

# Impairment of goodwill

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Agenda Paper 3

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# Objectives of the research project

Improving effectiveness of goodwill impairment testing

Simplification of goodwill impairment testing

Separation of other identifiable intangible assets from goodwill in a business combination

# Objective of this session

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Improving effectiveness of impairment testing

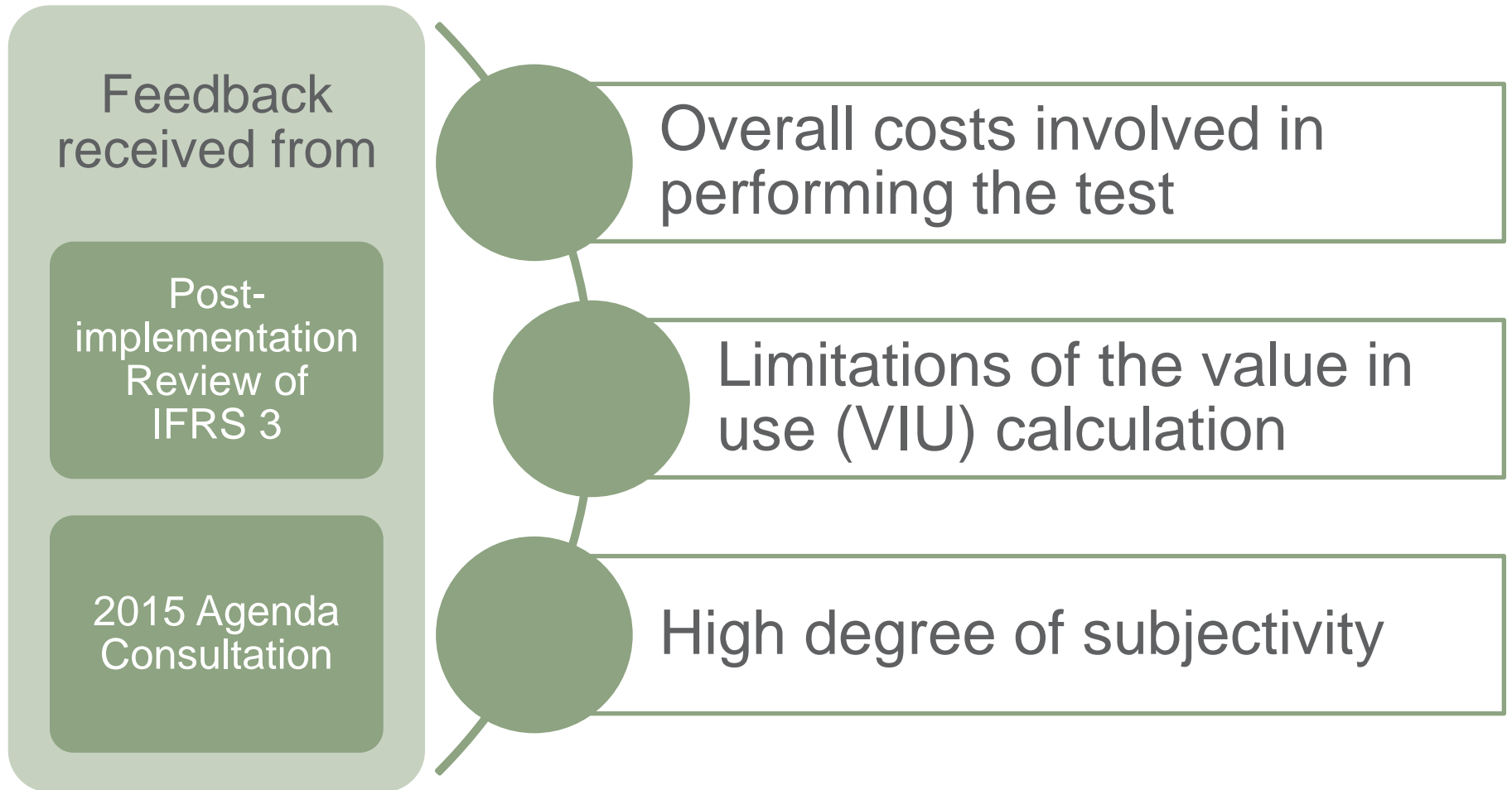
Simplification of goodwill impairment testing

Separation of other identifiable intangible assets from goodwill in a business combination

