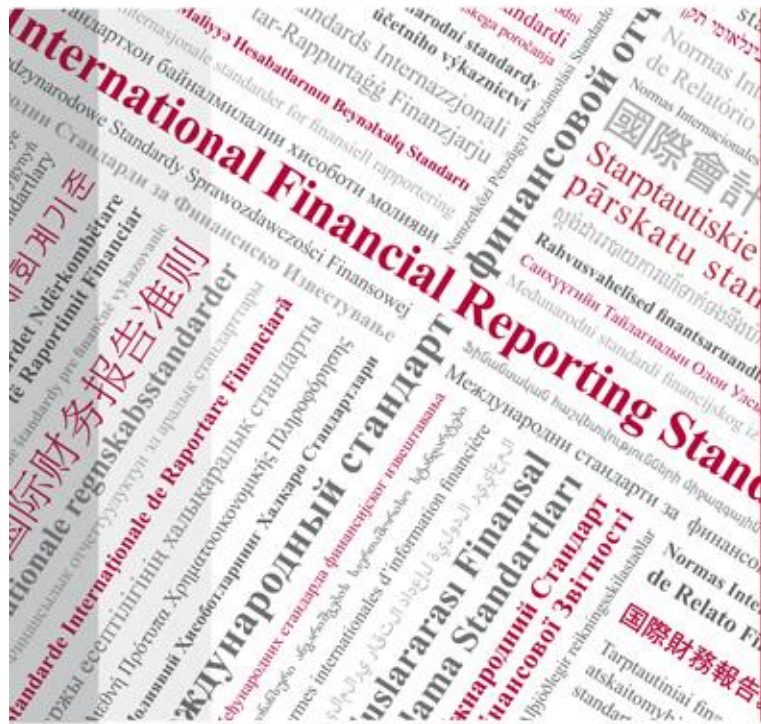


International Financial Reporting Standards



AP7
CMAC meeting
6 November 2015

What information do investors want to receive about goodwill and impairment?

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- In response to findings from the IFRS 3 *Business Combinations* Post-implementation Review (PiR) the IASB is considering:
 - subsequent accounting for goodwill: impairment-only approach versus amortisation with impairment approach
 - ways to improve impairment test in IAS 36 *Impairment of Assets*
- To inform IASB's discussions we want to better understand what information investors want to receive about goodwill and impairment

Feedback from CMAC and other investors during the PiR

- Some support current impairment-only approach (non amortisation). Some reasons:
 - useful for calculating ROI
 - better understanding of whether management has overpaid and whether acquisition was successful
 - enables assessment of management stewardship
 - helps verify if acquisition is working as expected and monitor the synergies from the acquisition
 - the useful life of goodwill and amortisation pattern generally are not possible to determine
 - amortisation may hide bad investment decisions and decreases in value of the purchase

Feedback from CMAC and other investors during the PiR

- Others want re-introduction of amortisation. Some reasons:
 - goodwill acquired in business combination is replaced over time by internally generated goodwill
 - impairment test is not effective because it does not provide timely information and assumptions/inputs in test are too subjective
 - estimating useful life of goodwill is no more difficult than for other intangibles
 - goodwill represents future profits, and should be allocated over time to profit or loss

Questions for CMAC

- Do you (or companies you look at) currently make any ‘non-GAAP’ adjustments to goodwill or impairment for your analysis?
 - If yes, what are those adjustments? For example:
 - to incorporate goodwill amortisation?
 - remove or recalculate the impairment amounts?
- Would amortisation of goodwill
 - help or hinder your analysis?
 - make goodwill impairments more or less useful?
 - why?

Questions for CMAC

- Is there any other information that you aren't getting now that you need for your analysis of goodwill and impairment?

