IFRS

STAFF PAPER

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Project	**Goodwill and Impairment**
Paper topic	Relief from mandatory annual impairment test

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Purpose of this paper

1. This Agenda Paper discusses potential relief from the mandatory annual impairment test for cash-generating units (CGUs) that contain goodwill and some identifiable intangible assets.
2. The Board is not being asked to make any decisions in this Agenda Paper.

Summary of staff recommendations

3. The staff intend to recommend the Board express a preliminary view to:
   (a) remove the requirement to carry out an annual quantitative impairment test for goodwill when no indicator of impairment exists; and
   (b) for intangible assets with indefinite useful lives, and for intangible assets not yet ready for use, apply the same relief as for goodwill.

Structure of the paper

4. The paper is structured as follows:

(a) Background (paragraphs 5–10);

(b) Indicator-based impairment test (paragraphs 11–42);

(c) Intangible assets (paragraphs 43–51); and

(d) Other issues for consideration (paragraphs 52–59)

Background

5. In its December 2017 meeting, the Board tentatively decided not to propose providing entities with relief from the mandatory annual quantitative impairment testing for goodwill, and instead to focus on improving the effectiveness of goodwill impairment test.

6. Subsequently, after concluding that it would not be feasible to make the impairment test significantly more effective, the Board decided tentatively in its July 2018 meeting to refocus the objectives of the research project. One of the refocused objectives is to pursue simplifying the subsequent accounting for goodwill by exploring possible relief from the requirement to carry out mandatory annual quantitative impairment tests of CGUs that include goodwill.

7. In this paper, the staff revisit some of the arguments that the Board had previously discussed in the context of the refocused objectives of the project, as well as provide some additional analysis.

Existing requirements and feedback received

8. IAS 36 *Impairment of Assets* requires an entity to perform a quantitative impairment test as follows for CGUs to which goodwill has been allocated:

   (a) A mandatory quantitative impairment test for goodwill annually. It may be performed at any time during an annual period, provided the test is performed at the same time every year. Different CGUs may be tested for impairment at different times.

   (b) In addition, a quantitative test is required at the end of the period if there is an indicator that the CGU may be impaired.

(c) If some or all the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that CGU must be tested for impairment before the end of the current annual period.

(d) Any excess of the carrying amount of the CGU over its recoverable amount is recognised as an impairment loss.

(e) The same requirements also apply to indefinite-lived intangible assets and intangible assets not yet available for use.

9. Paragraphs BC121 – BC123 of the Basis for Conclusions on IAS 36 summarise the Board's reasons for introducing the requirement to carry out an annual quantitative impairment test for CGUs containing goodwill and those intangible assets when IAS 36 was revised in 2004. The Board's view at that time was that non-amortisation of an asset increases the reliance that must be placed on impairment reviews of that asset to ensure the carrying amount does not exceed its recoverable amount. Due to this greater reliance on the impairment test, the existence of a rigorous and operational impairment test was seen as a precondition for removing the requirement to amortise goodwill and indefinite-lived intangible assets.

10. In the feedback they provided in the post-implementation review (PIR) of IFRS 3 *Business Combinations*[1], many stakeholders commented that the annual quantitative impairment test of goodwill required under IAS 36 is costly and complex to implement, and any resulting recognition of impairment losses is often not timely and is often inadequate. Some stakeholders also commented that the test provides information of only limited relevance. These comments were further supported by the research during this project. Consequently, some stakeholders think that the benefits of mandating the annual performance of a quantitative impairment test do not justify the costs caused by mandating it. Other stakeholders suggested that the Board should require a quantitative impairment test only if indicators of impairment exist.

[1] The scope of the PIR covered the whole Business Combinations project, which resulted in IFRS 3 (2004), IFRS 3 (2008) and any resulting consequential amendments to IAS 27 *Consolidated and Separate Financial Statements*, IAS 36 and IAS 38 *Intangible Assets*.

