# Staff paper

Agenda reference: 18B

**IASB® meeting**

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| Date | **July 2025** |
| Project | **Business Combinations—Disclosures, Goodwill and Impairment** |
| Topic | **Restructuring and asset enhancement cash flows** |
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## Purpose and structure

1. As Agenda Paper 18 explains, this paper provides the International Accounting Standards Board (IASB) with our analysis of feedback on the proposal to remove from IAS 36 *Impairment of Assets* the requirement to exclude cash flows from uncommitted future restructurings and asset enhancements when calculating value in use (VIU) of an asset or a cash-generating unit (CGU).

2. This paper is structured as follows:

   (a) background and key messages from feedback (paragraphs 4–6);

   (b) analysis (paragraphs 7–41); and

   (c) summary of staff initial views and next steps (paragraphs 42–44).

3. This agenda paper does not ask the IASB to make any decisions.

## Background and key messages from feedback

4. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal (FVLCD) and its VIU. In calculating VIU, paragraph 44 of IAS 36 requires:

   > 44 Future cash flows shall be estimated for the asset in its current condition. Estimates of future cash flows shall not include

> estimated future cash inflows or outflows that are expected to arise from:
>
> (a) a future restructuring to which an entity is not yet committed; or
>
> (b) improving or enhancing the asset's performance.[1]

5. The IASB proposed to remove the requirement to exclude restructuring and enhancement cash flows. Paragraph BC205 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) states:

> The IASB proposes to remove that [requirement]. In the IASB's view, doing so would:
>
> (a) reduce cost and complexity—removing the [requirement] would reduce the need to amend management's financial budgets or forecasts. Stakeholders said it can be challenging for management to distinguish maintenance capital expenditure from expansionary capital expenditure and identify which cash flows need to be excluded because they relate to expansionary capital expenditure.
>
> (b) make the impairment test less prone to error because estimates of value in use would be based more closely on cash flow projections that are prepared, monitored and used internally for decision-making.
>
> (c) make the impairment test easier to understand, perform, audit and enforce.

6. Agenda Paper 18B of the IASB January 2025 meeting (January agenda paper) summarises feedback on this proposal. As paragraphs 3–4 of the January agenda paper notes:

[1] For ease of reference, we refer to the cash flows in paragraph 44(a) and 44(b) of IAS 36 as restructuring and enhancement cash flows.

(a) many respondents agreed with the proposal for reasons consistent with those considered by the IASB (see paragraph 5). Some who agreed suggested providing further application guidance such as defining 'current condition' and 'current potential'[2] of an asset or adding illustrative examples.

(b) many respondents disagreed with the proposal. Many of these respondents said removing this requirement could increase the level of judgement required to calculate VIU and increase management over-optimism. Some who disagreed said the proposal could worsen the problem of impairment losses on goodwill sometimes being recognised too late.

## Analysis

7. This section analyses feedback related to:

(a) increased subjectivity and judgement (paragraphs 8–11);

(b) management over-optimism and need for additional safeguards, constraints or disclosures (paragraphs 12–21);

(c) conceptual basis (paragraphs 22–26); and

(d) other matters (paragraphs 27–41).

### *Increased subjectivity and judgement*

8. Paragraph BC205(a) of the Basis for Conclusions (see paragraph 5) explains why the IASB considered that the proposal would reduce cost and complexity.

9. As paragraphs 10–15 of the January agenda paper note:

[2] Proposed paragraph 44A of IAS 36 states (emphasis added):

> Estimates of future cash flows of an asset in its current condition include:
>
> … (b) future cash flows *associated with the current potential* of the asset to be restructured, improved or enhanced. If the asset has the current potential to be restructured, improved or enhanced, and the cash flow projections associated with the restructuring, improvement or enhancement meet the requirements in paragraph 33, estimates of future cash flows for the asset shall include estimated future cash inflows and outflows that are expected to arise from that restructuring, improvement or enhancement.

