Questionario OIC – EFRAG – ASBJ

SHOULD GOODWILL STILL NOT BE AMORTISED?

ACCOUNTING AND DISCLOSURE FOR GOODWILL

1. Do you agree that there should be a requirement to recognise goodwill as an asset and amortise it over subsequent periods? Yes

If so, do you support amortisation because:

a) goodwill existing at acquisition date is consumed and replaced with internally generated goodwill over time, thus it should be allocated to subsequent periods as part of the cost of acquiring an entity;
b) an impairment-only model is not sufficiently reliable due to the large use of assumptions in the impairment test (future cash flows, terminal growth rate and discount rate); or
c) amortisation of goodwill, in addition to the impairment test, achieves an appropriate cost-benefit balance.

2. Assuming that there was a requirement to amortise goodwill, do you think that the IASB should:

a) indicate what the amortisation period should be?
b) indicate a maximum amortisation period?
c) provide guidance on how entities should assess the amortisation period (for instance, by referring to the expected payback period or the useful life of the primary asset)?
d) allow entities to elect the amortisation period that they consider appropriate?

3. The DP suggests the need for improved guidance in a number of areas in IAS 36. Do you think that the IASB should improve and/or provide additional guidance in relation to:

a) the methods to determine the recoverable amount of the goodwill;
b) the application of the value-in-use method;
c) the identification of cash-generating units and allocation of goodwill to each unit; and
d) the choice of the discount rate.

If not, please indicate why. Please state any specific suggestions for improvements if you have.

4. The DP suggests a number of possible new disclosures about impairment testing for goodwill. Do you think that the IASB should consider improving requirements to:

a) assist users in understanding the robustness of the modelling and the entity's current assumptions;
b) provide confirmation of the 'reasonableness' of the entity's past assumptions; and
c) assist users in predicting future impairment.

5. IAS 38 requires that intangible assets with indefinite useful lives are not amortised but tested for impairment at least annually. Assuming that there was a requirement to amortise the goodwill, do you think that the same requirement should be extended to other intangible assets with indefinite useful lives?

Yes, we firmly believe that if the requirement to amortise goodwill is set, it would be very important that the same rule is applied to the assets belonging to the same category in order to simplify the impairment process.

In addition, assuming that there was a requirement to amortise goodwill, do you think that the current requirements of identifying intangible assets separately from goodwill should be reconsidered? If so, how?

Yes, we believe that it would be less burdensome for preparers to not recognize intangible assets other than goodwill; in the banking sector it's difficult to identify which are the intangibles to be recognised. In particular it is problematic to distinguish if intangibles have to be recognised according to customers or to products. The main implementation challenges in the separate recognition of intangible assets from goodwill is the difficulty and subjectivity in intangibles asset fair value computing.

Above all that, it’s our opinion that separate recognition of intangible assets is also not useful and difficult to understand for financial statements users.