Indicator-based impairment test

Assessment of different approaches

11. In previous meetings, the Board explored various indicator-based impairment approaches as potential replacements for the existing impairment model. The Board did not express a preference for any approach. The approaches discussed included:

    (a) *Approach 1*—the Board could require an entity to perform a quantitative impairment test of goodwill in the first year after a business combination; and in subsequent years perform the quantitative impairment test only when there are indicators of possible impairment;

    (b) *Approach 2*—the Board could require an entity to perform a quantitative impairment test of goodwill at least annually (and more frequently whenever there are indicators of possible impairment) for the first few years after a business combination, perhaps 3–5 years; and in subsequent years perform a quantitative impairment test only when there are indicators of possible impairment;

    (c) *Approach 3*—the Board could require an entity to perform a quantitative test of goodwill less frequently than annually, for example once every 3 years; and in the intervening periods perform a quantitative impairment test only when there are indicators of possible impairment; and

    (d) *Approach 4*—the Board could require an entity to perform a quantitative impairment test of goodwill only when there are indicators of possible impairment.

12. In addition to these approaches previously considered by the Board, the Board could consider an optional qualitative test, similar to an option allowed under US GAAP.

Considerations for hybrid impairment models

13. Approaches 1, 2 and 3 are hybrid impairment models, which require an indictor-based impairment test but mandate the performance of quantitative impairment tests in specified reporting periods. However, upon further analysis, the staff do not recommend pursuing these approaches for the following reasons:

(a) Some preparers supported requiring a mandatory quantitative test in at least some periods, commenting that this will make the impairment test more robust than removing the mandatory annual quantitative test altogether. However, in the staff's view, a key observation from the staff's subsequent research is that the limitations in the effectiveness of the goodwill impairment test have little to do with the frequency of the quantitative test.

(b) Incorporating a requirement to perform quantitative test in some periods would make the impairment test more complex than an indicator-only model, but not significantly more effective. For example, there could be some complexity in determining when the quantitative test should be required if a group of CGUs includes businesses acquired in different acquisitions. Therefore, such approaches may not be sufficiently in line with the Board's revised objective of simplifying the accounting for goodwill.

(c) These hybrid approaches do not align the impairment test of goodwill with that of other assets. An indicator-only model would allow goodwill to be tested in the same way as other assets within the scope of IAS 36 (paragraphs 24–25). Adopting the hybrid impairment testing models does not help to achieve that objective.

(d) There is no clear principle that could help to determine in which period(s) a mandatory quantitative impairment test would be necessary. Therefore, this would need to be determined arbitrarily.

(e) A "one size fit all" mandatory element in hybrid models might not work for entities across different industries. A key objective of requiring a quantitative test in specified period(s) is to ensure that the robustness of the impairment test is not compromised. These hybrid models seek to accomplish this goal by requiring a quantitative impairment test during the periods when the acquired business is most susceptible to impairment. However, feedback from our consultative groups indicates that the length of investment horizons and "high-risk periods for impairment" varies across different industries. For example, for an entity operating in a dynamic and rapidly evolving industry, it may be apparent within the first year of acquisition whether the acquisition is a success and, therefore, whether it is likely that any impairment has occurred. On the other hand, for an entity operating in a sector with a long investment horizon, for example, the Oil & Gas sector, it may be many years after the acquisition before one could assess whether the goodwill arising from the initial acquisition was impaired.

Considerations for optional qualitative test

14. In 2011, the Financial Accounting Standards Board (FASB) introduced an optional qualitative test in US GAAP for testing goodwill for impairment. An entity that applies US GAAP has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This forms a basis for determining whether it is necessary to perform the quantitative goodwill impairment test.

15. The staff think that the objective of both the indicator-only impairment test (Approach 4) and the optional qualitative test allowed under US GAAP is to exempt entities from performing a quantitative test if it would not result in the recognition of an impairment loss. The difference is that the optional qualitative test in US GAAP sets a threshold such that an entity is required to perform a quantitative impairment test only if it is more likely than not (more than 50% likelihood) that the fair value of a reporting unit is less than its carrying amount. On the other hand, IAS 36 does not have a threshold. Instead, IAS 36 requires a quantitative impairment test if there is an indication at the end of the period that the asset (or CGU) may be impaired. The staff are not aware of any compelling reason for the IASB to consider specifying a threshold of likelihood to determine when it would be necessary to conclude that an asset (or CGU) 'may be' impaired.

16. One of the advantages of pursuing an indicator-only impairment test is that it would remove complexity and help to improve consistency within IAS 36 by making the same impairment model (paragraphs 24–25) applicable to all asset classes within the scope of the Standard. Given that the objective of both the indicator-only approach and the optional qualitative test in US GAAP are to avoid imposing a quantitative test when it would not result in an impairment test, the staff think that it is not necessary

to create a new impairment model within the framework of IAS 36 by adopting the optional qualitative test for CGUs containing goodwill.