(a) many respondents agreed and said the proposal would reduce the need to make adjustments to the most recent internal cash flow projections, which can be arbitrary, resource consuming and complex.

(b) other respondents said the proposal would increase the subjectivity and level of judgement required to calculate VIU. This could increase cost and complexity and result in inconsistent application and reduced comparability between entities.

(c) proposed paragraph 44A(b) of IAS 36 in the Exposure Draft states estimates of future cash flows of an asset in its current condition include 'future cash flows associated with the current potential of the asset to be restructured, improved or enhanced…'. Respondents said assessing which cash flows reflect an asset or CGU's 'current potential' could be subjective and highly judgemental. Respondents provided examples of scenarios which could be challenging and request application guidance and/or illustrative examples.

(d) some respondents acknowledged the proposal might reduce complexity for preparers. However, they said the increased subjectivity and level of judgement that would be required could increase complexity for other stakeholders, such as auditors and regulators who could find it more challenging to audit and enforce the requirements.

10. Notwithstanding the feedback, we continue to agree with the view expressed in paragraph BC205(a) of the Basis for Conclusions (see paragraph 5). In particular:

(a) the existing requirements often require management to apply judgement to distinguish maintenance capital expenditure from expansionary capital expenditure and identify which cash flows need to be excluded because they relate to expansionary capital expenditure. Feedback when developing the proposals and in response to the Exposure Draft (see paragraph 9(a)) confirmed that making this determination (and subsequent adjustments to the most recent internal cash flow projections) can be arbitrary, resource consuming and complex.

(b) we acknowledge there could be judgement in determining which cash flows reflect the current potential of an asset or CGU. Nonetheless, the proposal would align the cash flows an entity would be required to use for determining VIU more closely with management's budgets and forecasts, thereby requiring less judgement than the existing requirements. Paragraphs 38–41 consider whether to develop illustrative examples to help entities understand and apply this judgement consistently.

(c) we disagree that the proposals could lead to reduced comparability between entities. As paragraph 10(b) explains, the proposal will require less judgement than the existing requirements and would therefore not reduce comparability. In addition, each asset or CGU is unique and the calculation of VIU is specific to an asset or a CGU and reflects entity-specific factors.

*Staff initial view*

11. Whilst we acknowledge there could be judgement in determining which cash flows reflect the current potential of an asset or CGU, we continue to agree with the view expressed in paragraph BC205(a)—that is, that the proposal would reduce cost and complexity.

### *Management over-optimism and need for additional safeguards, constraints or disclosures*

12. In developing the Exposure Draft, the IASB heard concerns that the proposal could increase the level of management over-optimism in calculating VIU and that additional safeguards would be required if restructuring and enhancement cash flows are included in calculating VIU. Paragraphs BC208–BC211 of the Basis for Conclusions explains the IASB's consideration of these concerns and the reasons it decided to not propose additional safeguards.

13. As paragraphs 17–22 of the January agenda paper note:

(a) a few respondents agreed and said the proposal would not significantly increase management over-optimism. These respondents said existing requirements in IAS 36, such as the requirement for assumptions used to be reasonable and supportable, suffice.

(b) some respondent said the proposal could increase management over-optimism and worsen the problem of impairment losses on goodwill sometimes being recognised too late. They suggested:

(i) including additional safeguards or constraints for including restructuring and enhancement cash flows in VIU calculations (paragraphs 14–16).

(ii) adding disclosure requirements for restructuring and enhancement cash flows included in calculating VIU. However, other respondents disagreed with requiring entities to disclose information about restructuring or enhancement cash flows (paragraphs 17–21).

