Staff paper

Agenda reference: 18C

IASB® meeting

Date	**September 2023**
Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Due process and permission to begin the balloting process**
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Purpose and structure

1. The purpose of this paper is to:

   (a) review the package of proposals the International Standards Board (IASB) has tentatively decided upon and consider whether that package meets the project objective;

   (b) propose a comment period of 120 days for the forthcoming Exposure Draft of proposed amendments to IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*;

   (c) explain the steps in the IFRS Foundation Due Process Handbook that the IASB has taken in developing the proposed amendments;

   (d) seek the IASB's permission to begin the process for balloting the forthcoming Exposure Draft; and

   (e) ask whether any IASB member plans to dissent from the proposals in the forthcoming Exposure Draft.

2. This paper is structured as follows:

   (a) Background and the package of proposals (paragraphs 3–19);

(b) Summary of due process steps for publication of an Exposure Draft (paragraphs 20–30);

(c) Comment period (paragraphs 31–32);

(d) Confirmation of due process steps, permission to begin the balloting process and intention to dissent (paragraphs 33–34);

(e) Questions for the IASB;

(f) Tentative decisions made by the IASB (Appendix A);

(g) Due process steps taken in developing the Exposure Draft (Appendix B); and

(h) Public meetings with consultative bodies (Appendix C).

Background and the package of proposals

3. Business combinations are often large transactions for the entities involved. These transactions play a central role in the global economy, with deals announced in 2022 totalling US$3.8 trillion[1]. The objective of the IASB's Business Combinations—Disclosures, Goodwill and Impairment project is to explore whether entities can, at a reasonable cost, provide users of financial statements (users) with more useful information about the business combinations those entities make.

4. The project started in response to some of the concerns identified by stakeholders in the post-implementation review (PIR) of IFRS 3. The scope of the project encompasses the following areas of focus identified in the Report and Feedback Statement of the PIR of IFRS 3:

    (a) Better information about the subsequent performance of the acquired business.

    (b) Effectiveness and complexity of testing cash-generating units (CGUs) containing goodwill for impairment.

[1] Based on a report by Bain & Company: Looking Back at M&A in 2022 | Bain & Company.

(c) Subsequent accounting for goodwill (that is, the impairment-only approach compared with an amortisation and impairment approach).

(d) Identification and fair value measurement of intangible assets such as customer relationships and brand names.

5. In March 2020, the IASB published the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* which set out the IASB's preliminary views on how to respond to the areas of focus identified in paragraph 4.

6. The IASB received 193 comment letters in response to the Discussion Paper and conducted outreach with various stakeholders (including consultative groups (see Appendix C), the IFRS Interpretations Committee and one-to-one meetings between the staff and stakeholders) to gather feedback on topics included in the Discussion Paper. This included performing fieldwork with preparers to understand what information is reviewed within entities about the performance of business combinations and about concerns preparers might have with disclosing that information in financial statements.

7. Overall, feedback indicated:

(a) general agreement that users need better information about business combinations. However, many respondents, particularly preparers, highlighted practical challenges such as commercial sensitivity in applying the preliminary views.

(b) general agreement that it is not feasible to design a different impairment test that is significantly more effective than the impairment test in IAS 36 at a reasonable cost. However, many respondents suggested improvements to the impairment test in IAS 36.

(c) mixed views on whether to retain the impairment-only approach for the subsequent accounting of goodwill or to reintroduce amortisation of goodwill.

(d) mixed views on the preliminary views to reduce the cost and complexity of the impairment test.

(e) general agreement with not changing the range of identifiable intangible assets recognised separately from goodwill in a business combination.

8. The IASB then redeliberated its preliminary views and formed the proposals to be included in an exposure draft. There are two main aspects to the IASB's proposals:

(a) disclosures about business combinations; and

(b) changes to the impairment test in IAS 36.

9. If confirmed, the proposals in the Exposure Draft would amend IFRS 3 by:

(a) adding new disclosure objectives;

(b) adding new disclosure requirements including:

(i) requiring an entity to disclose information about the entity's key objectives and targets for a strategically important business combination and the extent to which those key objectives and targets are met in subsequent periods (information about the performance of business combinations);

(ii) requiring an entity to disclose quantitative information about synergies expected to arise as a result of a business combination; and

(iii) exempting an entity from disclosing some of the information in specific circumstances; and

(c) making other targeted changes to existing disclosure requirements.