17. In addition, if the Board intends to require entities to disclose the existence of an indicator of impairment when no impairment loss is ultimately recognised (see paragraphs 53–54), making a qualitative test optional may not achieve this. This is because an entity could elect to go straight to the quantitative test without first seeking an indicator of impairment that the entity would be required to disclose under an indicator-only model.

Recommendation on approach to providing relief

18. Based on the analysis above, the staff intend to recommend that the Board should focus on the indicator-only model (approach 4) as its approach to provide relief from mandatory annual quantitative impairment test. Therefore, the analysis in the rest of this paper considers only the indicator-only impairment model.

Advantages of indicator-only impairment model (approach 4)

19. In the staff's view, an indicator-only model could:

    (a) save costs for preparers (paragraphs 20–23); and

    (b) allow entities to apply the same impairment test for all CGUs, regardless of whether they contain goodwill or some identifiable intangible assets (paragraphs 24–25).

Cost savings for preparers

20. A key benefit of providing relief from the mandatory annual impairment test is that such relief can potentially reduce costs for preparers of financial statements. Nevertheless, some preparers commented that cost-savings from this relief may not be substantial.

21. The staff think that the cost of implementing a quantitative impairment test for goodwill consists of three separate components:

    (a) the cost of initially setting up the valuation model used for the impairment test;

(b) the cost of gathering inputs used in the valuation model to determine the recoverable amount; and

(c) if the entity changes its valuation model due to changes in circumstances, the cost of updating the valuation model.

22. Although providing relief from the mandatory annual impairment test does not reduce the costs relating to the initial set up or updating of the valuation model, the staff think that at least some of the costs of performing the quantitative test relate to the gathering of inputs used to perform the impairment test. Providing relief from the mandatory annual impairment test could reduce such costs by reducing the frequency of the test.

23. Studies of stakeholders' reactions to the optional qualitative test introduced by FASB could provide some insights into the cost benefits of relief from mandatory annual impairment test of goodwill. Publicly available survey reports indicate that there is a steady increase in the number of public companies electing to use the qualitative test as a first step. Since the introduction of the optional qualitative test, the percentage of public companies in US that applied the qualitative test increased from 29 percent in 2012 to 59 percent in 2015[2]. This suggests that such relief does provide cost benefits to preparers.

Alignment of impairment models

24. Goodwill is currently tested for impairment as part of a CGU (or group of CGUs), and as a result, the quantitative impairment test is designed to assess the recoverable amount of the CGU as a whole (including the goodwill), rather than the recoverable amount of the goodwill itself. IAS 36 currently requires a quantitative impairment test to be performed at least annually for a CGU that contains goodwill (and some identifiable intangible assets, see paragraphs 43–51 below). For other CGUs, the quantitative impairment test is required only when there is an indication that the CGU (or a specific asset within the CGU) may be impaired.

25. Since the same logic underpins impairment tests for all CGUs, the staff think that the frequency of the impairment test should not depend on whether the CGU contains

[2] Duff & Phelps. (2016). *2016 U.S. Goodwill Impairment Study.* Financial Executives Research Foundation, Inc.

goodwill. Adopting an indicator-only approach for goodwill impairment would allow entities to apply the same impairment tests for a CGU (or group of CGUs) that contains goodwill as CGU(s) that do not contain goodwill.

Disadvantages of indicator-only impairment model

26. In the staff's view, an indicator-only model could:

    (a) make the impairment test marginally less robust (paragraphs 27–30);

    (b) result in some limited loss of information that users of financial statements might find useful (paragraphs 31–34); and

    (c) slightly weaken governance over impairment tests (paragraphs 35–36).

Less robust impairment test

27. In paragraph BC162 of the Basis of Conclusions on IAS 36, the Board concluded that the non-amortisation of goodwill increases the reliance that must be placed on impairment tests to ensure the carrying amount of goodwill does not exceed its recoverable amount and for that reason decided that a quantitative impairment test of goodwill should be performed annually.

