



Goodwill and Impairment

Project summary

Based on the post-implementation review of IFRS 3 *Business Combinations*, the IASB is exploring possible improvements to disclosures about acquisitions and possible simplifications to the accounting for goodwill and improvements to the impairment test.

The objective of this project is to improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make and about goodwill. Better information should help investors more effectively hold a company's management to account for its acquisition decisions.

The AASB and IASB issued a [discussion paper](#) in March 2020 which considers:

- how to improve the disclosures provided to investors about acquisitions and their subsequent performance;
- whether impairment testing can be done more effectively;
- whether the amortisation of goodwill should be reintroduced;
- whether total equity should be presented excluding goodwill;
- how to reduce the cost and complexity of performing the impairment test;
- how to simplify the requirements for estimating value in use; and
- whether the range of identifiable intangible assets recognised separately from goodwill in an acquisition should be expanded.

Comments on the discussion paper are due to the AASB by 2 October 2020 (revised date).

The current view of the IASB is consistent with the findings in [AASB Research Report No. 9 Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results](#) published in March 2019.

Project contacts

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**Project priority:
Medium**

Issued Documents

- [AASB Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*](#)
- [AASB Research Report No. 9 *Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results*](#)

AASB Outreach

- Outreach conducted in June 2018 (Phase 1 outreach)
- Outreach conducted in January 2019 (Phase 2 Outreach)

Project status

- Obtaining feedback on proposals in the Discussion Paper

Board deliberations

- AASB Action Alert Update and Board Papers

Other

- [Link to IASB project page](#)

AASB Communications

- n/a

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Latest project news

Date

News

26 March 2020

[News Alert](#)

21 February 2019

[February 2019 Action Alert](#)

14 June 2018

[June 2018 Action Alert](#)

AASB Action Alert Update, Minutes and Board Papers

Meeting Date

Update

February 2019

The Board discussed issues arising from research considering analysts' perspectives on impairment and methods that they adopt to identify impairment on a timely basis as well as additional financial statement disclosures that could be useful to users.

The Board decided to make recommendations to the IASB in relation to the following:

- (a) clarifying the purpose of the impairment test;
- (b) conducting further research on developing a modified single model approach, rather than permitting either the Value in Use or the Fair Value less Costs of Disposal models;
- (c) exploring aligning impairment testing with the level at which an entity's results are viewed and decisions are made internally (ie reconsidering the need for cash-generating units as the aggregation level); and
- (d) enhanced disclosure requirements for acquisitions and impairments.

The Board also decided to publish the research.

9.0 [Cover Memo: Goodwill and Impairment \(Research paper by Deloitte\)](#)

9.1 [Working Draft Research Report No. X "Could accounting standard setters look to market analysts for improved impairment guidance?"](#)

June 2018

Based on outreach feedback the Board considered possible narrow-scope amendments to IAS 36 *Impairment of Assets* that might be raised with the IASB, pending further research, such as:

- (a) a single, discounted cash flow methodology for both value in use (VIU) and fair value less costs of disposal (FVLCD), including cash flows from future restructuring and enhancements, but with management assumptions for VIU and market-participant assumptions for FVLCD; and
- (b) disclosure of the post-tax discount rate rather than the pre-tax discount rate.

The Board also requested further research into recognising goodwill impairment on a more timely basis, considering feedback from analysts and investors in relation to the methods they adopt and the level at which goodwill is allocated for impairment testing purposes. Additional disclosure requirements for the method used to determine VIU or FVLCD should also be considered, such as a sensitivity analysis for all impairment tests and look-back analysis to assess forecasting accuracy

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
8.1	<u>Staff paper – Goodwill and Impairment: Feedback from preparers and analysts</u>
8.2	<u>For noting – April 2018 ASAF paper on Goodwill and Impairment</u>