possible additional disclosures. Do you consider disclosing information on how the projections not included in approved budget have been estimated will be costly and complex?

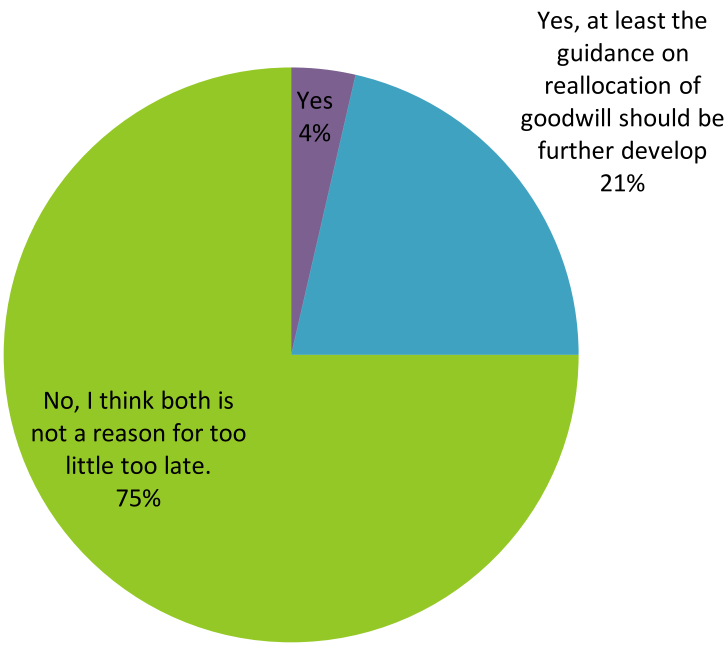



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Minimal | 13.8% | 4 |
| Moderate | 24.1% | 7 |
| High | 48.3% | 14 |
| Difficult to assess | 13.8% | 4 |
| | Totals | 29 |

**Goodwill, impairment and amortisation**

*Effectiveness of the impairment test – Allocation (and reallocation) of Goodwill to CGUs*

Question 20. One of the reasons to initiate the project was the recognition of impairment losses "too little too late". Acquired goodwill could be shielded from impairment by unrecognised headroom of the legacy business that becomes part of the tested unit past acquisition. Do you consider that the current guidance on the initial **allocation of goodwill** to (a group of) CGUs or to test at least on segment level should be further developed? Do you consider that in addition, or at least, the current guidance on the **reallocation of goodwill** based on the relative value approach should be further developed because such guidance might contribute to the shielding?

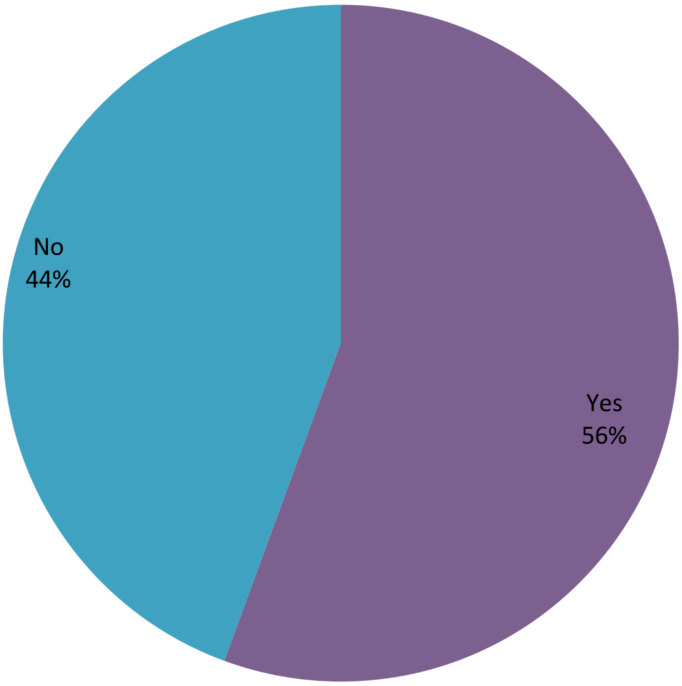



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 3.6% | 1 |
| Yes, at least the guidance on reallocation of goodwill should be further developed. | 21.4% | 6 |
| No, I think both is not a reason for too little too late. | 75.0% | 21 |
| | Totals | 28 |

**Goodwill, impairment and amortisation**

*Effectiveness of the impairment test – Allocation (and reallocation) of Goodwill to CGUs*

Question 21. If your previous response is yes, do you think that the benefit from changing such guidance would outweigh costs?



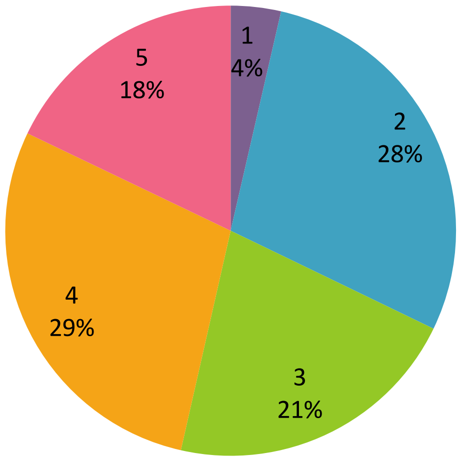

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 55.6% | 5 |
| No | 44.4% | 4 |
| | Totals | 9 |

## Goodwill, impairment and amortisation

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Difficult - Qualitative disclosures about the achievement of previous estimations (make over-optimism transparent).**



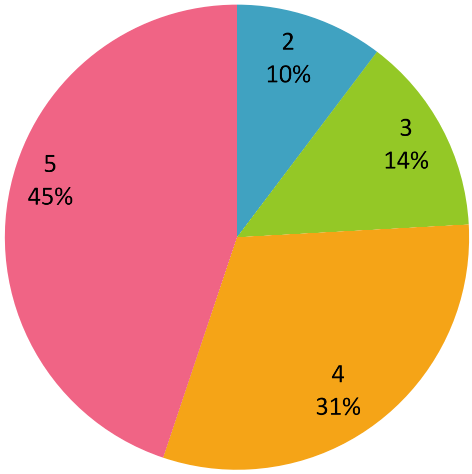

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 3.6% | 1 |
| 2 | 28.6% | 8 |
| 3 | 21.4% | 6 |
| 4 | 28.6% | 8 |
| 5 Very Difficult | 17.9% | 5 |
| | Totals | 28 |

## Goodwill, impairment and amortisation

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Reluctant - Qualitative disclosures about the achievement of previous estimations (make over-optimism transparent).**



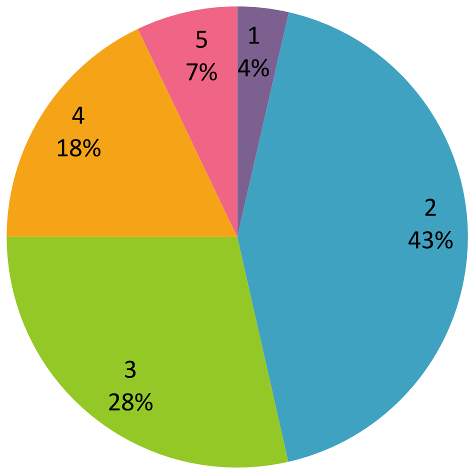

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 2 | 10.3% | 3 |
| 3 | 13.8% | 4 |
| 4 | 31.0% | 9 |
| 5 Very Reluctant | 44.8% | 13 |
| | Totals | 29 |

### Goodwill, impairment and amortisation

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Difficult - Information on assumptions related to the period for which management has projected cash flows based on financial budgets.**



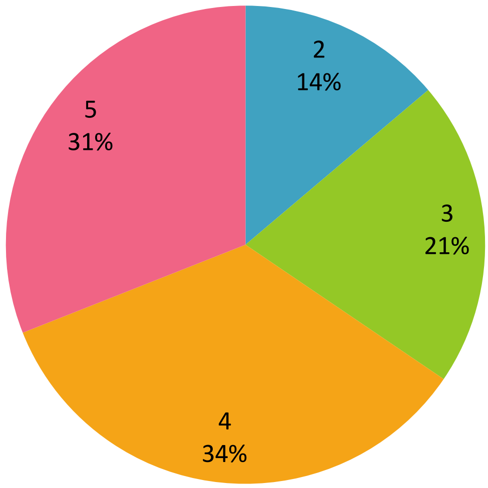

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 3.6% | 1 |
| 2 | 42.9% | 12 |
| 3 | 28.6% | 8 |
| 4 | 17.9% | 5 |
| 5 Very Difficult | 7.1% | 2 |
| | Totals | 28 |

**Goodwill, impairment and amortisation**

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Reluctant - Information on assumptions related to the period for which management has projected cash flows based on financial budgets.**



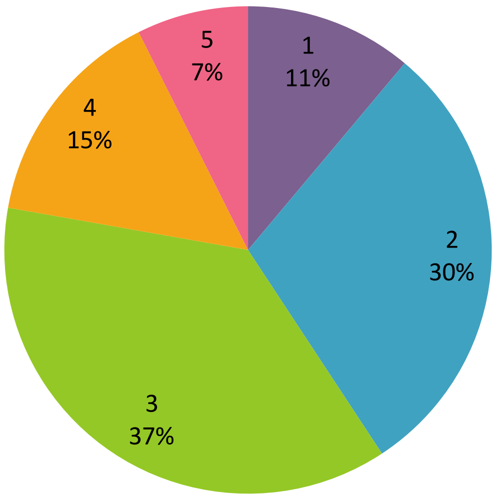

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 2 | 13.8% | 4 |
| 3 | 20.7% | 6 |
| 4 | 34.5% | 10 |
| 5 Very Reluctant | 31.0% | 9 |
| | Totals | 27 |