*Suggested additional safeguards or constraints*

14. As paragraph 12 notes, in developing the proposal, the IASB considered but decided not to propose additional safeguards or constraints for including restructuring and enhancement cash flows in VIU calculations. Paragraph BC208 of the Basis for Conclusions states:

> The IASB decided against proposing additional constraints because in its view the constraints in IAS 36 are sufficient. In particular, the IASB noted the requirements in IAS 36:
>
> (a) to base cash flow projections on reasonable and supportable assumptions (paragraph 33(a));
>
> (b) to base cash flow projections on budgets/forecasts approved by an entity's management (paragraph 33(b));

(c) to assess assets in their current condition (paragraph 44); and

(d) to disclose key assumptions (paragraph 134(d)(i)).

15. Nonetheless, respondents suggested various additional safeguards or constraints for including restructuring and enhancement cash flows in VIU calculations. These suggestions are similar to those previously considered by the IASB (see paragraph BC207 of the Basis for Conclusions). The table below presents our analysis of these suggestions.

| Suggested constraint | Analysis |
|---|---|
| (a) Include restructuring or enhancement cash flows only if those cash flows:<br>• meet a probability or minimum level of commitment threshold;<br>• meet criteria similar to those in IAS 38 *Intangible Assets* for recognising an intangible asset arising from development; or<br>• meet general recognition criteria for recognising a provision in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. | As paragraph BC207 of the Basis for Conclusions notes, in developing the proposal, the IASB considered but decided against (a) introducing a probability threshold to determine when to include these cash flows; and (b) requiring these cash flows to meet general recognition criteria for recognising a provision in IAS 37 (see paragraphs BC209–BC210 of the Basis for Conclusions and paragraphs 28–31 of this paper).<br>Respondents have not provided information the IASB has not previously considered in respect of the need for such safeguards. The introduction of any thresholds/criteria would introduce judgement. We continue to think existing safeguards in IAS 36 are sufficient and introducing safeguards or constraints such as those suggested would increase cost and complexity without significantly improving the information provided by the impairment test. |

| | |
|---|---|
| (b) Require cash flows to have been reviewed and/or authorised by management. | As paragraph BC207(b) notes, the IASB considered this suggestion in developing the proposal. We continue to think such a requirement is unnecessary—paragraph 33(b) of IAS 36 already requires an entity to 'base cash flow projections on the most recent financial budgets/forecasts approved by management'. |
| (c) Limit the inclusion of restructuring and enhancement cash flows to cash flows due to take place in the near future (e.g., next 5 years). | We see no basis to limit restructuring and enhancement cash flows to an arbitrary time period. We note that, consistent with any cash flow included in a VIU calculation, restructuring and enhancement cash flows would, amongst other things, need to be reasonable and supportable (paragraph 33(a) of IAS 36). |
| (d) A few respondents suggested requiring an entity to use an expected cash flow approach (a probability-weighted approach) to calculate VIU when including restructuring or enhancement cash flows. | Appendix A to IAS 36 explains and illustrates two approaches to computing present value, including an expected cash flow approach. As paragraph A3 of IAS 36 notes, the technique used to estimate future cash flows will vary from one situation to another depending on the circumstances surrounding the asset (or CGU). We see no reason to prescribe only one approach to determining cash flows when including restructuring or enhancement cash flows. |

16. Based on our analysis, we continue to think that it is unnecessary to introduce additional safeguards or constraints related to restructuring or enhancement cash flows included in calculating VIU.

*Additional disclosure requirements*

17. As paragraph 21 of the January agenda paper notes, some respondents suggested adding disclosure requirements for restructuring and enhancement cash flows included in calculating VIU. These suggestions included:

  (a) disclosing quantitative information such as:

    (i) restructuring and enhancement cash flows that are uncommitted; and

    (ii) assumptions and judgements used in determining restructuring and enhancement cash flows; and

  (b) disclosing only qualitative information such as:

    (i) the nature of any uncommitted restructuring or enhancement cash flow and when those cash flows are planned to occur;

    (ii) an entity's business plans that justifies including restructuring and enhancement cash flows;

    (iii) the extent of restructurings and enhancements already completed; and

    (iv) the entity's ability to make the future restructuring happen.