28. Feedback from investors during the PIR of IFRS 3 indicated that impairment losses are often not recognised on a timely basis and those impairment losses recognised are often not adequate. Some stakeholders are therefore concerned that adopting an indicator-only approach would exacerbate the problem of delayed and inadequate recognition of impairment losses of goodwill (paragraph 10). This could be due to entities not performing the test annually or due to an additional layer of judgement being introduced into the test, namely deciding whether there is an indicator of impairment.

29. Since the impairment test does not directly measure the recoverable amount of the goodwill, to the extent the ineffectiveness in the existing impairment model for goodwill is caused by the "shielding effect", the Board's original strategy of relying on more frequent (ie annual) impairment tests when it removed the requirement to amortise goodwill so as to ensure recoverability of goodwill is somewhat less effective than the Board had expected. The delayed and inadequate recognition of

goodwill impairment is due to other factors than the frequency of the impairment test, and hence cannot be mitigated by performing the test more frequently. Therefore, the staff do not expect the adoption of an indicator-only approach would significantly reduce the robustness of the test.

30. The indicator-only approach relies on management identifying the existence of an indicator of impairment. In the staff's view, although indicators may be somewhat less sensitive at capturing instances of impairment than are quantitative tests, it is unlikely that a material decrease in the recoverable amount of a CGU could occur without management identifying the existence of a qualitative indicator of impairment. Thus, if properly applied, an indicator-only impairment model is unlikely to be significantly less robust than a mandatory annual impairment test.

Loss of useful disclosures

31. IAS 36 requires an entity to disclose information about the estimates used to measure the recoverable amounts of CGUs containing goodwill. Due to the requirement for a mandatory annual quantitative impairment test, entities need to disclose this information every year, even if no impairment loss has been recognised for the CGU.

32. During the PIR of IFRS 3, some investors commented that these disclosures are useful. In particular, disclosures relating to the discount rates, long-term growth rates, profit and capital expenditure assumptions and sensitivities were highlighted as relevant information for users of financial statements. If the requirement to perform the annual quantitative impairment test is removed, an entity may only be required to disclose this information when the quantitative test is performed (ie when there are indicators of possible impairment that trigger a quantitative impairment test).

33. On the other hand, a few preparers commented that the assessment of recoverable amount utilises similar valuation techniques and requires similar estimates for both CGUs that contain goodwill and CGUs that do not. These preparers do not see a need to disclose valuation inputs more frequently just because a CGU contains goodwill.

34. The effects of losing such information may be partly mitigated by potential disclosure enhancements proposed in this project (see **Agenda Paper 18A**), such as the disclosure of management's objectives for the acquisition and whether these

objectives are subsequently being achieved which may, in some circumstances, provide similar information.

Annual impairment test as governance mechanism

35. A few members of the Board's consultative groups have stated that they view the annual quantitative impairment test as a valuable governance mechanism that holds management accountable for its investment decisions and prompts management to thoroughly assess the value creation and cash generation processes within the business, thus helping users of financial statements to monitor management's stewardship. The removal of the mandatory annual impairment test would take away this governance mechanism.

36. Nevertheless, in the staff's view:

    (a) the effectiveness of such a governance mechanism is hampered by the inherently limited effectiveness of the impairment test itself;

    (b) this project is exploring enhanced disclosures on the subsequent performance of an acquired business that could mitigate the concerns of some stakeholders about the loss of this governance mechanism; and

    (c) it is not clear why this governance mechanism should be required for CGUs that contain goodwill but not for CGUs that do not contain goodwill.

Staff recommendation

37. On the basis of the analysis above, the staff thinks that providing entities with relief from the mandatory quantitative annual impairment test could result in cost-savings for preparers and result in a uniform impairment model for all CGUs. This would help to achieve the Board's objective of simplifying the accounting for goodwill. Nevertheless, such a change may result in a less robust impairment test under limited circumstances, as well as the loss of certain information and a governance mechanism that some stakeholders may find valuable. However, the staff think that the potential loss in the robustness of the test is not expected to be significant, and that the enhanced disclosure requirements could mitigate some of the other concerns. Hence,

the benefits of performing a quantitative impairment test annually are limited compared to the costs of performing the quantitative test annually.

Effect of a decision to reintroduce goodwill amortisation on relief from mandatory annual impairment test

38. The previous arguments for removing the requirement to perform a quantitative impairment test annually apply whether amortisation of goodwill is reintroduced or not. If amortisation of goodwill was reintroduced an additional argument would exist.