## Goodwill, impairment and amortisation

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Difficult - To disclose the current level of cash flows/earnings to allow users to model themselves.**



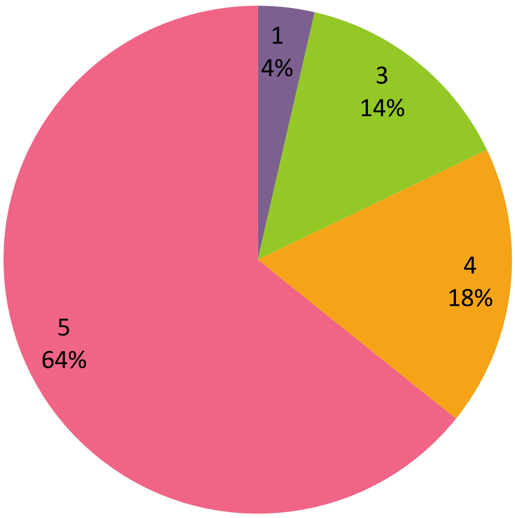

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 11.1% | 3 |
| 2 | 29.6% | 8 |
| 3 | 37.0% | 10 |
| 4 | 14.8% | 4 |
| 5 Very Difficult | 7.4% | 2 |
| | Totals | 27 |

## Goodwill, impairment and amortisation

*Effectiveness of the impairment test – Management over-optimism*

Question 22. The IASB identified the management over-optimism as one reason for concerns about the possible delay in recognising impairment losses on goodwill. Some stakeholders reported concerns to the IASB that management may sometimes be too optimistic in making the assumptions needed to carry out the impairment test. In looking for ways to mitigate the management over-optimism and enhance discipline in the application of the current requirements, EFRAG is consulting in its DCL on possible additional disclosure. Please could you evaluate from 1 to 5 whether it would be difficult for you to provide the disclosure and how reluctant (or concerned) you would be to provide the different types of disclosures listed below (5 being very difficult/very reluctant):

**Reluctant - To disclose the current level of cash flows/earnings to allow users to model themselves.**

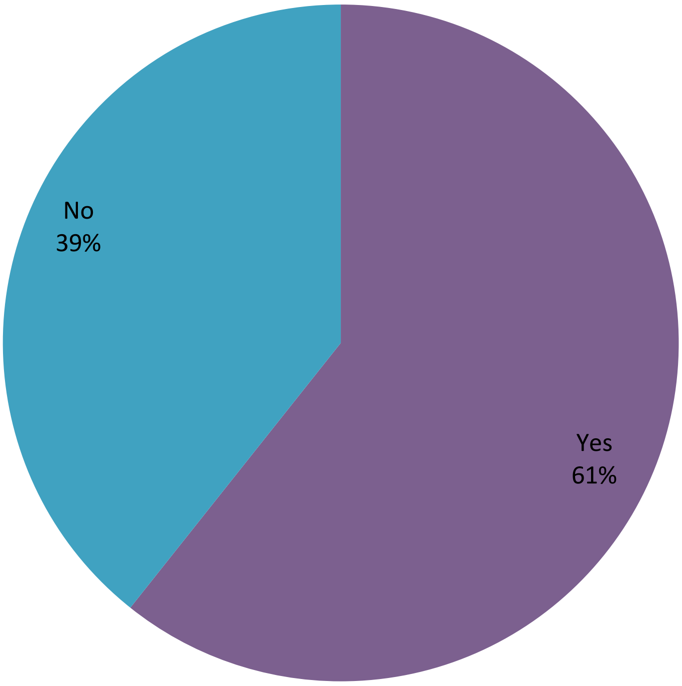



| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 3.6% | 1 |
| 3 | 14.3% | 4 |
| 4 | 17.9% | 5 |
| 5 Very Reluctant | 64.3% | 18 |
| | Totals | 28 |

**Goodwill, impairment and amortisation**

*Is the impairment test too complex and too costly?*

Question 23. Do you consider that the current impairment test is too complex and too costly?



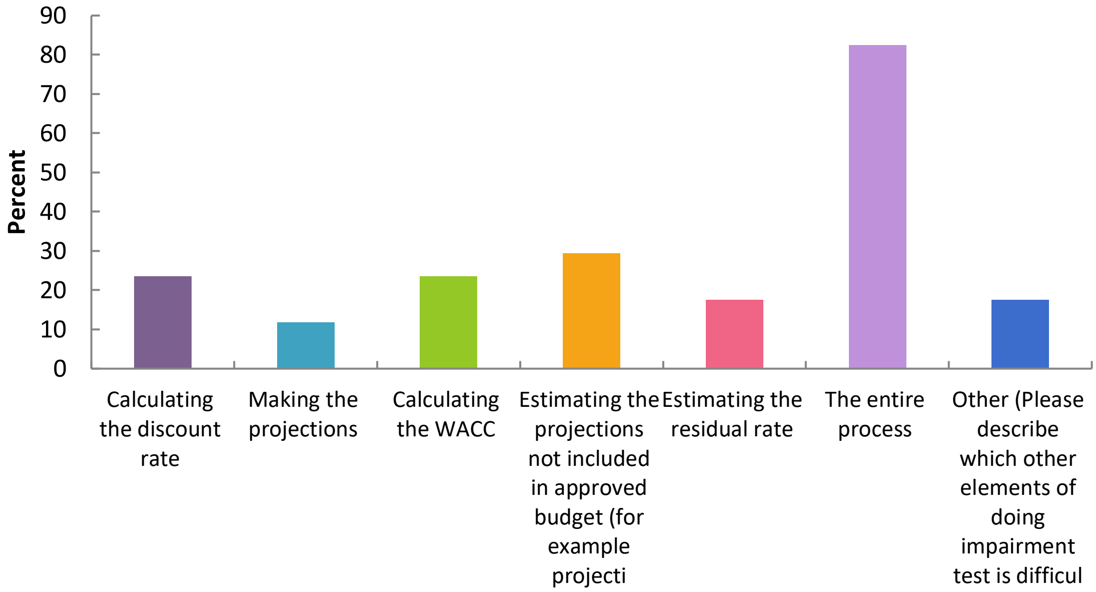

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 60.7% | 17 |
| No | 39.3% | 11 |
| | Totals | 28 |

**Goodwill, impairment and amortisation**

*Is the impairment test too complex and too costly?*

Question 23. Do you consider that the current impairment test is too complex and too costly?

Question 24. If your previous answer (see 28.23 above) is yes, please could you select which are the elements complex and costly of developing impairment test? (Please select all the applicable responses)

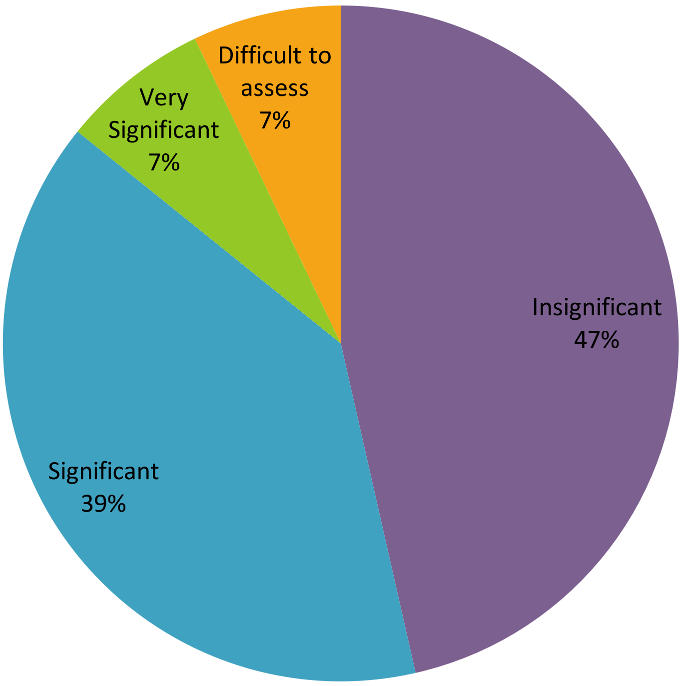



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Calculating the discount rate | 23.5% | 4 |
| Making the projections | 11.8% | 2 |
| Calculating the WACC | 23.5% | 4 |
| Estimating the projections not included in approved budget (for example projections of year 4 or year 5)” | 29.4% | 5 |
| Estimating the residual rate | 17.6% | 3 |
| The entire process | 82.4% | 14 |
| Other (Please describe which other elements of doing impairment test is difficult) | 17.6% | 3 |

**Goodwill, impairment and amortisation**

*Relief from an annual impairment test*

Question 25. The IASB has proposed to remove the requirement to carry out an annual quantitative impairment test for goodwill when no indicator provides evidence of an impairment. Do you consider that this proposal could result in cost-savings for you?

