

## STAFF PAPER

May 2019

IASB<sup>®</sup> Meeting

<b>Project</b>	<b>Goodwill and Impairment</b>		
<b>Paper topic</b>	Cover paper		
CONTACT(S)	Tim Craig	<a href="mailto:tcraig@ifrs.org">tcraig@ifrs.org</a>	+44 (0)20 7246 6921
	Dehao Fang	<a href="mailto:fdehao@ifrs.org">fdehao@ifrs.org</a>	+44 (0)20 7246 6416

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**Purpose of this meeting**

1. The purpose of this meeting is for the Board to:
  - (a) further discuss the staff's ideas on how to meet the objective, set by the Board in its July 2018 meeting, of identifying better disclosures for business combinations (Agenda Paper 18A); and
  - (b) discuss and comment on potential relief from the mandatory annual quantitative impairment test, one of the ideas being explored to meet the objective, set by the Board in its July 2018 meeting, of simplifying the accounting for goodwill (Agenda Paper 18B).

**Agenda Papers for this meeting**

2. This cover paper accompanies the following agenda papers:
  - (a) *Agenda Paper 18A—Better disclosures for business combinations:*  
This paper sets out staff's further analysis of the improvements to the disclosure objectives and disclosure requirements of IFRS 3 in response to comments received from Board members at the April 2019 Board meeting.
  - (b) *Agenda Paper 18B—Relief from mandatory annual impairment test:*  
This paper discusses potential relief from the mandatory annual

impairment test for cash-generating units (CGUs) that contain goodwill and some identifiable intangible assets. The staff intend to recommend the Board express a preliminary view to remove the requirement to carry out an annual quantitative impairment test for goodwill when no indicator of impairment exists, and extend the same relief to some identifiable intangible assets.

3. The Board is not being asked in the Agenda Papers to make any decisions.

### Next steps

4. In the July 2018 Board meeting, on the basis of the findings from the research project, the Board made the following tentative decisions:
  - (a) to pursue the objective of exploring whether disclosures could be improved to enable investors to assess more effectively whether a business combination was a good investment decision and whether the acquired business is performing after the acquisition as was expected at the time of the acquisition;
  - (b) to pursue the objective of simplifying the accounting for goodwill by exploring whether to:
    - (i) reintroduce amortisation; and/or
    - (ii) provide relief from the mandatory annual quantitative impairment testing of goodwill;
  - (c) to pursue the objective of improving the calculation of value in use (VIU) by removing from IAS 36 *Impairment of Assets*:
    - (i) the restriction that excludes from the calculation, those cash flows that are expected to result from a future restructuring or from a future enhancement; and
    - (ii) the requirement to use pre-tax inputs in the calculation.
5. The staff plan to ask the Board in its June 2019 Board meeting which preliminary views on the ideas to meet the July 2018 objectives it wishes to express in a Discussion Paper.

6. The staff will then ask for permission to begin the balloting process. The Discussion Paper is planned to be published in the second half of 2019.