10. The IASB also proposes to amend IAS 36 by:

(a) making changes to how value in use is calculated;

(b) clarifying how an entity allocates goodwill to CGUs; and

(c) requiring an entity to disclose in which reportable segment a CGU or group of CGUs is included.

11. After considering feedback to the preliminary views, including from additional outreach the IASB conducted to better understand stakeholder concerns, the IASB decided not to consider the following topics further as part of this project:

    (a) whether to retain the impairment-only approach for the subsequent accounting of goodwill or to reintroduce amortisation of goodwill; and

    (b) changing the range of identifiable intangible assets recognised separately from goodwill in a business combination.

12. Appendix A contains a full list of the IASB's tentative decisions.

13. As discussed in paragraph 14–19, we think the package of proposals resulting from the tentative decisions meets the project objective of improving information entities provide to users, at a reasonable cost, about the business combinations those entities make and responds to the areas of focus identified in the PIR of IFRS 3.

14. The proposed changes to IFRS 3, including for example, to require entities to disclose better information about the performance of business combinations and synergies expected from a business combination:

    (a) respond directly to feedback from users that they need better information to help them understand the price paid for a business combination and the performance of the business after acquisition.

    (b) respond to some concerns in the PIR of IFRS 3 that impairment losses on goodwill are not being recognised on a timely basis. Users said they use information about impairments of goodwill as a proxy for assessing the success or failure of a business combination. If information about an impairment is provided too late, users would not obtain what they view to be a signal of the failure of the business combination on a timely basis. Requiring an entity to disclose information about the subsequent performance would more directly address that user need and therefore reduce negative effects of impairments on goodwill being recognised too late.

15. In reaching its decision to retain the impairment-only model and not reintroduce amortisation of goodwill (see paragraph 11), one aspect of the feedback the IASB considered was feedback suggesting the impairment test of CGUs containing goodwill was not working. In particular, feedback that impairment losses on goodwill are not being recognised on a timely basis. However, the IASB observed that these comments could arise from a misunderstanding of what the impairment test is designed to achieve and could reflect an unrealistic expectation that the impairment test directly tests goodwill or reflects consumption of that goodwill. The objective of the test is to ensure that the carrying amounts of goodwill, collectively with other assets within the CGUs containing goodwill, are recoverable from the cash flows jointly generated by the assets in the CGU. The objective of the impairment test of CGUs containing goodwill is not to test the acquired goodwill directly.

16. Nevertheless, the proposed amendments to IAS 36 address some concerns about the effectiveness and complexity of the impairment test of CGUs containing goodwill. In particular, the proposed changes to IAS 36:

    (a) on how an entity calculates value in use (for example removing the need to use a pre-tax discount rate and the constraint on including cash flows from future restructuring and asset enhancements) will:

        (i) bring cash flow forecasts used in calculating value in use closer to budgets and forecasts used by management and thereby provide users with better information about how management manage the business; and

        (ii) respond directly to concerns about the cost and complexity of the impairment test identified in the PIR of IFRS 3.

(b) on allocating goodwill to CGUs or groups of CGUs are intended to reduce shielding[2], one of the reasons the IASB identified for feedback that impairment losses on goodwill are not timely.

(c) on requiring an entity to disclose the reportable segments in which CGUs containing goodwill are included will allow users to more easily compare the reasonableness of assumptions used in the impairment test with information about reportable segments. This proposed change will address some concerns about management over-optimism, albeit the IASB's view is that in part management over-optimism is an application question better dealt with by enforcers and auditors.

17. In developing each of the proposals, the IASB considered whether they are achievable at a reasonable cost and the economic effect of the proposals. For example, in response to concerns about the commercially sensitive nature of the proposed amendments to IFRS 3 the IASB is proposing to allow an entity to not disclose some of the information that would be required applying the proposed amendments in specific situations.