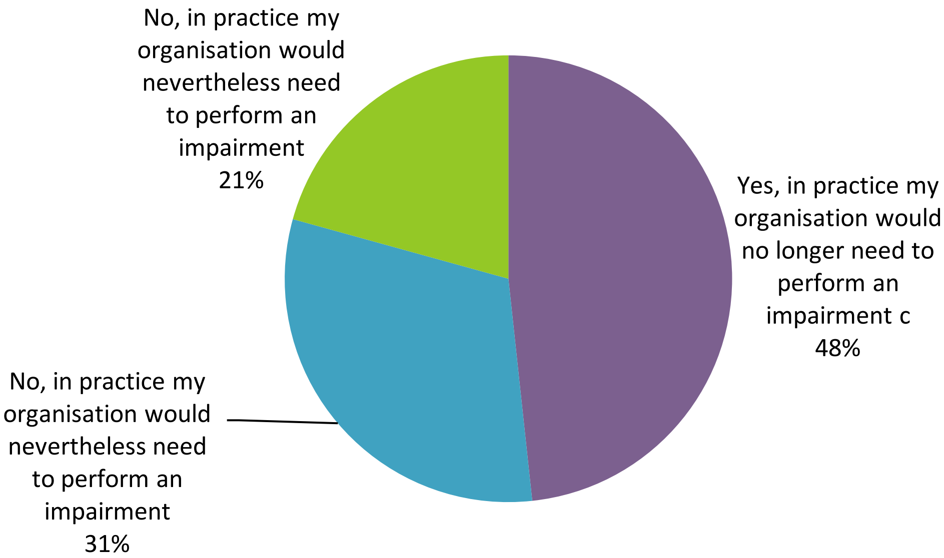



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Insignificant | 46.4% | 13 |
| Significant | 39.3% | 11 |
| Very Significant | 7.1% | 2 |
| Difficult to assess | 7.1% | 2 |
| | Totals | 28 |

### Goodwill, impairment and amortisation

*Relief from an annual impairment test*

Question 26. Do you consider that the indicator-only approach could simplify your work in performing goodwill impairment test?



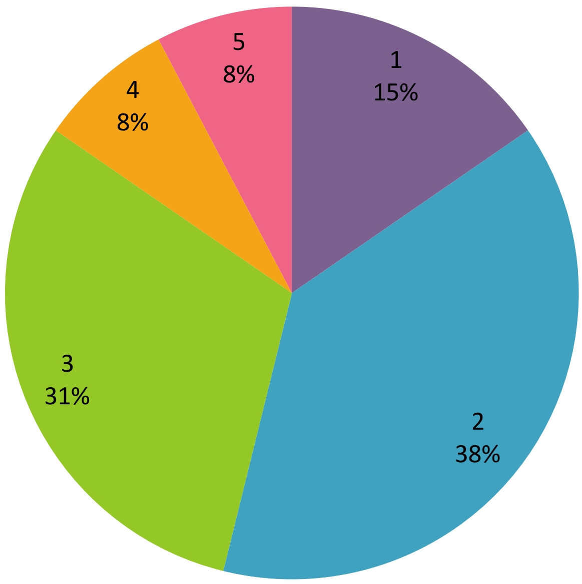

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes, in practice my organisation would no longer need to perform an impairment calculation to justify that there would be no indications of goodwill impairment. | 48.3% | 14 |
| No, in practice my organisation would nevertheless need to perform an impairment calculation to justify that there would be no indications of goodwill impairment (e.g. auditors or stakeholders would ask for justifications). | 31.0% | 9 |
| No, in practice my organisation would nevertheless need to perform an impairment calculation for other internal control or managerial reasons. | 20.7% | 6 |
| | Totals | 29 |

## Goodwill, impairment and amortisation

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Difficult - Approach 1 - require an entity to perform a quantitative impairment test of goodwill in the first year after a business combination and in subsequent years perform the quantitative impairment test only when there are indications of possible impairment.**



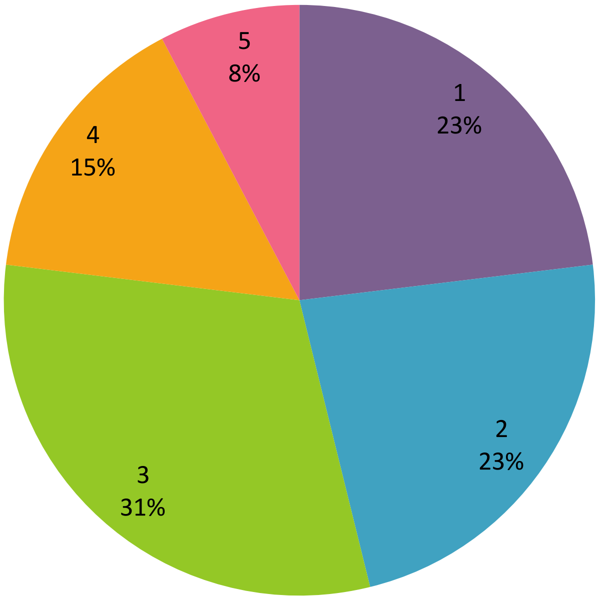

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 15.4% | 2 |
| 2 | 38.5% | 5 |
| 3 | 30.8% | 4 |
| 4 | 7.7% | 1 |
| 5 Most Difficult | 7.7% | 1 |
| | Totals | 13 |

**Goodwill, impairment and amortisation**

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Costly - Approach 1 - require an entity to perform a quantitative impairment test of goodwill in the first year after a business combination and in subsequent years perform the quantitative impairment test only when there are indications of possible impairment.**



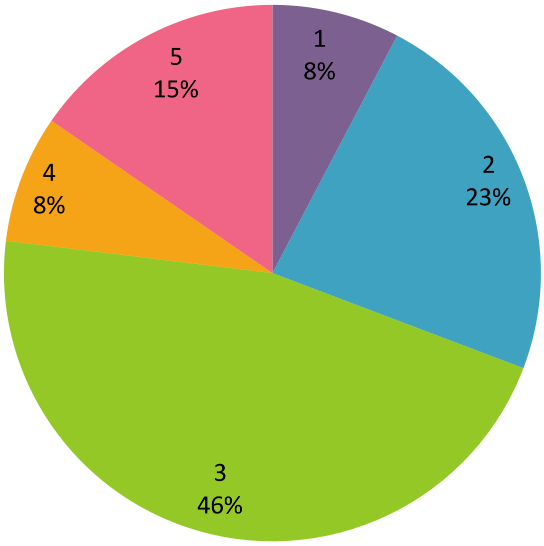

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 23.1% | 3 |
| 2 | 23.1% | 3 |
| 3 | 30.8% | 4 |
| 4 | 15.4% | 2 |
| 5 Most Costly | 7.7% | 1 |
| | Totals | 13 |

## Goodwill, impairment and amortisation

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Difficult - Approach 2 - require an entity to perform a quantitative impairment test of goodwill at least annually (and more frequently whenever there are indications of possible impairment) for the first few years after a business combination — perhaps three to five years — and in subsequent years perform a quantitative impairment test only when there are indications of possible impairment.**



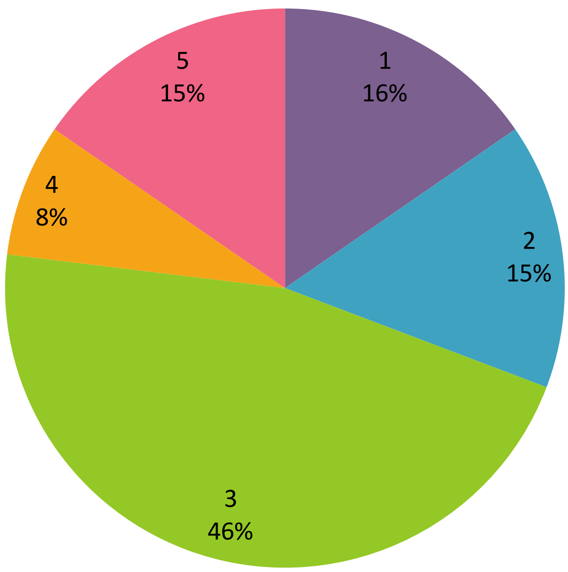

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 7.7% | 1 |
| 2 | 23.1% | 3 |
| 3 | 46.2% | 6 |
| 4 | 7.7% | 1 |
| 5 Most Difficult | 15.4% | 2 |
| | Totals | 13 |

**Goodwill, impairment and amortisation**

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Costly - Approach 2 - require an entity to perform a quantitative impairment test of goodwill at least annually (and more frequently whenever there are indications of possible impairment) for the first few years after a business combination — perhaps three to five years — and in subsequent years perform a quantitative impairment test only when there are indications of possible impairment.**



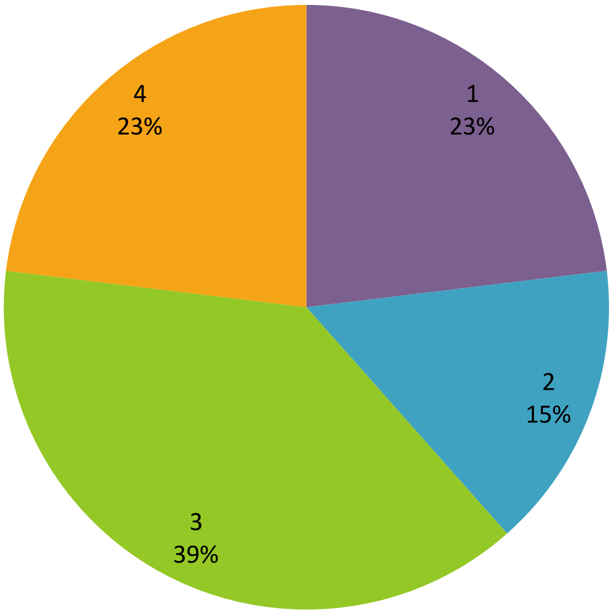

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 15.4% | 2 |
| 2 | 15.4% | 2 |
| 3 | 46.2% | 6 |
| 4 | 7.7% | 1 |
| 5 Most Costly | 15.4% | 2 |
| | Totals | 13 |

