

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **Goodwill and Impairment – Project Plan Cover Note**

### **Objective**

- 1 The objective of this paper is to inform EFRAG TEG and gather their views about the proposed project timetable.

### **Background on the IASB Project**

- 2 The IASB plans to issue a discussion paper on how to account for goodwill subsequent to the initial recognition by mid-March with a comment period of 180 days. The project responds to concerns reported during the IASB's post-implementation review (PIR) of IFRS 3 *Business Combinations* related to the current annual impairment test, such as:
  - (a) there is inadequate information on the subsequent performance of businesses they acquire;
  - (b) goodwill impairment being recognised 'too little too late';
  - (c) goodwill impairment test is costly and complex;
  - (d) the separate recognition and measurement of some intangible assets is challenging; and
  - (e) some stakeholders would like to see amortisation reintroduced.
- 3 Thus, the IASB decided to develop the following project objectives:
  - (a) Objective A - Identifying disclosures to enable investors to assess management's rationale for the business combination; and whether the subsequent performance of the acquired business, or combined business, meets expectations set at the acquisition date;
  - (b) Objective B - Exploring whether to simplify the accounting for goodwill by permitting an indicator-only approach to determine when an impairment test is required; and/or reintroducing amortisation of goodwill; and
  - (c) Objective C - Exploring whether to improve the calculation of value in use by permitting cash flow projections to include future restructurings and future enhancements to an asset; and the use of post-tax inputs in the calculation of value in use.

**Proposed project timetable**

- 4 The table below illustrates the proposed timetable for the project considering that the IASB’s DP is expected by the end of March 2020. EFRAG Board has requested to discuss EFRAG position in two sessions; the timetable has been prepared in order to allow an effective interaction between the EFRAG TEG and the EFRAG Board. Tentatively, the EFRAG Secretariat estimates to issue EFRAG’s draft comment letter (‘DCL’) at the end of April (to be approved by EFRAG Board at its 21 April meeting) and to issue EFRAG’s final comment letter (‘FCL’) at the beginning of September (to be approved by EFRAG Board at its 10 September meeting).

<b>EFRAG WG</b>	<b>Mar-20</b>	<b>Apr-20</b>	<b>Jul-20</b>	<b>Sep-20</b>
EFRAG TEG	<p><u>4 March</u></p> <p>To seek views on whether/what additional evidence/information should be collected</p> <p><u>26 March</u></p> <p>To circulate the DP and to discuss possible unexpected topics/issues (oral/written communication)</p> <p>If possible, to recommend DCL and to discuss User Panel views.</p>	<p><u>9 April (If needed)</u></p> <p>Written consultation on any views/wording needed to complete the DCL for the 17 March Board discussion.</p> <p><u>16 April</u></p> <p>Only if needed: to recommend DCL</p>	<p><u>1-2 July</u></p> <p>To discuss comments received from constituents and FCL</p>	<p><u>2-3 September</u></p> <p>To discuss and to recommend FCL</p>
EFRAG Board	<p><u>17 March</u></p> <p>To obtain input and directions in preparation of EFRAG TEG discussion the 26 March and views on the DCL</p>	<p><u>21 April</u></p> <p>To approve DCL</p>	<p><u>16 July</u></p> <p>To discuss comments received from constituents and FCL</p>	<p><u>10 September</u></p> <p>To discuss and to approve FCL</p>
EFRAG User Panel	<p><u>4 March</u></p> <p>To discuss key messages for the DCL</p>			
EFRAG CFSS	<p><u>26 March</u></p> <p>To discuss the DP</p>			

**Questions for EFRAG TEG**

- 5 Does EFRAG TEG have any comment of the proposed timetable?

**Agenda Papers**

- 6 In addition to this cover note, agenda paper 01-02 – *Issues paper - Collection of additional evidence for the project on goodwill* – has been provided for the session.