18. As explained in previous meetings, we think the benefits of each of the IASB's proposals outweighs the cost of that individual proposal. We also think the benefits of the package of proposals also outweighs the cost.

19. Overall, we think the package of proposals will, when finalised, improve the information users receive about business combinations at a reasonable cost—thereby meeting the project objective.

[2] Shielding occurs because goodwill does not generate cash flows independently and therefore cannot be measured directly. The impairment test therefore focuses on testing a CGU, or a group of CGUs, containing goodwill. These typically contain headroom. This headroom can shield acquired goodwill against the recognition of impairment losses. The headroom of a CGU is the amount by which its recoverable amount exceeds the carrying amount of its recognised net assets—including goodwill. Headroom in a CGU comprises unrecognised assets and liabilities within a CGU, such as internally generated goodwill, and unrecognised differences between the carrying amount of recognised assets and liabilities and their recoverable amounts.

Due process steps for publication of an Exposure Draft

Due process requirements

20. Paragraphs 6.4 and 6.5 of the Due Process Handbook explain that:

    (a) the development of an exposure draft takes place in public meetings;

    (b) the technical staff prepares agenda papers containing research and recommendations on matters to be addressed and considered by the IASB; and

    (c) the IASB also considers the comments received on any discussion paper, suggestions made by consultative groups and accounting standard-setters, and suggestions arising from consultation with other stakeholders.

21. Paragraph 6.6 of the Due Process Handbook states:

    > When the [IASB] has reached general agreement on the technical matters in the project and has considered the likely effects of the proposals (see paragraphs 3.76–3.81 [of the Due Process Handbook]), the technical staff presents a paper to the [IASB]:
    >
    > (a) summarising the steps that the [IASB] has taken in developing the proposals, including a summary of when the [IASB] discussed the project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
    >
    > (b) if applicable, reaffirming why the [IASB] has decided that it was not necessary to have a consultative group or to have conducted fieldwork; and
    >
    > (c) recommending a comment period for the exposure draft.

22. Paragraph 23–30 discuss the due process steps undertaken during the project. Appendix B provides more details on the due process steps undertaken. Paragraphs 31–32 discuss our recommendation for the comment period.

Due process steps undertaken during the period

IASB Meetings

23. The IASB discussed feedback on the Discussion Paper in public meetings between March and May 2021. The IASB then redeliberated its preliminary views at meetings between June 2021 and this meeting. Papers and recordings of these public meetings are available on the IFRS Foundation's website.

24. The tentative decisions made by the IASB at those meetings are summarised in paragraphs 3–19 and Appendix A.

Reporting to the Due Process Oversight Committee and IFRS Advisory Council

25. The IASB is required to update the IFRS Advisory Council on its technical programme and major projects as part of its due process (paragraph 3.54 of the Due Process Handbook).

26. The Due Process Oversight Committee and the IFRS Advisory Council have received regular updates on the status and progress of the project as part of the discussion of the IASB's activities.

Meeting with consultative bodies

27. The project was discussed at meetings of the IASB's consultative bodies. Feedback from those meetings was reported to and considered by the IASB when discussing the relevant topics. Appendix C lists these meetings and topics discussed.

28. In March 2023, the Trustees were informed about the IASB's decisions to move the project to the standard-setting programme and not to establish a dedicated consultative group for the project. We think the reasons for not establishing a dedicated consultative group for the project remain valid (see paragraph 32 of Agenda Paper 18A to the IASB's December 2022 meeting). Those reasons were:

(a) The topic is general and affects many entities rather than being sector specific or specialised. The IASB's existing consultative groups have the necessary practical experience and expertise to advise on this project. We consulted with the Accounting Standards Advisory Forum, Global Preparers Forum and Capital Markets Advisory Committee during the research phase of this project and plan to continue using these groups to provide advice on the project.

(b) Where particular expertise or experience is required, we think it will be possible to undertake targeted outreach without the need for a specific consultative group.

Other outreach activities and consultations

29. In developing the proposals in the forthcoming Exposure Draft we consulted stakeholders on various matters including:

(a) Staff examples illustrating the application of the IASB's preliminary views related to disclosures about business combinations. During this outreach we discussed with stakeholders what information preparers consider commercially sensitive or forward-looking and what information users need for their analysis of business combinations. During these meetings we also discussed how the IASB could amend its preliminary views to better balance users' need for information and preparers' concerns.