18. However, other respondents disagreed with requiring entities to disclose information about restructuring or enhancement cash flows because:

  (a) costs—for example, one standard-setter said entities would need to prepare calculations with and without uncommitted future restructurings and asset enhancements to meet any disclosure requirements; and

  (b) legal risks—for example, one preparer said disclosing information about anticipated restructurings could expose entities to legal risks, particularly where restructuring plans affecting employees need to be discussed in advance with employee representatives.

19. The IASB previously considered but decided not to introduce additional disclosure requirements in respect of restructuring or enhancement cash flows (see for example paragraph BC207(d) of the Basis for Conclusions and paragraph A9 of Agenda Paper 18A of the IASB March 2023 meeting.).

20. We continue to think it is unnecessary to add disclosure requirements specifically for restructuring and enhancement cash flows. We note that:

(a) requiring an entity to disclose quantitative information about restructuring and enhancement cash flows that are uncommitted would require entities to separately track restructuring and asset enhancement cash flows only for disclosure purposes, adding complexity and removing any cost savings from the proposal; and

(b) IAS 36 already requires an entity to disclose information about cash flows used in determining VIU (for example, paragraph 134(d) of IAS 36) including key assumptions on which management has based its cash flow projections and we think these requirements are sufficient.

### *Staff initial view*

21. We think the IASB should not pursue, and we do not plan to analyse further:

(a) additional safeguards or constraints related to restructuring or enhancement cash flows included in the calculation of VIU; or

(b) additional disclosure requirements about restructuring and enhancement cash flows.

### *Conceptual basis*

22. Paragraphs BC211–BC214 of the Basis for Conclusions discuss the IASB's considerations of the conceptual basis for including restructuring and enhancement cash flows in calculating VIU. This includes considerations about whether the proposal would be consistent with other requirements for measuring VIU, such as the requirement to estimate cash flows for an asset (or a CGU) in its current condition.

23. A few respondents disagreed with the IASB's considerations and said including restructuring and enhancement cash flows contradicts other requirements in IAS 36 for calculating VIU because:

    (a) restructuring and enhancement cash flows represent future, and not, current potential of an asset or CGU (a few respondents).

    (b) paragraph BCZ45 of the Basis for Conclusions on IAS 36 states 'future cash inflows should be estimated for an asset in its current condition, whether or not these future cash inflows are from the asset that was initially recognised or from its subsequent enhancement or modification' (one valuation specialist). The respondent said this suggests the asset (or CGU) being evaluated is the asset in its present form. The respondent also said US GAAP uses the term 'existing service potential', which they say excludes cash flows associated with expenditures that increase the asset's service potential.

24. We acknowledge:

    (a) some of the matters raised by respondents in paragraph 23 are consistent with the views of some IASB members who disagreed with the proposal at the time of developing the Exposure Draft (see paragraph BC214 of the Basis for Conclusions); and

    (b) paragraph BC72(a) of IAS 36 states that including the costs and benefits of future restructurings to which the entity is not yet committed would be a significant change to the concept of VIU adopted in the previous version of IAS 36.

25. Nonetheless we continue to agree with the view in paragraph BC212 of the Basis for Conclusions that if the asset has the current potential to generate those cash flows, conceptually they are cash flows of the asset in its current condition and consequently can be included in estimating VIU. The IASB considered paragraph BC72(a) of IAS 36 in developing the proposal (and in developing its preliminary view in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* which was consistent with the proposal)—paragraphs 14–18 of Agenda Paper 18E of the IASB's June 2019 meeting state:

> 14. In the January 2018 Board meeting, the Board tentatively decided to consider removing the requirement for an entity to exclude from the calculation of value in use those cash flows that are expected to arise from a future restructuring or from a future enhancement.
>
> 15. The basis for the staff's recommendation underlying this tentative decision was that the removal of the restriction on the inclusion of these cash flows would not lead to a significant change in the concept of value in use. Rather, it would eliminate an inconsistency in IAS 36 by:
>
> (a) capturing within value in use the cash flows that result from an existing potential to restructure or enhance an existing asset, rather than only those cash flows that will result if the asset remains (and is consumed) in its existing unrestructured and unenhanced condition. See further discussion in paragraph 16;
>
> (b) adopting the same unit of account for value in use as is used for fair value less costs of disposal, and thus ensuring that recoverable amount equals the higher of two different measures of the same asset, rather than the higher of measures of two different assets;
>
> (c) avoiding applying to the determination of value in use a liability recognition criterion that is not pertinent to the measurement of an

asset. The value in use (or fair value) of an asset reflects many expected future cash outflows for which the reporting entity has no liability at the measurement date, but that fact does not mean those cash outflows should be excluded from the value in use of the asset. Whether the entity already has a liability determines where those cash flows should be included: in measuring the liability or in measuring the value in use of the asset; and

(d) avoiding applying a rule perhaps intended to avoid unjustifiably optimistic assumptions. That rule excludes some cash flows in a way that is inconsistent with the underlying concepts…

16. The staff have sometimes heard people argue that including cash flows from a future restructuring or a future enhancement would assume that the restructuring or enhancement has already occurred. However, in the staff's view, that argument is invalid. Including those cash flows is means of reflecting a potential already contained within the asset—the potential to restructure or enhance the asset. Indeed, the fair value of the asset would reflect that potential. A fair value measurement would not assume that the restructuring or enhancement has already occurred. If the restructuring or enhancement is not certain to occur, the asset's fair value reflects the probability of its occurrence, perhaps using expected value techniques, and does not assume the restructuring or enhancement is certain. Similarly, the asset's value in use could also reflect that potential, reflecting the probability of those cash flows...

17. The discussion of value in use in IAS 36 is clear that the underlying principle is that the measurement reflects all cash flows expected to arise from the entity's continuing use of the asset and from its subsequent disposal. If the asset that the entity controls at the measurement date contains the potential for future

restructuring or future enhancement, in the staff's view value in use would appropriately reflect, among other things, the cash flows expected to result from that potential.

18. In addition, paragraph 6.20 of the Conceptual Framework for Financial Reporting (Conceptual Framework) explains that fair value and value in use reflect the same factors in their calculations[3]. In terms of these factors, the staff think that the potential of an asset should be reflected in fair value and value in use in the same manner.

*Staff initial view*

26. We continue to agree with the view that the proposal is consistent with other requirements for measuring VIU, such as the requirement to estimate cash flows for an asset (or a CGU) in its current condition.

***Other matters***

27. This section analyses feedback about:

(a) the interaction with IAS 37 (paragraphs 28–31);

(b) the differences between FVLCD and VIU (paragraph 32–37); and

(c) illustrative examples (paragraphs 38–41).

*Interaction with IAS 37*

28. In developing the proposal, the IASB considered, but decided not to require restructuring and enhancement cash flows to meet all the criteria for recognising a restructuring provision in IAS 37 (see paragraph 72 of IAS 37) for inclusion in the calculation of VIU. Paragraphs BC209–BC210 of the Basis for Conclusions explain the IASB's rationale.

29. As paragraph 27 of the January agenda paper notes:

    (a) many respondents commented on the difference between, and interaction of, restructuring and enhancement cash flows that would be included in VIU applying the proposals and the definition of a restructuring plan in IAS 37. Specifically:

        (i) many requested clarification on the interaction between these requirements. For example:

            1. a few preparers suggested providing guidance on how to treat restructuring cash flows in VIU calculations when a provision recognised in accordance with IAS 37 is part of the CGU being tested; and

            2. one accounting firm suggested clarifying whether the requirements in paragraph 78 of IAS 36 (which requires deducting the carrying amount of a liability in determining both the CGU's VIU and its carrying amount) would apply to a restructuring provision in the light of proposed paragraph 44B(b) of IAS 36.[3]

    (b) a few stakeholders suggested clarifying when an entity should include restructuring and enhancement cashflows in VIU and when to include those cash flows in recognising a liability applying IAS 37.