39. As noted in paragraph 27, in revising IAS 36 in 2004, the Board believed that the non-amortisation of goodwill placed greater reliance on the impairment test to ensure the recoverability of goodwill, and accordingly the Board introduced a requirement for an annual quantitative impairment test. Reintroducing goodwill amortisation would remove this concern.

40. Accordingly, if the Board reintroduces amortisation of goodwill, the staff think that it would be appropriate to remove the requirement for a quantitative annual test.

41. Nevertheless, the staff think that the removing the requirement for a quantitative annual test is appropriate even if the Board does not reintroduce amortisation of goodwill. In the staff's view, for reasons summarised in paragraphs 37, the benefits of retaining the quantitative annual test are only marginal and do not justify the additional costs of requiring such a test annually.

42. Accordingly, 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, whether or not amortisation of goodwill is reintroduced.

Intangible assets

43. The requirement in IAS 36 to perform a mandatory annual quantitative impairment test applies not only to goodwill but also, for similar reasons, to intangible assets with indefinite useful lives and intangible assets not yet ready for use.

44. During the PIR of IFRS 3, although the feedback on the ineffectiveness of the impairment test largely focused on goodwill, stakeholders did raise similar concerns over the impairment test for indefinite-lived intangible assets although it was not clear whether the shielding effect was also an issue for these assets. The staff think that there are arguments both for and against applying any relief that the Board may propose for goodwill to such intangible assets as well.

45. On one hand, the staff think that there are two key differences between impairment tests for goodwill and impairment tests for intangible assets which could support an argument against applying the same relief to intangible assets with indefinite useful lives and intangible assets not yet ready for use:

(a) Intangible assets within the scope of IAS 38 differ from goodwill as these intangible assets are identifiable (as defined by paragraph 12 of IAS 38) whereas goodwill is not. Although goodwill does not generate cash flows independently of other assets, some indefinite-lived intangible assets and some intangible assets not yet ready for use may be able to generate independent cashflows. To the extent that these intangible assets generate independent cashflows and are tested for impairment as individual assets, impairment tests for intangible assets experience less 'shielding effect' than do impairment tests for goodwill.

(b) To the extent that these intangible assets are tested as part of a CGU, the identifiable nature of these assets suggest that these assets may sometimes be allocated to a CGU at a lower level than the CGU(s) to which goodwill is allocated. This allocation to CGUs at a lower level may also reduce the 'shielding effect' that could affect the impairment tests for these intangible assets.

46. Given these differences, impairment tests for intangible assets with indefinite useful lives and intangible assets not yet ready for use may be more effective than impairment tests for goodwill. Thus, there is a greater likelihood that a quantitative test would detect an impairment—and hence a somewhat greater risk that moving to an indicator-only approach could fail to detect an impairment that a mandatory annual quantitative test would have otherwise revealed. The greater reduction in robustness

may tilt the balance between the cost and benefit of providing relief for these intangible assets compared to goodwill.

47. On the other hand, since the logic underpinning the requirement for a mandatory annual quantitative impairment test is the same for intangible assets with indefinite useful lives and intangible assets not yet ready for use as it is for goodwill, the staff think that the same impairment model should apply to all these assets.

48. Moreover, if relief from a mandatory annual quantitative impairment test is provided for goodwill, but not for intangible assets with indefinite useful lives and intangible assets not yet ready for use, the resulting accounting treatment would require assets that are identifiable to be tested for impairment more frequently than an asset that is not identifiable. Such a difference in accounting treatment may be counterintuitive.

49. Also, if a different impairment model is applied to goodwill and other types of intangible assets, the difference in the subsequent accounting for these assets could create scope for accounting arbitrage that enables entities to achieve desired accounting outcomes through selective use of judgement in deciding whether to recognise intangible assets in a business combination and how to measure them.

50. Additionally, paragraph 55 of IAS 16 *Property, Plant and Equipment* states that depreciation of an asset begins when the asset is available for use. The non-depreciation of such fixed assets is similar in nature to the non-amortisation of intangible assets not yet ready for use. However, IAS 36 requires a mandatory annual quantitative impairment test only for intangible assets that are not yet ready for use, but not for their 'tangible fixed assets under development' counterparts. The difference in accounting treatment that is based on the physical attributes of the asset may appear arbitrary.