(b) The subsequent accounting for goodwill, in particular:

(i) whether it is feasible to estimate a useful life of goodwill, and the pattern in which it diminishes, that faithfully represents its decline in value; and

(ii) the potential consequences of transitioning to an amortisation-based model were the IASB to reintroduce amortisation of goodwill.

30. Feedback from these discussions was reported to and considered by the IASB when discussing the relevant topics.

Comment period

31. Paragraph 6.7 of the Due Process Handbook states that the IASB normally allows a minimum period of 120 days for comment on an exposure draft. However, if the matter is narrow in scope and urgent, the IASB may set a comment period of no less than 30 days. This is subject to obtaining approval from the Due Process Oversight Committee (DPOC).

32. We recommend publishing an Exposure Draft with the standard comment period of 120 days. Although the Exposure Draft would include a wide range of proposed amendments, we think the standard comment period of 120 days would be sufficient to allow stakeholders the opportunity to review and evaluate the proposals and to solicit and consolidate the views in their jurisdiction. In particular:

    (a) a comment period longer than 120 days would be unnecessary. The IASB has already gathered feedback on the basic premise of its proposals in the Exposure Draft through feedback on its Discussion Paper and consultations and outreach during deliberations. Therefore, outreach on the exposure draft will focus mostly on gathering feedback about the changes the IASB has made to its preliminary views in the Discussion Paper and whether those changes will result in meeting users' needs while addressing preparers' concerns.

    (b) the proposed amendments are not narrow-in-scope and not of such an urgent nature as to justify a shorter comment period. A comment period of 120 days would also allow us to adequately test and understand the practical effect of aspects of the IASB's disclosure proposals—such as the proposed exemption and the subset of strategically important business combinations—with stakeholders, especially preparers and users.

Permission for balloting and intent to dissent

33. This paper demonstrates that the IASB has completed all the applicable due process steps to date for balloting the Exposure Draft. Consequently, we request permission to begin the balloting process.

34. In accordance with paragraph 6.9 of the Due Process Handbook, we also ask if any IASB member intends to dissent from the proposals in the Exposure Draft.

Questions for the IASB
1. Comment period—does the IASB agree with our recommendation to allow a comment period of 120 days for the Exposure Draft? 2. Dissent—does any IASB members intend to dissent from the proposals in the Exposure Draft? 3. Permission to begin the process for balloting the Exposure Draft—is the IASB satisfied that it has complied with the applicable due process steps and that it should begin the process for balloting the Exposure Draft?

Appendix A—Summary of preliminary views, feedback and tentative decisions

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
Objective and scope	The project's objective is to explore whether an entity can, at a reasonable cost, provide users of financial statements (users) with more useful information about the business combinations those entities make.	See Agenda Paper 18A to the IASB's March 2021 meeting. Most respondents who commented on the project's objective agreed. However, some respondents, notably in Germany and Japan, disagreed. Many respondents commenting on the scope agreed with it. However, many respondents commenting on the project's scope said that they did not view the IASB's preliminary views as a package of views with a unifying objective. Many of those respondents suggested considering disclosures separately from the subsequent accounting for goodwill.	June 2021 The IASB tentatively decided to leave the objective of the project unchanged from that described in the Discussion Paper and to make no changes to the project's scope at this stage. December 2022 The IASB decided not to consider additional topics suggested by respondents in this project, except for two topics related to possible improvements to the effectiveness of the impairment test of cash-generating units containing goodwill.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
		Paragraphs 34–45 of Agenda Paper 18E to the IASB's May 2021 meeting includes other topics respondents suggested the IASB consider within this project.	
Disclosure on the subsequent performance of business combinations	The IASB's preliminary view is that it should develop proposals to: a. amend IFRS 3 *Business Combinations* to replace the requirement to disclose the primary reasons for a business combination with a requirement for an entity to disclose the strategic rationale for undertaking a business combination and management's objectives for the business combination. b. add a requirement for entities to disclose in the year in which a business combination occurs, the metrics that management will	See Agenda Paper 18C to the IASB's April 2021 meeting. Many respondents, including almost all users, agreed that an entity should be required to provide additional information about the subsequent performance of business combinations and with basing that information on what an entity's management review. However, many respondents, including many preparers, had concerns about the cost of providing this information.	October 2021 The IASB tentatively decided that, based on the Conceptual Framework for Financial Reporting, information can be required in financial statements about the benefits an entity's management expects from a business combination and the extent to which management's objectives are being met—such as information about the subsequent performance of a business combination, and quantitative information about expected synergies. September 2022 The IASB tentatively decided to propose:

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
	use to monitor whether its objectives are being met and in subsequent years the extent to which management's objectives are being met using those metrics.	In addition, many respondents said information about the performance of business combinations should be provided in an entity's management commentary rather than financial statements.	a. replacing the requirement in IFRS 3 for an entity to disclose the 'primary reasons for the business combination' in paragraph B64(d) of IFRS 3 with a requirement to disclose the 'strategic rationale for undertaking the business combination'. b. adding to IFRS 3 a requirement for an entity to disclose, for 'strategically important' business combinations, (i) information about management's objectives for a business combination and the metrics and targets management will use to monitor whether the objectives for the business combination are being met and (ii) actual performance in subsequent periods. c. providing an exemption in specific circumstances that would permit an entity not to disclose information about management's objectives for a business combination and the metrics and targets management will use to monitor whether the objectives for the business combination are being met.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
			January 2023 The IASB tentatively decided on the design of the exemption. February 2023 The IASB tentatively decided to: a. identify the information the entity is required to disclose about the subsequent performance of business combinations using the key management personnel of the reporting entity, as defined in IAS 24 *Related Party Disclosures*; b. maintain its preliminary view that an entity be required to disclose information about the subsequent performance of a business combination for as long as the entity's management continues to monitor whether the objectives of the business combination are being met (subject to additional disclosure requirements when an entity's management is not or stops monitoring the performance of a business combination); and

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
			c. clarify some details of the disclosure requirements, for example that an entity would be permitted to disclose information about its targets for a business combination as a range or a point estimate.
Improvements to existing IFRS 3 disclosure requirements	The IASB's preliminary view is that it should develop proposals to add additional disclosure objectives to IFRS 3.	See Agenda Paper 18D to the IASB's April 2021 meeting. Of the IASB's other preliminary views on disclosures, the requirement to disclose additional quantitative information about synergies attracted most comment. The IASB received mixed feedback on this preliminary view. Respondents generally agreed with the IASB's preliminary views that it should	October 2021 The IASB tentatively decided that, based on the Conceptual Framework for Financial Reporting, information can be required in financial statements about the benefits an entity's management expects from a business combination and the extent to which management's objectives are being met—such as information about the subsequent performance of a business combination, and quantitative information about expected synergies. September 2022

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
		add new disclosure objectives and a requirement to disclose debt and pension liabilities obtained in a business combination. There was mixed feedback on the IASB's preliminary views on information about the contribution of the acquired business.	The IASB tentatively decided to propose adding the disclosure objectives described in the Discussion Paper to IFRS 3.
Improvements to existing IFRS 3 disclosure requirements	The IASB's preliminary view is that it should develop proposals to amend paragraph B64(e) of IFRS 3 to require an entity to disclose the estimated amount or range of amounts of expected synergies arising from the business combination.		October 2021 The IASB tentatively decided that, based on the Conceptual Framework for Financial Reporting, information can be required in financial statements about the benefits an entity's management expects from a business combination and the extent to which management's objectives are being met—such as information about the subsequent performance of a business combination, and quantitative information about expected synergies. November 2021 The IASB tentatively decided: a. not to define 'synergies'.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
			b. not to make changes to its preliminary view as a result of feedback on other specific aspects of its preliminary view. For the purpose of testing staff examples the IASB decided that the examples should illustrate disclosure of information about: a. total expected synergies disaggregated by nature; for example, total revenue, total cost and totals for other types of synergies; and b. when the benefits expected from the synergies are expected to start and how long they will last (which would require an entity to identify whether those synergies are expected to be one-off or recurring). September 2022 The IASB tentatively decided to propose: a. adding to IFRS 3 a requirement for an entity to disclose in the year of a business combination