30. We continue to think that it is unnecessary to provide further clarification on the interaction between the proposed requirements and IAS 37. In particular:

[3] Proposed paragraph 44B says:

> When an entity becomes committed to a restructuring and a provision for restructuring is recognised in accordance with IAS 37, its calculation of value in use for an asset affected by the restructuring:
>
> (a) continues to include estimates of future cash inflows and outflows that reflect the cost savings and other benefits from the restructuring (as long as these cash flows meet the requirements in paragraph 33); and
>
> (b) excludes estimates of future cash outflows for the restructuring because these cash outflows are included in the restructuring provision in accordance with IAS 37.

(a) proposed paragraph 44B of IAS 36 replicates (and proposes to replace) paragraph 47 of IAS 36. It does not introduce new requirements and consequently, would not, in our view create new challenges between the interaction of that paragraph with paragraph 78 of IAS 36.

(b) we think it is unnecessary to clarify when an entity should include restructuring and enhancement cashflows in VIU and when to include those cash flows in recognising a liability applying IAS 37—we think the requirements in IAS 36 and IAS 37 are clear in this respect. As paragraphs BC209–BC210 of the Basis for Conclusions note:

> BC209. Some IASB members observed that paragraph 46 of IAS 36 refers to requirements in IAS 37 to explain when an entity is committed to a restructuring. Paragraph 72 of IAS 37 states that an obligation to restructure arises only when an entity:
>
> (a) has a detailed formal plan for the restructuring; and
>
> (b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.
>
> BC210 These IASB members questioned whether all the criteria for recognising a restructuring provision in IAS 37 are needed in IAS 36 for the inclusion of cash flows in the impairment test. In their view, for the purpose of calculating value in use, an entity should be constrained only by whether it has a plan for the restructuring and not whether it has created a valid external expectation. Paragraph 33(b) of IAS 36 already requires an entity to base its cash flow projections on the most recent financial budgets/forecasts approved by the entity's management and these budgets/forecasts might include plans for restructuring.

***Staff initial view***

31. We think it is unnecessary to clarify the interaction of IAS 36 and IAS 37 in respect of the proposal.

*Differences between FVLCD and VIU*

32. As paragraph BC213 of the Basis for Conclusions explains, applying the proposal, the measurement of VIU would be more consistent with how FVLCD is determined if an asset, or CGU, contains potential to be restructured or enhanced.

33. As paragraph 29 of the January agenda paper notes, some respondents commented on the remaining differences between VIU and FVLCD as follows:

    (a) most of these respondents suggested clarifying what differences remain (paragraph 34).

    (b) some respondents agreed with the proposal and said making the calculation of VIU more consistent with FVLCD would simplify impairment testing.

    (c) a few respondents questioned whether maintaining two different methods for calculating recoverable amount remains appropriate (paragraph 35).

    (d) a few respondents said the proposed changes are unnecessary because restructuring and enhancement cash flows are included in FVLCD and recoverable amount is the higher of the VIU and FVLCD. These respondents said entities would simply use FVLCD as the recoverable amount if restructuring or enhancement cash flows increase the resulting FVLCD. (paragraph 36).

***Differences between VIU and FVLCD***

34. We think it is unnecessary to further clarify what differences remain between VIU and FVLCD. Paragraph 53A of IAS 36 (which the Exposure Draft did not propose to amend) already explains the difference between VIU and FVLCD and lists examples of factors that would not be reflected in FVLCD to the extent they would not be

generally available to market participants. The factors listed in that paragraph are unaffected by the proposal.

***Maintaining two methods***

35. We think it is unnecessary to reconsider whether to maintain two methods (VIU and FVLCD) to estimate recoverable value because:

 (a) as paragraph BC227 of the Basis for Conclusions notes, the IASB considered, but did not pursue other suggestions to reduce the cost and complexity of the impairment test such as mandating only one method for estimating the recoverable amount of an asset. Only a few respondents to the Exposure Draft have questioned whether continuing to maintain two methods remains appropriate and have not provided information the IASB has not previously considered.

