IFRS

STAFF PAPER

January 2018

IASB® Meeting

Project	**Goodwill and Impairment research project**
Paper topic	Cover paper

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1. At its December 2017 meeting, the Board tentatively decided:
   (a) not to consider reintroducing amortisation of goodwill;
   (b) to consider improving the effectiveness of impairment testing of goodwill by using the unrecognised headroom (the excess of the recoverable amount over the carrying amount) of a cash-generating unit (or groups of units) as an additional input in the impairment testing of goodwill; and
   (c) to consider introducing requirements for an entity to disclose:
      (i) each year, information about the headroom in a cash-generating unit (or groups of units) to which goodwill is allocated for impairment testing;
      (ii) a breakdown of goodwill by past business combination, explaining why the carrying amount of goodwill is recoverable; and
      (iii) the reasons for paying a premium that exceeds the value of the net identifiable assets acquired in a business combination, key assumptions or targets supporting the purchase consideration and a comparison of actual performance with those assumptions or targets.
2. This meeting is a continuation of the December 2017 meeting. The purpose of this meeting is for the Board to decide the course of action in relation to:

(a) the requirement in IAS 36 *Impairment of Assets* to use pre-tax inputs in calculating value in use of an asset (or a cash-generating unit); and

(b) the prohibition in IAS 36 on including cash flows that would arise from future restructuring and from future performance enhancement.

3. This cover paper accompanies the following agenda papers:

(a) *Agenda Paper 18A—Value in use: what tax attribute should be reflected in value in use*: This paper asks the Board whether it wishes to consider removing from IAS 36 the explicit requirement to use pre-tax inputs in calculating value in use.

(b) *Agenda Paper 18B—Value in use: cash flows from a future restructuring or future enhancement*: This paper asks the Board whether it wishes to consider removing from IAS 36 the requirement to exclude from the calculation of value in use of an asset (or a cash-generating unit) cash flows that would arise from future restructuring and from future performance enhancement.

4. In relation to Agenda Paper 18A, the staff draw the Board's attention to Agenda Paper 12B *Taxation in fair value measurements (IAS 41): Potential annual improvement* for the January 2018 meeting. Agenda Paper 12B discusses the IFRS Interpretation Committee's recommendation to the Board about a requirement in IAS 41 *Agriculture* to exclude tax cash flows in measuring fair value of biological assets or agricultural produce.

Next steps

5. The staff proposes to present at the March 2018 Board meeting analysis on:

(a) whether there are ways to simplify identification of intangible assets acquired in a business combination separately from goodwill; and

(b) whether the output of the research project should be a Discussion Paper or an Exposure Draft.