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
			quantitative information about expected synergies; and b. providing an exemption from disclosing that information in specific circumstances. January 2023 The IASB tentatively decided on the design of the exemption. The IASB also tentatively decided to require an entity: a. to disclose quantitative information about expected synergies by category (for example, total revenue synergies, total cost synergies and the total for each other type of synergy). b. to consider, for any case in which a disclosure of totals by category would qualify for an exemption, whether disclosure as a total for all categories could remove the reason for applying the exemption to the total by category. c. to describe the synergies by specifying each category of expected synergy.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
			d. to disclose when the benefits expected from the synergies are expected to start and how long they will last. This disclosure would require an entity to identify whether the synergies are expected to be finite or indefinite.
Improvements to existing IFRS 3 disclosure requirements	The IASB's preliminary view is that it should develop proposals to amend paragraph B64(i) of IFRS 3 to specify that liabilities arising from financing activities and defined benefit pension liabilities are major classes of liabilities.		November 2021 The IASB tentatively decided to achieve the objective of its preliminary view by not specifying that these liabilities are major classes of liabilities but instead by proposing to amend: a. paragraph B64(i) of IFRS 3 to remove the term 'major'; and b. paragraph IE72 of the Illustrative Examples accompanying IFRS 3 to illustrate liabilities arising from financing activities and defined benefit pension liabilities as classes of liabilities assumed.
Improvements to existing IFRS 3	The IASB's preliminary view is that it should retain the requirement for an entity to disclose information about the contribution		November 2021 The IASB tentatively decided:

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
disclosure requirements	of the acquired business, with some amendments to the requirements.		a. to retain the requirement in paragraph B64(q) of IFRS 3. b. to explain the objective of the requirement in paragraph B64(q)(ii) of IFRS 3 but not to provide guidance on how the information required by paragraph B64(q)(ii) should be prepared. c. to specify in paragraph B64(q)(ii) of IFRS 3 that the basis that an entity applies in preparing the information required by that paragraph is an accounting policy. d. to replace the term 'profit or loss' in paragraph B64(q) of IFRS 3 with 'operating profit or loss'. 'Operating profit or loss' will be as defined in the IASB's Primary Financial Statements project. e. not to add a requirement to disclose information about cash flows arising from operating activities.
Improvements to existing IFRS 3 disclosure requirements	The IASB had no preliminary view on removing existing disclosure requirements. However, in the Discussion Paper the IASB noted that as a next step in this project, it	See Agenda Paper 18C to the IASB's March 2023 meeting.	March 2023 The IASB tentatively decided to remove from IFRS 3 requirements to disclose:

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
	intended to investigate whether to remove any of the disclosure requirements from IFRS 3 without depriving users of material information.	Respondents provided some suggestions for disclosure requirements in IFRS 3 that could be removed.	a. information about acquired receivables (paragraph B64(h)); b. in the reconciliation between opening and closing goodwill balances, adjustments resulting from the subsequent recognition of deferred tax assets (paragraph B67(d)(iii)); and c. the amount and an explanation of any material gain or loss recognised in the current reporting period that relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period (paragraph B67(e)).
Effectiveness of the impairment test	The IASB's preliminary view is that it is not feasible to design a different impairment test for cash-generating units containing goodwill that is significantly more effective than the impairment test in IAS 36 at recognising impairment losses on goodwill on a timely basis and at a reasonable cost.	See Agenda Paper 18B to the IASB's May 2021 meeting. Most respondents commenting on the topic, agreed with the IASB's preliminary view that it is not feasible to design a different impairment test that is significantly more effective than the	May 2023 The IASB tentatively decided that it is not feasible to design a different impairment test that would, at a reasonable cost, be significantly more effective than the current requirements in IAS 36 for testing cash-generating units containing goodwill for impairment.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
		impairment test of cash-generating units containing goodwill in IAS 36 at a reasonable cost.	
		See Agenda Paper 18B to the IASB's May 2021 meeting. Many respondents to this preliminary view suggested how the IASB could improve the application of the impairment test in IAS 36. In particular, many respondents suggested ideas for additional disclosure requirements to combat management over-optimism and suggested the IASB develop additional guidance to improve the level at which goodwill is allocated to cash-generating units to reduce the 'shielding' effect described in the Discussion Paper.	July 2023 The IASB tentatively decided to: a. make amendments to paragraph 80 of IAS 36 to reduce shielding in the impairment test of cash-generating units containing goodwill. b. require an entity disclose the reportable segments in which cash-generating units containing goodwill are included with the intention of reducing management over-optimism in the impairment test.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
Subsequent accounting for goodwill	By a small majority (eight out of 14 IASB members), the IASB reached a preliminary view that the IASB should retain the impairment-only model rather than reintroduce amortisation of goodwill.	See Agenda Paper 18C to the IASB's May 2021 meeting. Respondents remain divided on whether the IASB should reintroduce amortisation of goodwill. Many respondents agreed with the IASB's preliminary view to retain the impairment-only model but many other respondents disagreed with the IASB's preliminary view and instead advocated reintroducing amortisation of goodwill.	November 2022 The IASB tentatively decided to maintain its preliminary view to retain the impairment-only model for the subsequent accounting for goodwill.
Simplifying the impairment test	The IASB's preliminary view is that it should develop proposals to: a. reduce the cost and complexity of performing the impairment test by providing entities with relief from having to perform an annual quantitative impairment test for cash-generating units containing goodwill if	See Agenda Paper 18D to the IASB's May 2021 meeting. Many respondents, including some preparers, did not support the IASB's preliminary view that it should implement an indicator-only impairment test for goodwill. However,	March 2023 The IASB tentatively decided to maintain its preliminary view to reduce cost and complexity, and to provide more useful and understandable information by simplifying the requirements for estimating value in use.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
	there is no indication that an impairment may have occurred; and b. reduce cost and complexity, and to provide more useful and understandable information by simplifying the requirements for estimating value in use.	many of those who disagreed also said that the cost-benefit could be re-evaluated if the IASB decides to amortise goodwill. Respondents generally welcomed the IASB's preliminary views on simplifying and improving how value in use should be estimated.	May 2023 The IASB tentatively decided: a. to retain the requirement to perform a quantitative impairment test annually; and b. not to pursue any of the alternatives to it that were suggested by respondents.
Presenting total equity excluding goodwill	In the IASB's preliminary view, it should develop a proposal to require an entity to present on its statement of financial position the amount of total equity excluding goodwill. This amount would likely be presented as a free-standing item, and not as a subtotal, or line item, within the structure of the statement of financial position.	See Agenda Paper 18E to the IASB's May 2021 meeting. Almost all respondents disagreed with the IASB's preliminary view that it should require an entity to present in its statement of financial position an amount representing total equity excluding goodwill. In their view, users can easily calculate that amount and	December 2022 The IASB tentatively decided against proceeding with its preliminary view and therefore tentatively decided not to require an entity to present the amount of total equity excluding goodwill as a separate line item on its statement of financial position.

Topic	Summary of the IASB's preliminary view	Summary of feedback	Tentative decisions
		presenting that amount could cast doubt on whether goodwill is an asset.	
Intangible assets acquired in a business combination	The IASB's preliminary view is that it should not change the recognition criteria for identifiable intangible assets that are acquired in a business combination.	See Agenda Paper 18E to the IASB's May 2021 meeting. Most respondents who commented on the question, including many users, agreed with the IASB's preliminary view not to develop such a proposal. In their view, goodwill and other intangible assets acquired in a business combination are different in nature and recognising these assets separately provides users with better and more useful information.	December 2022 The IASB tentatively decided to maintain its preliminary view and therefore to make no changes to the recognition criteria in IFRS 3 for identifiable intangible assets acquired in a business combination.