 (b) we think mandating only one method would be a fundamental change to the impairment test that goes beyond the scope of the project. At its meeting in February 2025, the IASB discussed and decided to make only some targeted improvements to the impairment test to help mitigate management over-optimism and shielding, and to reduce cost and complexity—that is, to not make fundamental changes to the impairment test.

***Whether the proposal is necessary***

36. We continue to agree with the IASB's rationale for the proposal as set out in paragraph BC205 of the Basis for Conclusions (see paragraph 5 of this paper). We acknowledge the proposal might not change the outcome in some instances in which no impairment loss is recognised. This is because enhancement and restructuring cash flows might already have been included in the measurement of FVLCD to the extent those cash flows would be available to market participants. However, it could affect the outcome in other instances and (for example, if an entity calculates FVLCD and the FVLCD is less than the carrying amount).

***Staff initial view***

37. We think:

(a) it is unnecessary to:

(i) further clarify the remaining differences between VIU and FVLCD; or

(ii) reconsider whether to maintain two methods (VIU and FVLCD) to estimate recoverable value; and

(b) the outcome of the proposal—that is, to make the measurement of VIU more consistent with FVLCD—does not make the proposal unnecessary.

*Illustrative examples*

38. The Exposure Draft proposed to delete Example 5 and Example 6 of the Illustrative Examples accompanying IAS 36. These examples illustrate the treatment of a future restructuring and future costs respectively. As paragraph 31 of the January agenda paper notes, respondents suggested:

(a) not deleting, but updating, these examples to illustrate the inclusion of restructuring and enhancement cash flows in calculating VIU (a few respondents);

(b) reinstating Example 5 (Treatment of a future restructuring) to illustrate how to apply paragraph 78 of IAS 36, which requires an entity to deduct the carrying amount of a liability in determining both the CGU's VIU and its carrying amount (a few accounting firms);

(c) adding examples to illustrate how to apply the concepts of 'current condition' and 'current potential' (some respondents); and

(d) adding industry specific examples (a few respondents).

39. We acknowledge there could be benefits to including an example(s) to illustrate some aspects of the proposal. The example(s) could illustrate, and consequently help stakeholders better understand 'current potential' by including examples of cash flows

that reflect an asset (or CGU's) current potential and cash flows which don't reflect current potential. We will consider whether to do that through updating Example 5 and Example 6 of the Illustrative Examples accompanying IAS 36 and/or whether to develop a new example(s).

40. However, there could be costs associated with updating or developing examples. Any example would, by its nature, be limited in terms of the facts and circumstances it can illustrate. This could lead to further questions and application challenges when entities have fact patterns and circumstances that differ from those illustrated within the examples.

***Staff initial view***

41. We plan to consult on whether to develop an example(s) that could accompany the proposal and, if so, what an example(s) could illustrate.

## Summary of staff initial views and next steps

42. Our initial view is that the IASB should retain the proposal to remove from IAS 36 the requirement to exclude restructuring and enhancement cash flows when calculating VIU of an asset or a CGU. We plan to consult further on developing example(s) (see paragraphs 38–41).

43. We intend to do no further work on other suggestions made by respondents in relation to this proposal, such as:

(a) including additional safeguards or constraints (see paragraphs 14–16);

(b) adding disclosure requirements (see paragraphs 17–21);

(c) clarifying the interaction with IAS 37 (see paragraphs 28–31); or

(d) clarifying the remaining differences between VIU and FVLCD or reconsidering whether to maintain both methods (see paragraphs 32–37).

44. We plan to use feedback from consultation to inform further analysis and reach a recommendation. We will present the feedback, our updated analysis and our recommendation at a future IASB meeting.

| Question for the IASB |
| --- |
| Does the IASB have any comments or question on our initial views and next steps in paragraphs 42–44? |