## Goodwill, impairment and amortisation

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Difficult - Approach 3 - require an entity to perform a quantitative test of goodwill less frequently than annually — for example, once every three years — and in the intervening periods perform a quantitative impairment test only when there are indications of possible impairment.**



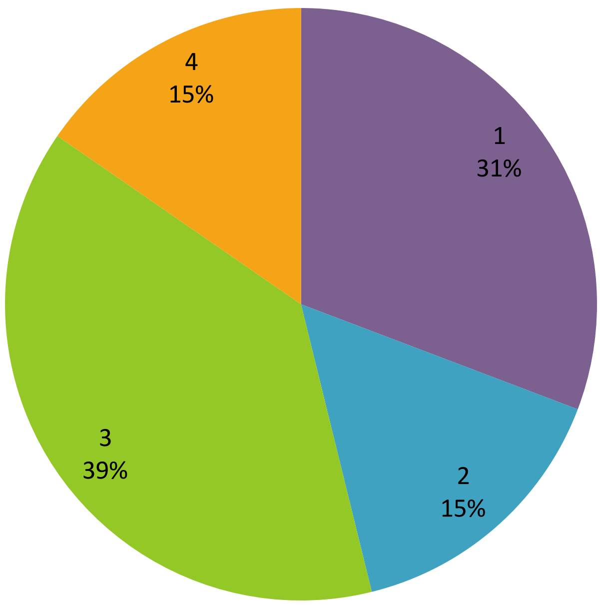

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 23.1% | 3 |
| 2 | 15.4% | 2 |
| 3 | 38.5% | 5 |
| 4 | 23.1% | 3 |
| 5 Most Difficult | 0.0% | 0 |
| | Totals | 28 |

## Goodwill, impairment and amortisation

*Relief from an annual impairment test*

Question 27. If your previous answer is no, please evaluate from 1 to 5 how difficult and costly, the following aspects of the approaches discussed by the IASB would be (5 being most difficult/costly).

**Costly - Approach 3 - require an entity to perform a quantitative test of goodwill less frequently than annually — for example, once every three years — and in the intervening periods perform a quantitative impairment test only when there are indications of possible impairment.**

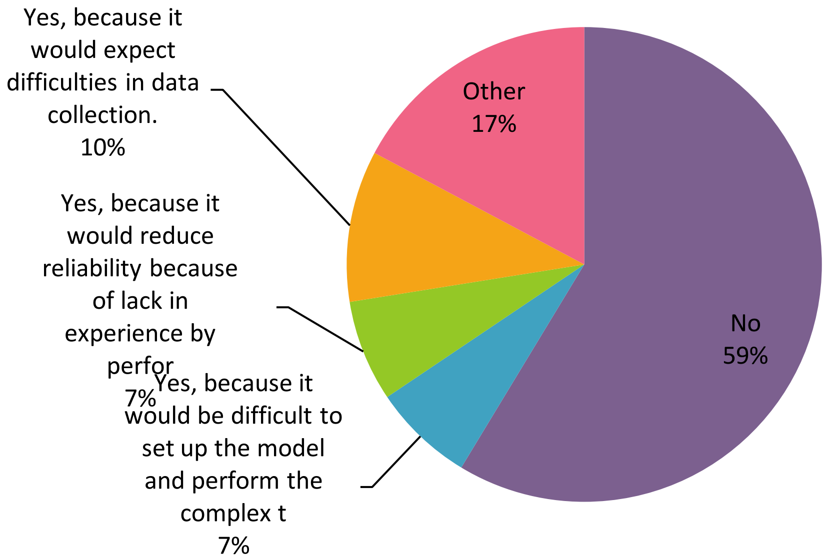



| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 30.8% | 4 |
| 2 | 15.4% | 2 |
| 3 | 38.5% | 5 |
| 4 | 15.4% | 2 |
| 5 Most Costly | | |
| | Totals | 13 |

**Goodwill, impairment and amortisation**

*Relief from an annual impairment test*

Question 28. The IASB has received the feedback that the impairment test is considered to be complex by many preparers. Accordingly, some stakeholders considered that if companies do not perform an impairment test regularly, their expertise in performing the test is likely to decline. Do you consider that it could be difficult for you to execute the complex test in a situation where impairment is triggered?



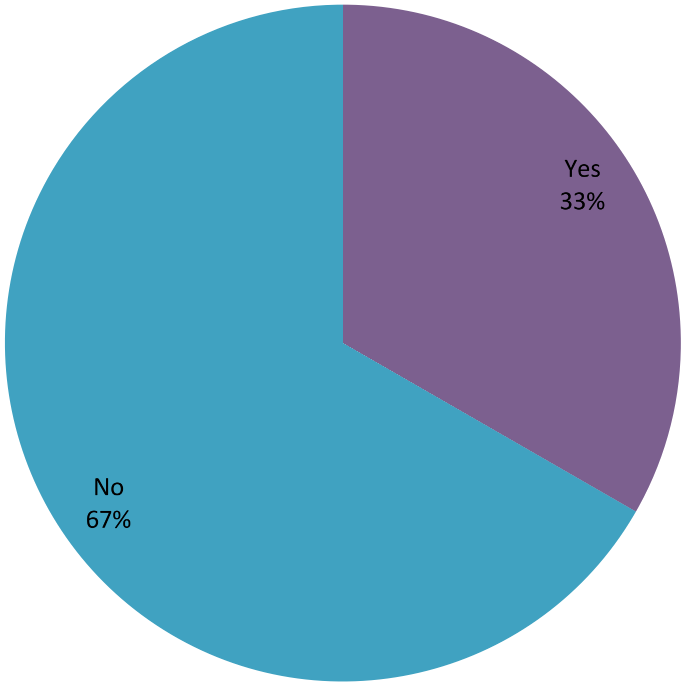

| Response | Percentage of responses | Number of responses |
|---|---|---|
| No | 58.6% | 17 |
| Yes, because it would be difficult to set up the model and perform the complex test immediately at the time of indication. | 6.9% | 2 |
| Yes, because it would reduce reliability because of lack in experience by performing the complex test. | 6.9% | 2 |
| Yes, because it would expect difficulties in data collection. | 10.3% | 3 |
| Other | 17.2% | 5 |
| | Totals | 29 |

**Goodwill, impairment and amortisation**

*Relief from an annual impairment test*

Question 28. The IASB has received the feedback that the impairment test is considered to be complex by many preparers. Accordingly, some stakeholders considered that if companies do not perform an impairment test regularly, their expertise in performing the test is likely to decline. Do you consider that it could be difficult for you to execute the complex test in a situation where impairment is triggered?

Question 29. If your answer is yes, on the previous question (refer to question 28 above), would the requirement to perform an impairment test e.g. every third year be a possible solution to improve robustness of the test?

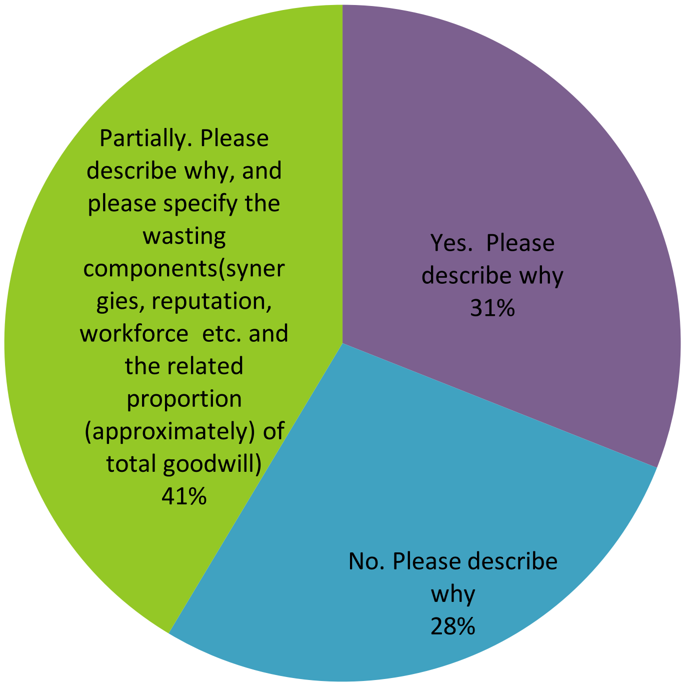



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 33.3% | 3 |
| No | 66.7% | 6 |
| | Totals | 29 |

**Goodwill, impairment and amortisation**

*Reintroduction of goodwill amortisation*

Question 30. The IASB DP includes a question whether goodwill should be amortised. Do you consider that the amount of goodwill recognised in your organisation is a wasting asset?