Appendix B—Due process steps taken

Step	Actions
IASB meetings held in public, with papers available for observers. All decisions are made in public sessions.	The IASB discussed in public the proposed amendments to IFRS 3 and IAS 36—see paragraph 23 for further details. The project page on the IFRS Foundation website was updated after every meeting. Agenda papers were posted on the website before every meeting on a timely basis and a summary of each meeting was included in IASB *Update*.
Consultation with the Trustees of the IFRS Foundation (Trustees) and the IFRS Advisory Council.	The Trustees and the IFRS Advisory Council received regular updates on the progress of the project as part of the discussion of the IASB's activities—see paragraphs 25–26 for further details.
Analysis of the likely effects of the forthcoming Exposure Draft or major amendment, for example, initial costs or ongoing associated costs.	Paragraphs 3–19 of this paper broadly summarise the likely effects of the proposed amendments. The agenda papers posted on the website for each topic in the project plan also contain analyses of the likely effects, where relevant.
Outreach meetings with stakeholders	See paragraph 27 of this paper for further details on discussions with consultative groups and other stakeholders.
Due process steps reviewed by the IASB.	This step is being met by this agenda paper.

Step	Actions
The forthcoming Exposure Draft has an appropriate comment period.	This step is being met by this agenda paper—see paragraphs 31–32.
Drafting	
Drafting quality assurance steps are adequate.	The IASB as well as the IFRS Foundation's translations, taxonomy and editorial teams will review drafts during the balloting process.
Publication	
Exposure Draft published.	The Exposure Draft will be made available on our website when published.
Press release to announce publication of the Exposure Draft.	A press release will be published on our website with the Exposure Draft.

Appendix C—Meetings with consultative bodies

B1. The following table lists the meeting dates and topics discussed with each of the consultative bodies since the publication of the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*.

Accounting Standards Advisory Forum (ASAF)	
July 2023	The purpose of this session was to provide an education session for ASAF members on the IASB's tentative decisions related to disclosures about business combinations.
March 2023	The purpose of this session was to seek feedback from ASAF members on potential changes to the impairment test of cash-generating units containing goodwill.
September 2022	The UK Endorsement Board presented its research on the subsequent accounting for goodwill.
July 2022	The purpose of this session was to seek feedback from ASAF members on whether: • to require an entity disclose some information for only a subset of material business combinations; • to exempt an entity from disclosing some information in specific circumstances.
December 2021	The purpose of this session was to obtain ASAF members feedback on staff examples illustrating the IASB's preliminary views on additional disclosure requirements about business combinations.
June 2021	The purpose of this session was to obtain feedback from ASAF members on: • the IASB's redeliberation plan; and

	• convergence with US Generally Accepted Accounting Principles (US GAAP).
October 2020	The purpose of this session was to obtain an understanding of ASAF members' plans for outreach and fieldwork to stimulate feedback on the Discussion Paper.
April 2020	The purpose of this session was to provide an education session for ASAF members on the Discussion Paper.
Capital Markets Advisory Committee (CMAC)	
March 2023	The purpose of this session was to seek feedback from CMAC members on potential changes to the impairment test of cash-generating units containing goodwill.
November 2021	The purpose of this session was to seek feedback from CMAC members on: • the population of business combinations information about performance is needed for; • estimating the useful life of goodwill; and • convergence with US GAAP.
Global Preparers Forum (GPF)	
March 2023	The purpose of this session was to seek feedback from GPF members on potential changes to the impairment test of cash-generating units containing goodwill.
November 2021	The purpose of this session was to seek feedback from GPF members on: • the population of business combinations information about performance is needed for; • estimating the useful life of goodwill; and

	• potential effects of transitioning to amortisation of goodwill.
Joint CMAC and GPF	
June 2022	This session sought CMAC and GPF members' views on the best way forward for the IASB in improving disclosures about business combinations while balancing users' needs and preparers' concerns.
October 2020	The purpose of this session was to obtain CMAC and GPF members feedback on: • location of information about the subsequent performance of acquisitions; • disclosures about synergies; and • reversal of goodwill impairments.
Emerging Economies Group	
December 2020	The purpose of this session was to obtain EEG member feedback on the preliminary views included in the Discussion Paper.
May 2020	The purpose of this session was to provide an overview of the Discussion Paper.