

STAFF PAPER

December 2017

IASB[®] Meeting

Project	Goodwill and Impairment research project		
Paper topic	Cover paper		
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Purpose of this meeting

1. The purpose of this meeting is for the Board to decide:
 - (a) what action to take in response to stakeholder concerns about applying IAS 36 *Impairment of Assets* to test goodwill for impairment; and
 - (b) whether to develop a proposal to reintroduce amortisation of goodwill.

Agenda Papers for this meeting

2. This cover paper accompanies the following agenda papers:
 - (a) *Agenda Paper 18A—Background and objectives of the research paper:*

This paper sets out (i) a summary of the feedback the Board received from the Post-implementation Review (PIR) of IFRS 3 *Business Combinations*; and (ii) the objectives the Board set when it added the research project to its agenda.
 - (b) *Agenda Paper 18B—Subsequent accounting for goodwill:* This paper sets out the staff's current thoughts on possible alternative approaches for subsequent accounting for acquired goodwill, especially the possible approach of amortising goodwill and recommends that the Board does not develop a proposal to reintroduce amortisation of goodwill.

- (c) *Agenda Paper 18C—Improving effectiveness of the impairment testing model in IAS 36*: This paper (i) provides some context about the causes of ineffectiveness in the IAS 36 impairment testing model; (ii) discusses whether moving to a single method as the sole basis for determining recoverable amount would make impairment testing more effective and why doing so would not mean a fundamental reconsideration of IAS 36; and (iii) further analyses the updated headroom approach.
- (d) *Agenda Paper 18D—Courses of action for improving application of IAS 36*: This asks the Board to decide the course of action it wishes to take in response to concerns expressed by stakeholders during and after the PIR of IFRS 3 about applying IAS 36 to test goodwill for impairment.
- (e) *Agenda Paper 18E—Possible simplifications to the impairment testing model in IAS 36*: This paper discusses simplifications the Board has considered making to the impairment test for goodwill. This paper is for information only and contains no questions for the Board.
- (f) *Agenda Paper 18F—Improving disclosures about goodwill and impairment*: This paper discusses approaches the Board has considered that would improve disclosures about business combinations, goodwill and impairment. This paper is for information only and contains no questions for the Board.

3. **Agenda Papers 18B–18D are the focus of this meeting. The Board is being asked to make decisions on Agenda Papers 18B and 18D.** Board members will find it helpful to refer to Agenda Papers 18E and 18F when considering the courses of action described in Agenda Paper 18D.

Next steps

4. The staff proposes to present at the February 2018 Board meeting analysis on whether:

- (a) the Board should consider removing the explicit requirement in IAS 36 to use pre-tax inputs to calculate value. That will include an analysis of the interaction between that requirement and IAS 12 *Income Taxes*; and
- (b) there are ways to simplify identification of intangible assets acquired in a business combination separately from goodwill.