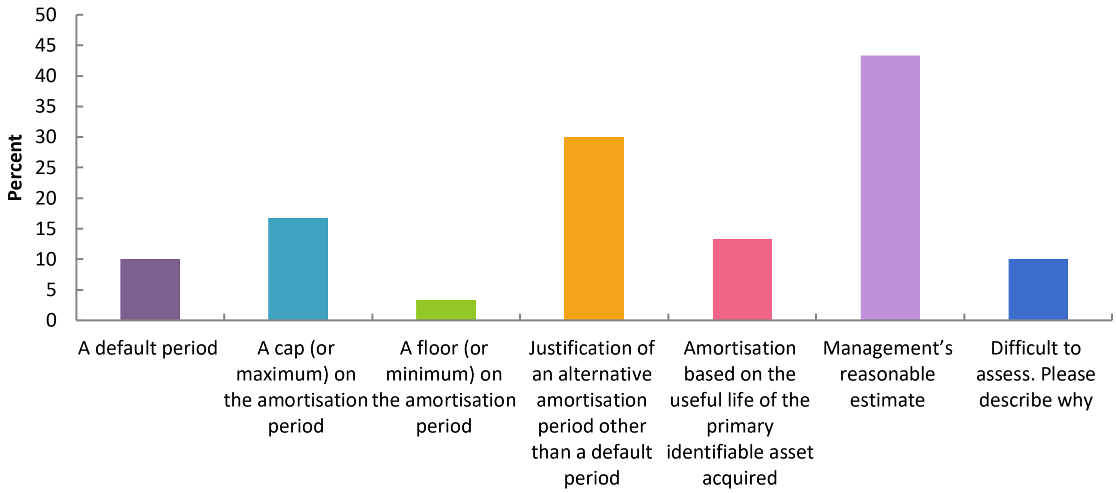



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes. Please describe why | 31.0% | 9 |
| No. Please describe why | 27.6% | 8 |
| Partially. Please describe why, and please specify the wasting components (synergies, reputation, workforce etc.) and the related proportion (approximately) of total goodwill. | 41.4% | 12 |
| | Totals | 30 |

## Goodwill, impairment and amortisation

*Reintroduction of goodwill amortisation*

Question 31. How should the guidance guidance/requirements in IFRS be set regarding the amortisation period?

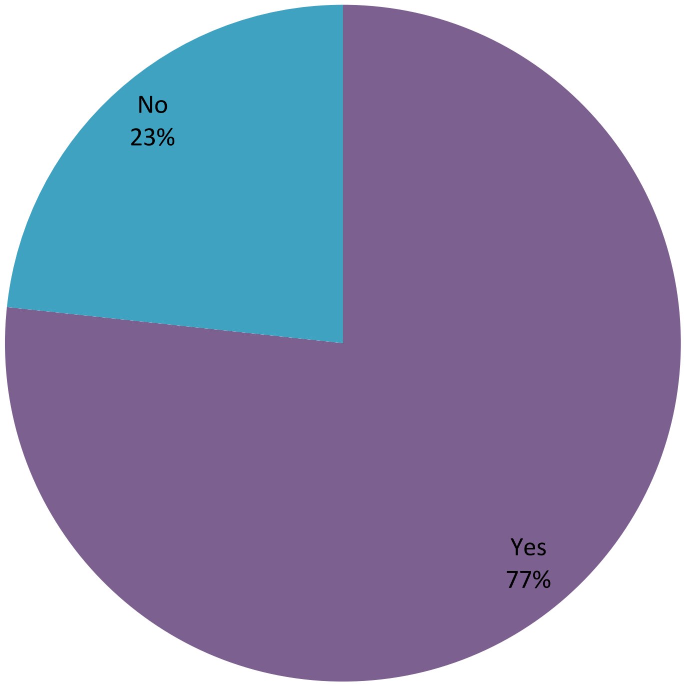



| Response | Percentage of responses | Number of responses |
|---|---|---|
| A default period | 10.0% | 3 |
| A cap (or maximum) on the amortisation period | 16.7% | 5 |
| A floor (or minimum) on the amortisation period | 3.3% | 1 |
| Justification of an alternative amortisation period other than a default period | 30.0% | 9 |
| Amortisation based on the useful life of the primary identifiable asset acquired Amortisation based on the weighted-average useful lives of identifiable asset(s) acquired | 13.3% | 4 |
| Management's reasonable estimate | 43.3% | 13 |
| Difficult to assess. Please describe why | 10.0% | 3 |

**Goodwill, impairment and amortisation**

*Reintroduction of goodwill amortisation*

Question 32. If the IASB reintroduce the amortisation model, should this approach be accompanied by an impairment test?



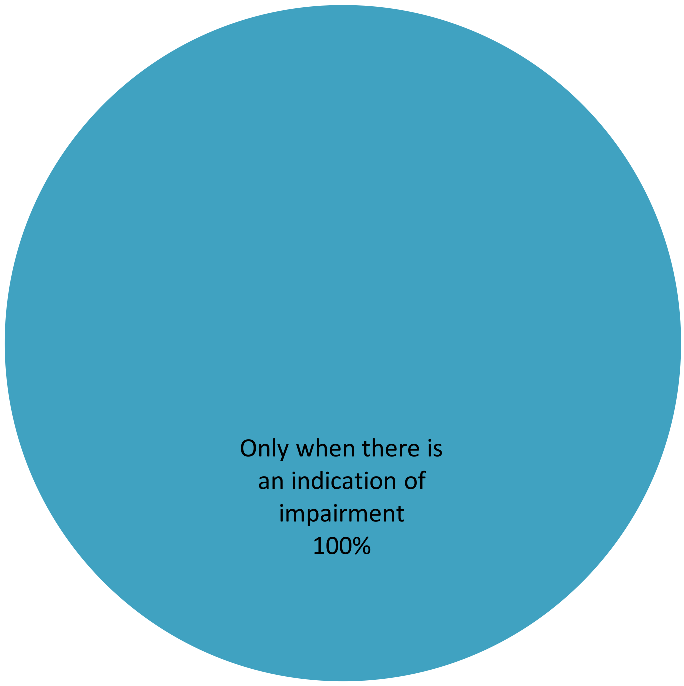

| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 76.7% | 23 |
| No | 23.3% | 7 |
| | Totals | 30 |

**Goodwill, impairment and amortisation**

*Reintroduction of goodwill amortisation*

Question 32. If the IASB reintroduce the amortisation model, should this approach be accompanied by an impairment test?

Question 33. If your previous answer is yes (refer to question 32 above), when should the quantitative impairment test be performed

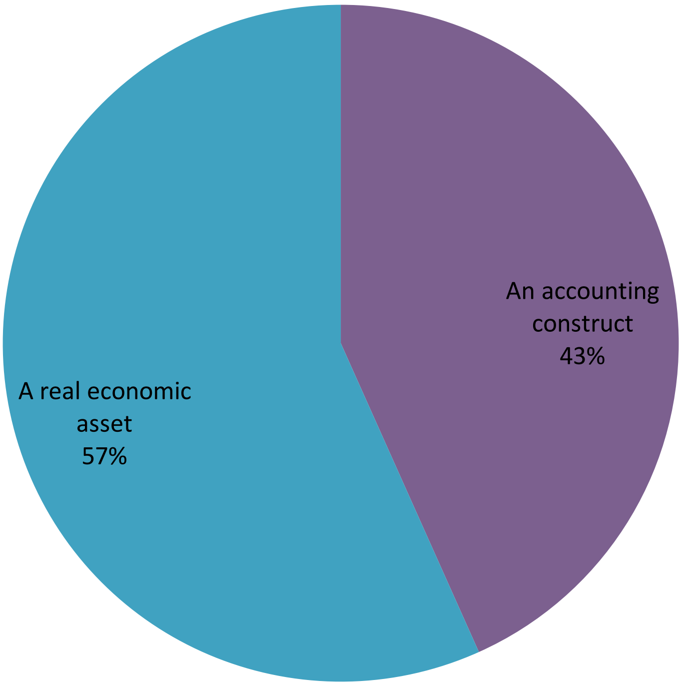



| Response | Percentage of responses | Number of responses |
| --- | --- | --- |
| Only when there is an indication of impairment | 100.0% | 23 |
| | Totals | 23 |

## Goodwill, impairment and amortisation

*Reintroduction of goodwill amortisation*

Question 34. Do you consider that the amount of goodwill recognised in your organisation is an accounting construct or that it represents a real economic asset?

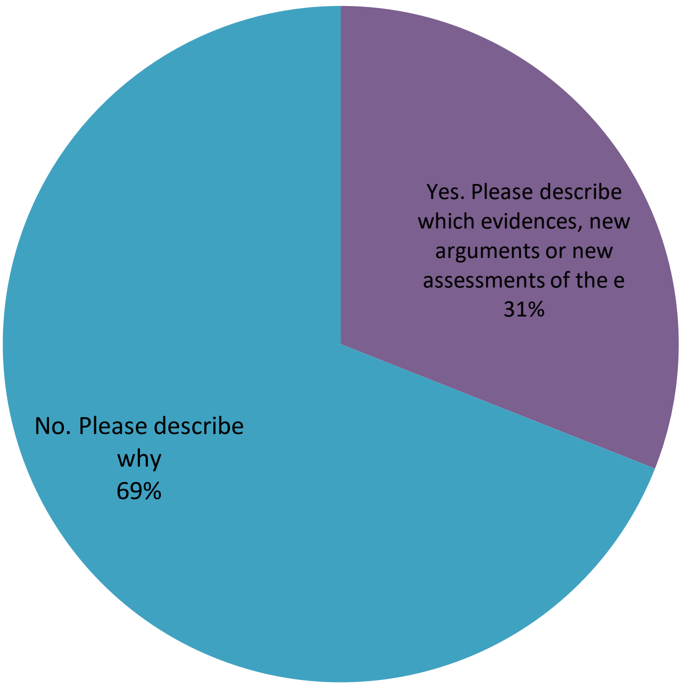



| Response | Percentage of responses | Number of responses |
|---|---|---|
| An accounting construct | 43.3% | 13 |
| A real economic asset | 56.7% | 17 |
| | Totals | 30 |

**Goodwill, impairment and amortisation**

*Reintroduction of goodwill amortisation*

Question 35. In relation to the debate about whether goodwill should be amortised, do you consider that there are new evidences, new arguments or new assessments of existing evidences that have emerged since 2004 (either in favour or against goodwill amortisation) that should be taken into account? When looking for new evidence and impact analyses, you are also invited refer to other areas of regulation that may provide indirect incentives to prefer one or the other approach, such as tax deductibility of goodwill or prudential treatment of goodwill in case of regulated entities.