51. On balance, the staff think that the reasons to apply the same impairment test for goodwill and intangible assets with indefinite useful lives and intangible assets not yet ready for use are stronger than the reasons for applying different tests. Therefore, the staff think that any relief that the Board may propose for the impairment test for goodwill should be extended to such intangible assets as well.

Question for the Board
Do Board members have any comments on the staff's intended recommendation to propose relief from the mandatory annual quantitative impairment test for goodwill and intangible assets with indefinite useful lives and intangible assets not yet ready for use, for the staff to consider as it develops the papers for the June 2019 Board meeting where the Board will determine its preliminary views, if any, to express in the Discussion Paper?

Other issues for consideration

52. The following paragraphs summarise other detailed issues that the Board may wish to consider in due course if it decides to propose an indicator-only model for goodwill impairment testing. The staff is not requesting decisions on these issues at this point. These items would be included in the Discussion Paper for information and the Board could consider them more fully when it considers the feedback on the Discussion Paper.

Disclosure of events triggering a quantitative impairment test

53. Under the existing impairment model, an impairment test is a quantitative exercise and the recognition or reversal of an impairment loss triggers a requirement to disclose the events and circumstances (paragraph 130(a) of IAS 36) that led to the impairment loss or reversal. The disclosure of such events is not required if no impairment loss or reversal is recognised.

54. Under an indicator-only model, an indicator of impairment that triggers a quantitative impairment test may not necessarily result in recognition of an impairment loss or its reversal. The Board may wish to consider requiring disclosure of the facts and circumstances triggering the impairment test, even if it did not eventually result in an impairment loss or reversal. During our outreach with stakeholders, some users commented that qualitative information relating to triggering events could be useful. Although the Board has previously decided not to perform a complete review of the

disclosure requirements of IAS 36, this amendment could be considered by the Board when the feedback from the Discussion Paper has been received.

Timing of impairment tests

55. If the indicator-only impairment model were to be adopted for goodwill, the Board may need to consider the timing of impairment tests. Paragraph 96 of IAS 36 stipulates that a CGU to which goodwill has been allocated (and in the case of intangible assets with indefinite useful lives and intangible assets not yet available for use, paragraph 10(a) of IAS 36) can be tested for impairment any time during the year, provided that the test is performed at the same time every year.

56. If the Board proposes to remove the requirement to perform mandatory annual quantitative impairment tests, which may occur at times other than the end of the period, an impairment test, if any, performed by the entity would occur only at the end of the reporting period when an assessment for indicators of impairment is performed. Therefore, the option under paragraphs 10(a) and 96 of IAS 36, for entities to perform a quantitative impairment test at any time during the year, would no longer be applicable under an indicator-only approach.

Carrying forward a recoverable amount calculation

57. Paragraph 99 of IAS 36 allows an entity to carry forward from the previous period its calculation of the recoverable amount of a CGU to which goodwill has been allocated for the purpose of impairment testing if specified conditions are met (paragraph 24 of IAS 36 allows a similar treatment for intangible assets with indefinite useful lives). According to paragraph BC177 in the Basis for Conclusions on IAS 36, the option was intended as a cost relief to preparers.

58. One of the conditions specified in paragraph 99 of IAS 36 is that there is only a remote likelihood that an up-to-date calculation would have led to the entity recognising an impairment loss. However, where the likelihood of impairment is remote, no quantitative impairment test needs to be performed under the indicator-only model. Therefore, the staff think that the approach in paragraph 99 of IAS 36 would become redundant under an indicator-only impairment model.

Review of indicators of impairment

59. Paragraph 12 of IAS 36 sets out a non-exhaustive list of indicators that an asset may be impaired. If the Board decides to propose an indicator-only model for goodwill impairment testing, a greater reliance will be placed on these indicators to ensure the robustness of the test. The Board may therefore wish to review this list to ensure that it is in line with the refocused objectives that the Board is pursuing and indicators relevant to the impairment of goodwill are included. For example, if the Board decides to adopt the enhanced disclosures recommended in **Agenda Paper 18A**, the Board may wish to consider including the failure to meet the key objectives of the acquisition as an indicator of impairment.

Question for the Board
Do Board members have any comments on the issues discussed in paragraphs 52–59 and do Board members think that the staff would need to consider other issues if the Board decides to adopt an indicator-only impairment testing model for goodwill?