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## Goodwill and Impairment – Disclosure requirements Cover note

### Objective

- 1 The IASB issued the Discussion paper *Business Combinations – Disclosures, Goodwill and Impairment* ('the DP') in March 2020 with a comment period that ended on 31 December 2020.
- 2 The objective of the session is to provide EFRAG FR TEG with:
  - (a) an update on outreach conducted on the proposed disclosure requirements (agenda paper 05-02); and
  - (b) an update of the IASB discussions in April 2022 on the possible ways forward on the proposed disclosure (agenda paper 05-03) and ask EFRAG FR TEG members for their preliminary views on the alternatives.

### Background

- 3 The DP included suggestions on improving the disclosures about business combinations by adding information about the strategic rationale and objectives for the acquisition including information about synergies as well as the metrics management plan to use to monitor achievement of those objectives; its subsequent performance; improving the accounting for goodwill by assessing whether the amortisation should be reintroduced and some other targeted improvements/simplifications to the current impairment test including the suggestion to only require a quantitative impairment test of CGUs including goodwill to be performed when there would be an indication of an impairment.
- 4 EFRAG published its [final comment letter](#) in January 2021.
- 5 In July 2019, the FASB issued an Invitation to Comment (FASB ITC) *Identifiable Intangible Assets and Subsequent Accounting for Goodwill*. The FASB ITC was issued as part of the FASB's project on certain identifiable intangible assets acquired in a business combination and subsequent accounting for goodwill.

### IASB discussions so far

- 6 The IASB discussed feedback received on the DP at its meetings in March and June 2021.
- 7 In July 2021, the IASB redeliberated its preliminary views on the subsequent accounting for goodwill focusing on:
  - (a) location of the information resulting from, and practical challenges related to the IASB proposals on improving disclosures. See the [IASB staff paper 18A](#);

- (b) improving the effectiveness of the impairment test. See the [IASB staff paper 18B](#) and [18C](#); and
  - (c) the subsequent accounting for goodwill, including whether to reintroduce amortisation. See the [IASB staff paper 18D](#).
- 8 Also in July 2021, the IASB and the FASB held a joint educational meeting and discussed the status, feedback received and tentative decisions on their respective goodwill and impairment projects. Here are the links to the [IASB](#) and the [FASB](#) presentations.
- 9 In September 2021, the IASB staff presented an updated [project plan](#). At this meeting the IASB decided to prioritise performing further work:
- (a) to make tentative decisions on the package of disclosure requirements about business combinations described in the DP; and
  - (b) to analyse specific aspects of the feedback on the subsequent accounting for goodwill including:
    - (i) whether it is feasible to make a reliable estimate of the useful life of goodwill and the pattern in which it diminishes; and
    - (ii) the potential effects of derecognising significant amounts of goodwill on transition to an amortisation-based model were the IASB to decide to reintroduce amortisation.
- 10 At its meeting in October 2021, the IASB discussed:
- (a) Conceptual considerations for location of disclosures (See [IASB Staff paper 18A](#)); and
  - (b) Practical challenges – Forward-looking information (See [IASB Staff paper 18B](#)).
- 11 At its meeting in November 2021, the IASB redeliberated aspects of its preliminary views on improving the disclosure requirements in IFRS 3. The IASB discussed the following disclosure proposals:
- (a) Expected synergies arising from a business combination (See [IASB Staff paper 18A](#));
  - (b) Contribution of the acquired business (See [IASB Staff paper 18B](#)); and
  - (c) Liabilities arising from financing activities and defined benefit pension liabilities (See [IASB Staff paper 18C](#)).

*Meetings with IASB Consultative groups*

- 12 In June 2021, Accounting Standards Advisory Forum (ASAF) members were consulted on the areas that the IASB should consider in its redeliberation process and the importance of convergence on this topic with US GAAP. The outcome of the discussion can be found in the [ASAF meeting summary](#) published on the IASB website.
- 13 In December 2021, ASAF members received an update on the IASB's recent discussions and were asked for feedback on IASB staff examples illustrating the information staff expect an entity would disclose applying the IASB preliminary views in the DP.
- 14 The IASB also discussed specific aspects of its preliminary views with its Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GFP) at their meetings in November and December 2021.

**EFRAG discussions so far**

- 15 At its meeting in November 2021, EFRAG TEG/CFSS members discussed the same examples presented at the ASAF discussion in December 2021. These examples were also discussed with EFRAG User Panel and EFRAG FIWG members at their respective meetings in December 2021.
- 16 At its meeting in January 2022, EFRAG FR TEG received update on the IASB's and the FASB's discussions and tentative decisions taken so far. The update included a summary of all the IASB, FASB and EFRAG discussions since the DP was issued. At this meeting, EFRAG FR TEG were asked for their views on the more controversial aspects of the disclosure proposals in the DP and any other comments on the IASB and FASB tentative decisions so far on the project.

**IASB Next steps**

- 17 The IASB will discuss specific aspects of the feedback identified in September 2021 on the subsequent accounting for goodwill.
- 18 The IASB will then make decisions about:
  - (a) the package of disclosure requirements about business combinations;
  - (b) whether to maintain its preliminary view to retain the impairment-only approach to the subsequent accounting for goodwill; and
  - (c) other topics within the scope of the project.

**Agenda papers**

- 19 In addition to this cover note, agenda papers for this session are:
  - (a) Agenda paper 05-02 – Issues paper on additional outreach feedback on disclosures;
  - (b) Agenda paper 05-03 – Issues paper on possible ways forward on disclosures.