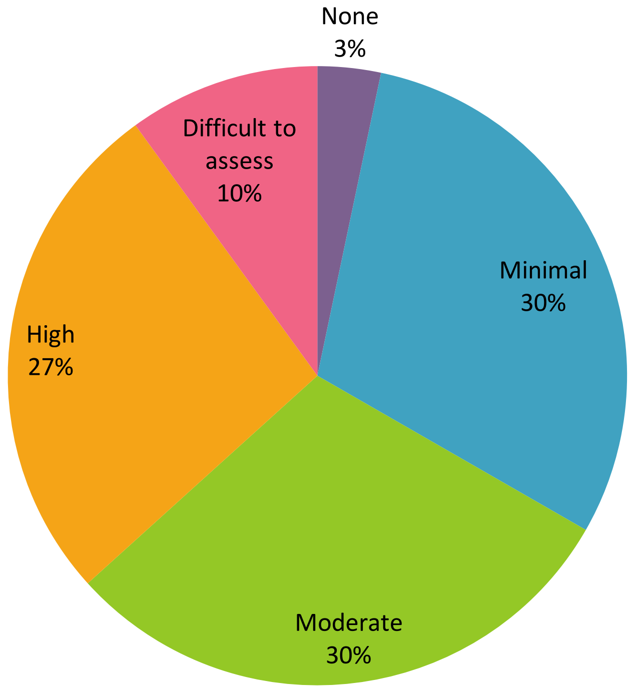



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes. Please describe which evidences, new arguments or new assessments of the existing evidences have emerged since 2004 | 31.0% | 9 |
| No. Please describe why | 69.0% | 20 |
| | Totals | 29 |

**Goodwill, impairment and amortisation**

*Reintroduction of goodwill amortisation*

Question 36. The following proposal is not included in the DP, however, in looking for ways to reduce behavioural incentives related to the too little too late issue and to enhance discipline in the application of the current measurement requirements, EFRAG is, in the case amortisation is not reintroduced, consulting on whether disclosure of the “age” of goodwill should be introduced. How high do you consider the costs would be of disclosing information about the “age” of goodwill?

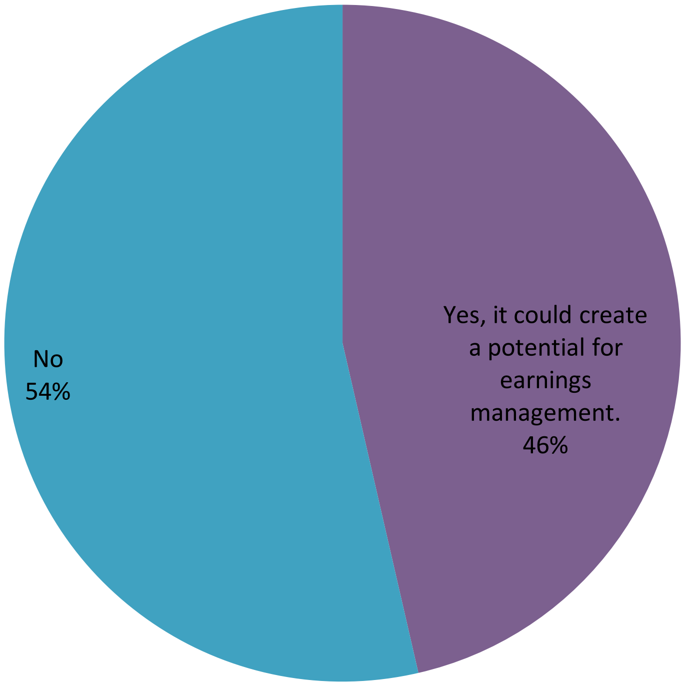



| Response | Percentage of responses | Number of responses |
|---|---|---|
| None | 3.3% | 1 |
| Minimal | 30.0% | 9 |
| Moderate | 30.0% | 9 |
| High | 26.7% | 8 |
| Difficult to assess | 10.0% | 3 |
| | Totals | 30 |

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Question 37. The IASB has proposed to allow the inclusion of future enhancements in the estimation of future cash flows in the calculation of value in use. Do you consider that the use of unjustifiable optimistic inputs could increase?

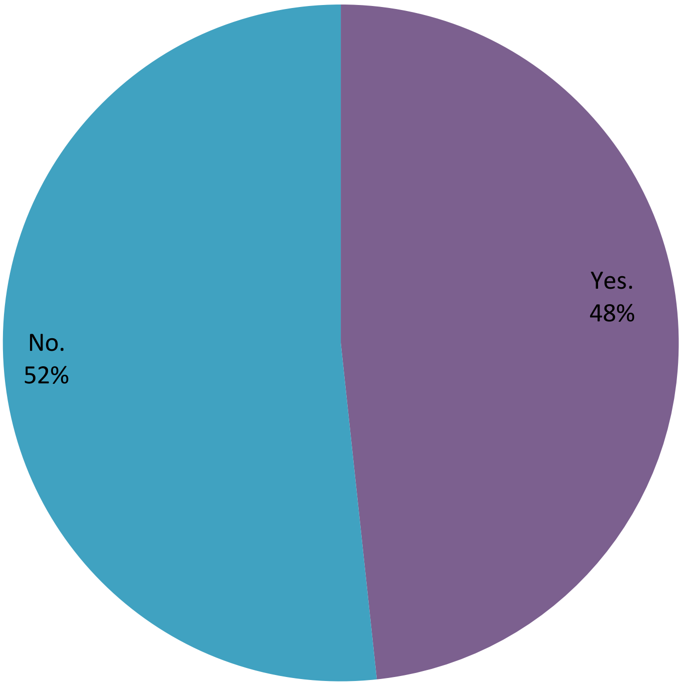



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes, it could create a potential for earnings management. | 46.4% | 13 |
| No | 53.6% | 15 |
| | Totals | 28 |

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Question 38. Do you consider that a guidance on when to include restructuring cash flows in the value in use calculation is needed?

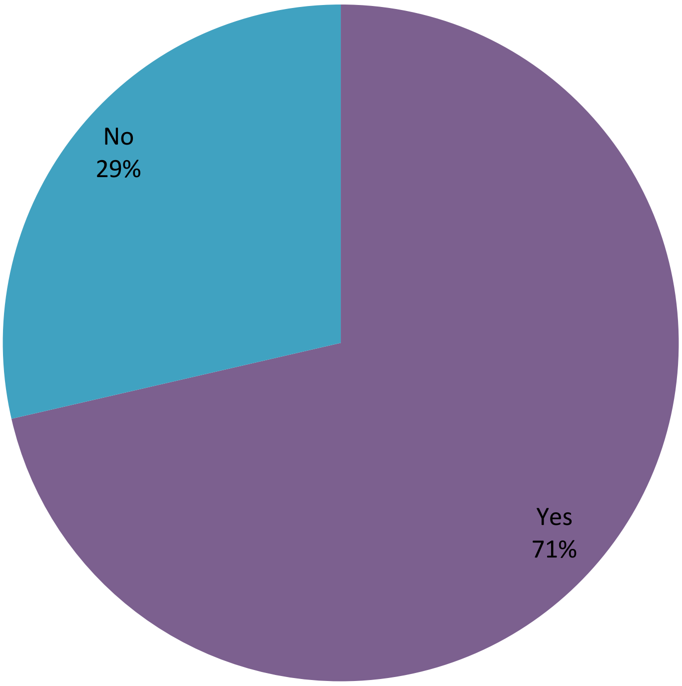



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes. | 48.3% | 14 |
| No. | 51.7% | 15 |
| | Totals | 29 |

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Question 39. If your previous answer is yes, do you consider setting a threshold of when considering such cashflow is needed?

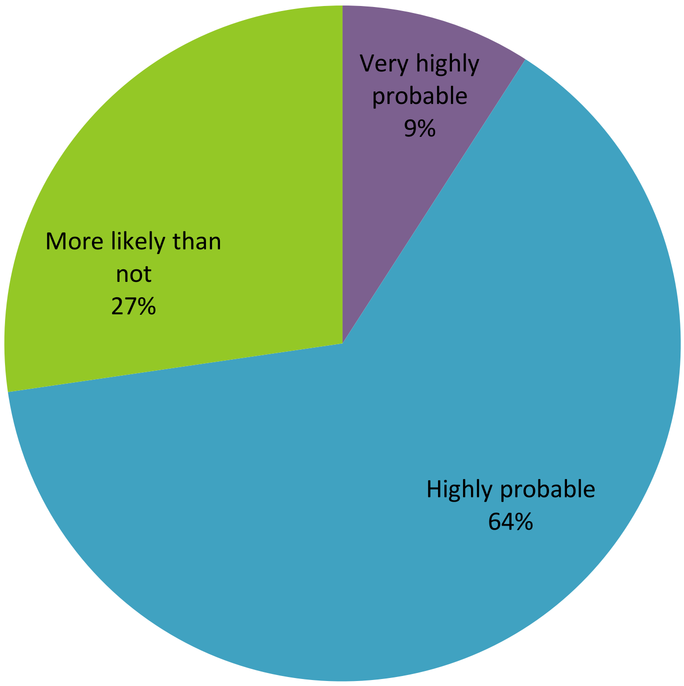



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 71.4% | 10 |
| No | 28.6% | 4 |
| | Totals | 14 |

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Question 40. If your previous answer is yes, for considering such cashflows, the threshold should be:

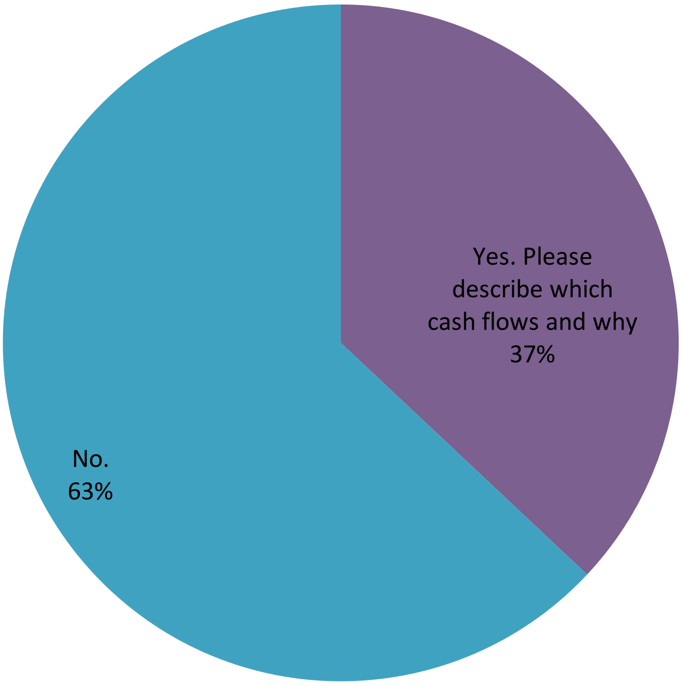



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Very highly probable | 9.1% | 1 |
| Highly probable | 63.6% | 7 |
| More likely than not | 27.3% | 3 |
| | Totals | 11 |

**Other simplification to the impairment test**

*Remove restriction to include cash flows relating to future uncommitted restructurings and enhancements of assets*

Question 41. Do you think that there are other cash flows (inflows and outflows) that should also be allowed to be included in the value in use calculation (e.g. cash flows from investments that could increase the production capacity for a group of assets that are part of the same cash generating unit)?

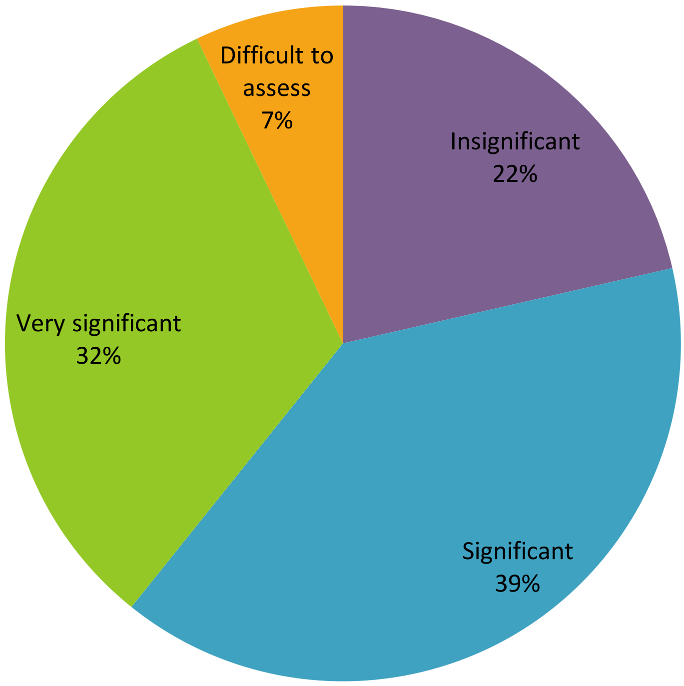



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes. Please describe which cash flows and why | 37.0% | 10 |
| No. | 63.0% | 17 |
| | Totals | 27 |

### Other simplification to the impairment test

*Permitting the use of post-tax inputs in the calculation of value in use*

Question 42. The IASB has tentatively decided to remove the explicit requirement to use pre-tax inputs and pre-tax discount rates to calculate value in use. Do you consider that this proposal could reduce the complexity of performing value in use calculation?

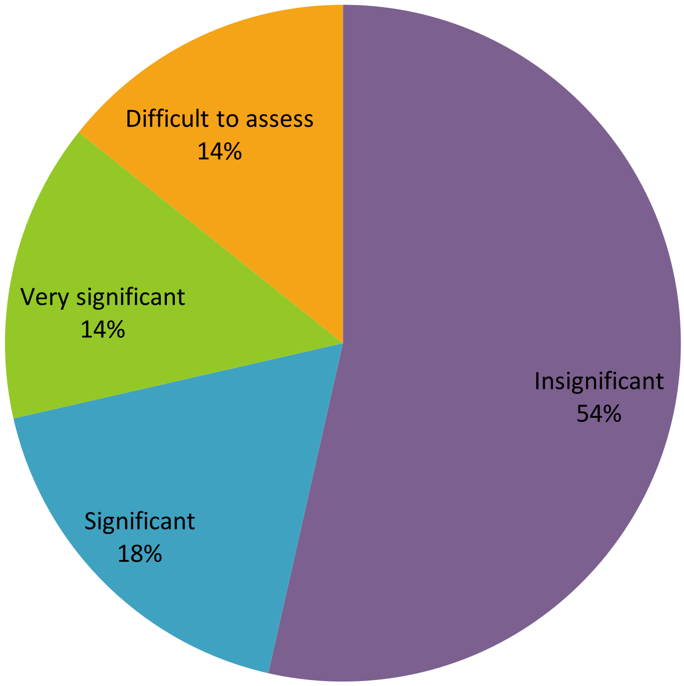



| Response | Percentage of responses | Number of responses |
|---|---|---|
| Insignificant | 21.4% | 6 |
| Significant | 39.3% | 11 |
| Very significant | 32.1% | 9 |
| Difficult to assess | 7.1% | 2 |
| | Totals | 28 |

**Other simplification to the impairment test**

*Permitting the use of post-tax inputs in the calculation of value in use*

Question 43. Do you consider that this proposal would reduce the cost of the goodwill impairment test?

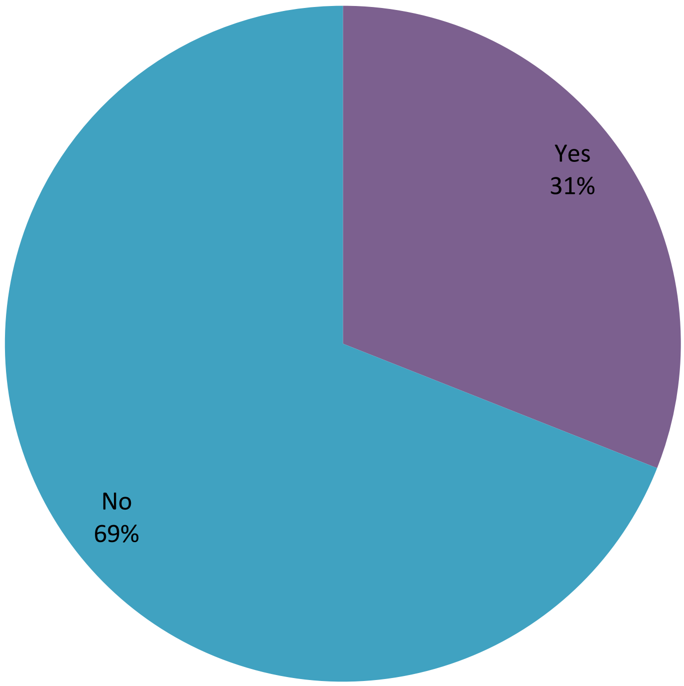



| Response | Percentage of responses | Number of responses |
| --- | --- | --- |
| Insignificant | 53.6% | 15 |
| Significant | 17.9% | 5 |
| Very significant | 14.3% | 4 |
| Difficult to assess | 14.3% | 4 |
| | Totals | 28 |

**Other simplification to the impairment test**

*Permitting the use of post-tax inputs in the calculation of value in use*

Question 44. Do you consider that further guidance to avoid double counting of tax cash flows in estimates of value in use is needed?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 31.0% | 9 |
| No | 69.0% | 20 |
| | Totals | 29 |

**Other simplification to the impairment test**

*Permitting the use of post-tax inputs in the calculation of value in use*

Question 45. Do you think that there are other issues or risks that could arise from the use of post-tax inputs in the value in use calculation?

