

# Summary of Board's preliminary views

Key area	What's the issue?	Board's preliminary views
<b>Impairment of goodwill and indefinite-lived intangibles</b>	<p>Some users believe the current impairment test for goodwill does not provide a timely signal about whether an acquisition's performance is meeting expectations.</p> <p>Some preparers find the current impairment test complex, time-consuming and costly to perform.</p>	Unable to design an impairment test that is more effective.
		Will not reintroduce goodwill amortisation and remains open to new arguments/evidence.
		Proposes relief from the mandatory annual quantitative impairment test, unless indicators of impairment exist.
		<p>Proposes simplifying the calculation of VIU by:</p> <ul style="list-style-type: none"> <li>– removing the restriction on including cash flows from a future uncommitted restructuring or from improving an asset's performance; and</li> <li>– allowing the use of post-tax discount rates.</li> </ul> <p>These proposals apply to all assets and cash generating units (CGUs), not just to CGUs containing goodwill.</p>
<b>Presentation and disclosures</b>	<p>Some users want better information on how an acquisition is performing.</p> <p>Some preparers find the IFRS 3 <i>Business Combinations</i> disclosures excessive.</p>	<p>Proposes revising the disclosure requirements in IFRS 3 to include:</p> <ul style="list-style-type: none"> <li>– replacing the disclosure of primary reasons for a business combination (BC) with the strategic rationale for undertaking the BC and management (CODM<sup>1</sup>) objectives for that BC;</li> <li>– adding a new disclosure requirement of the metrics that management (CODM) will use to monitor whether the BC's objectives are being met in the year of acquisition and subsequently;</li> <li>– adding disclosure objectives to provide better information for investors                             <ul style="list-style-type: none"> <li>– e.g. to help them understand the benefits of an acquisition that the company considered when determining the purchase price; and</li> </ul> </li> <li>– making targeted improvements to the disclosure requirements in IFRS 3.</li> </ul>
		Proposes a new requirement to present total equity before goodwill on the balance sheet.
<b>Separate recognition of intangible assets</b>	<p>Some users have mixed views on the usefulness of recognising intangibles separately from goodwill.</p> <p>Some preparers find it difficult to identify some intangible assets and find valuation methods complex and subjective.</p>	Proposes continuing to require intangible assets to be recognised separately from goodwill.

1. Chief operating decision maker.

Publication name: *Should goodwill amortisation be reintroduced?*

Publication date: March 2020

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