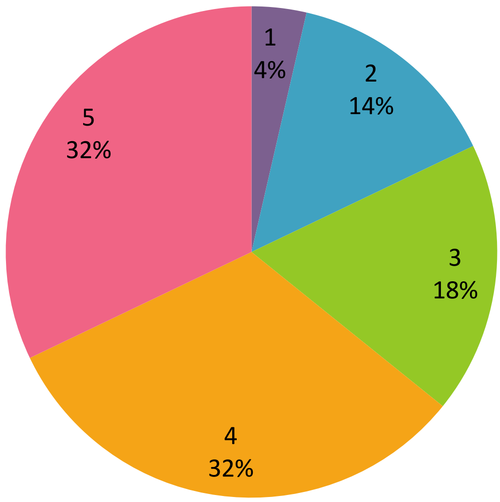
| ResponseID | Response |
|---|---|
| 94 | Clear guidance should be given, and illustrative examples |
| 99 | No. |
| 100 | No |
| 102 | No |
| 103 | no |
| 111 | No |
| 112 | no |
| 119 | no |
| 120 | Need more guidance on flows simetry between Working Capital and provisions, deferred tax, how to include tax credit mechanism grants |
| 136 | No |
| 140 | no |
| 142 | n/a |
| 145 | No |
| 31 | - |

## Intangible assets

*Recognising separately intangible assets acquired in a business combination*

Question 46. The IASB has considered whether it should change the criteria for recognising intangible assets acquired in a business combination. The IASB considers the internally generated intangibles out of the scope of the DP. The IASB concluded it did not have compelling evidence that it should permit or require some identifiable intangible assets to be included in the carrying amount of goodwill, instead of separately recognised and measured. Thus, the IASB's preliminary view is that it should not make any changes. Do you think that recognising intangible assets acquired in a business combination separately from goodwill is beneficial, costly and/or complex? (From 1 to 5 – (5 being most beneficial/complex/costly))

**Benefits - Recognising intangible assets acquired in a business combination separately from goodwill is beneficial.**



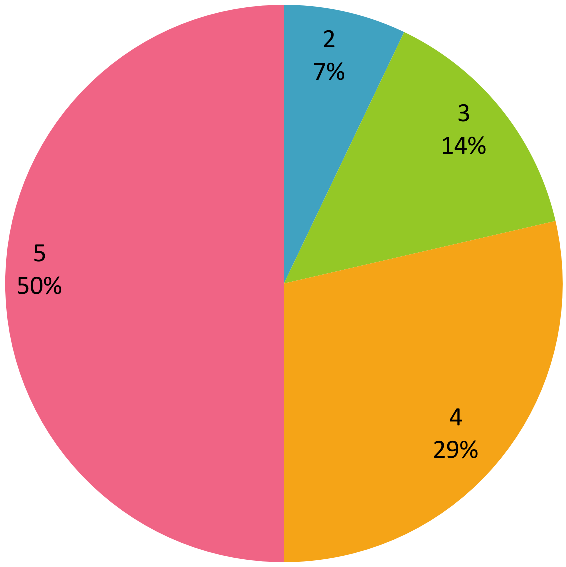

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 1 | 3.6% | 1 |
| 2 | 14.3% | 4 |
| 3 | 17.9% | 5 |
| 4 | 32.1% | 9 |
| 5 Most Beneficial | 32.1% | 9 |
| | Totals | 28 |

## Intangible assets

*Recognising separately intangible assets acquired in a business combination*

Question 46. The IASB has considered whether it should change the criteria for recognising intangible assets acquired in a business combination. The IASB considers the internally generated intangibles out of the scope of the DP. The IASB concluded it did not have compelling evidence that it should permit or require some identifiable intangible assets to be included in the carrying amount of goodwill, instead of separately recognised and measured. Thus, the IASB's preliminary view is that it should not make any changes. Do you think that recognising intangible assets acquired in a business combination separately from goodwill is beneficial, costly and/or complex? (From 1 to 5 – (5 being most beneficial/complex/costly))

**Complexity - Recognising intangible assets acquired in a business combination separately from goodwill is beneficial.**



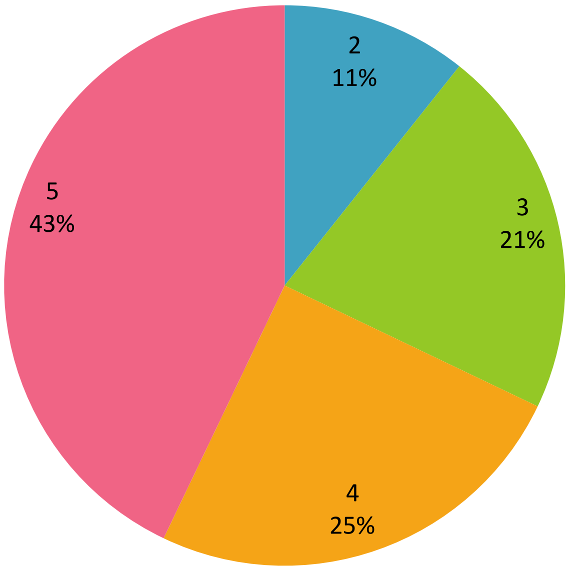

| Response | Percentage of responses | Number of responses |
|---|---|---|
| 2 | 7.1% | 2 |
| 3 | 14.3% | 4 |
| 4 | 28.6% | 8 |
| 5 Most Complex | 50.0% | 14 |
| | Totals | 28 |

## Intangible assets

*Recognising separately intangible assets acquired in a business combination*

Question 46. The IASB has considered whether it should change the criteria for recognising intangible assets acquired in a business combination. The IASB considers the internally generated intangibles out of the scope of the DP. The IASB concluded it did not have compelling evidence that it should permit or require some identifiable intangible assets to be included in the carrying amount of goodwill, instead of separately recognised and measured. Thus, the IASB's preliminary view is that it should not make any changes. Do you think that recognising intangible assets acquired in a business combination separately from goodwill is beneficial, costly and/or complex? (From 1 to 5 – (5 being most beneficial/complex/costly))

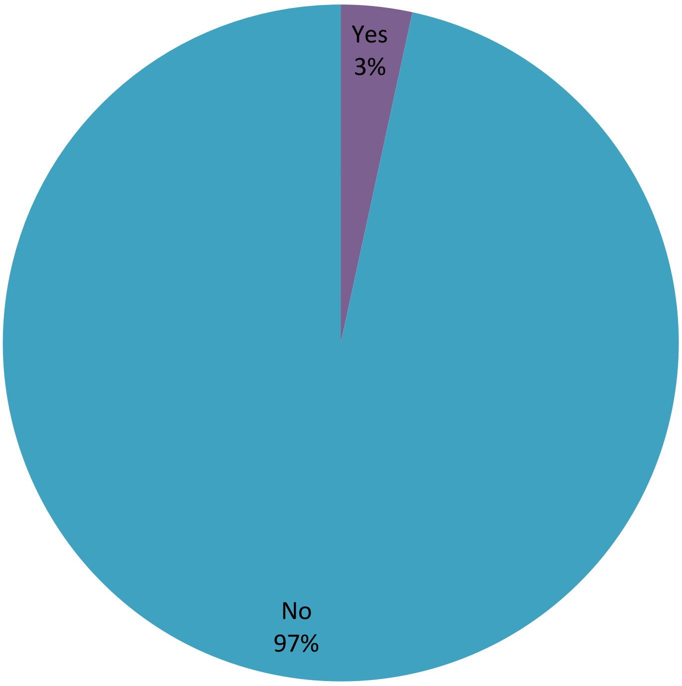
**Costly - Recognising intangible assets acquired in a business combination separately from goodwill is beneficial.**




| Response | Percentage of responses | Number of responses |
|---|---|---|
| 2 | 10.7% | 3 |
| 3 | 21.4% | 6 |
| 4 | 25.0% | 7 |
| 5 Most Costly | 42.9% | 12 |
| | Totals | 32 |

**Convergence with the FASB**

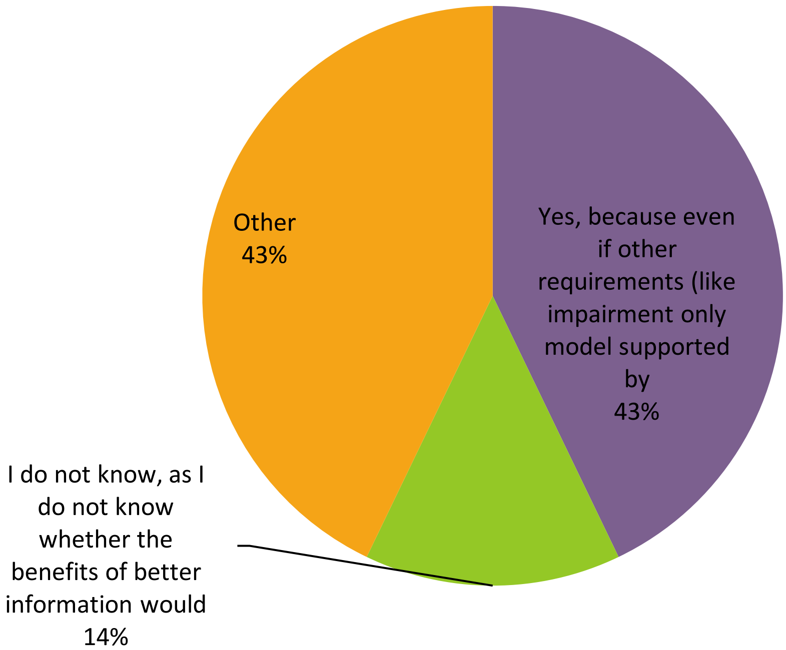
Question 47. Do you have to prepare financial statements in accordance with both IFRS and US GAAP?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes | 3.4% | 1 |
| No | 96.6% | 28 |
| | Totals | 29 |

**Convergence with the FASB**

Question 48. If yes, do you think that convergence between US GAAP and IFRS should be pursued for cost reasons?




| Response | Percentage of responses | Number of responses |
|---|---|---|
| Yes, because even if other requirements (like impairment only model supported by efficient disclosures) would result in more useful information, the benefits would not outweigh the additional costs | 42.9% | 3 |
| I do not know, as I do not know whether the benefits of better information would outweigh the costs. | 14.3% | 1 |
| Other | 42.9% | 3 |
| | Totals | 7 |

| Other | Number of responses |
|---|---|
| Convergence actually leads to Group-think. It would be better that the IASB and FASB had different proposals for controversial ideas and then we can see what works. | 1 |
| The comparability with U.S. peers is important in our business; nevertheless, the benchmarks are in practice often based on non-gaap measures and those figures in our industry are usually restated to neutralize impact of intangible amortization and impairment charge. | 1 |
| Totals | 2 |