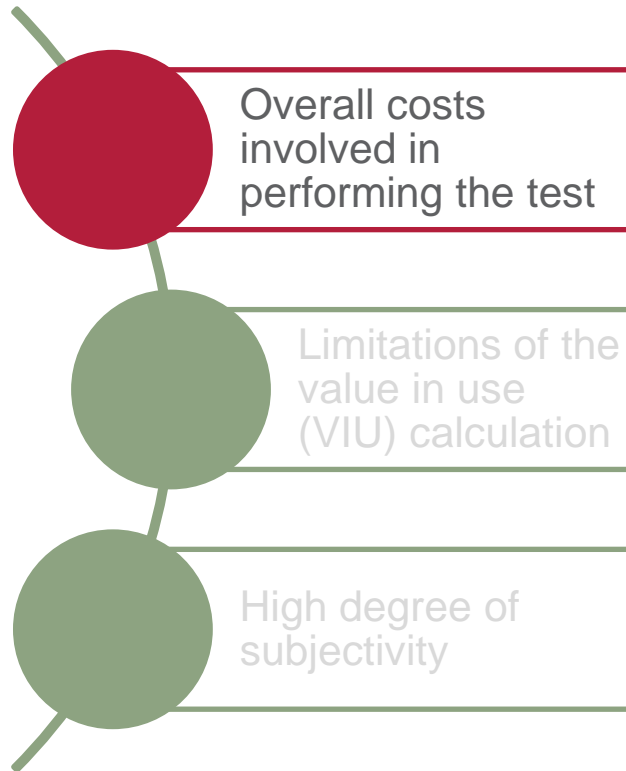


# Challenges in applying current goodwill impairment testing requirements

# What we heard...

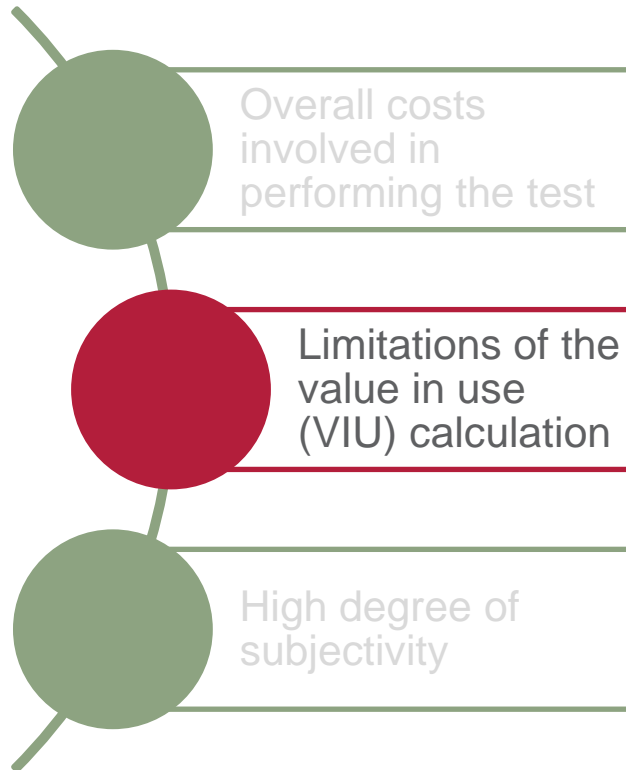


# What we heard...



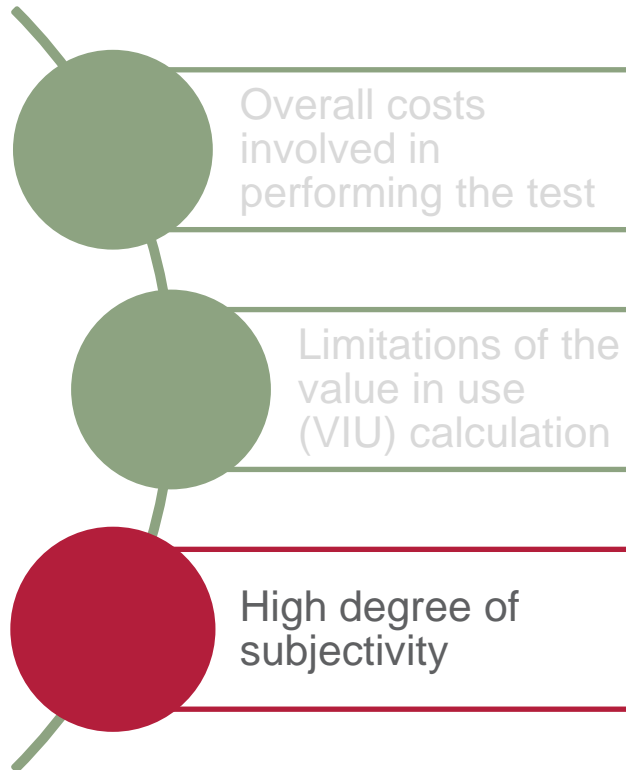
- Complex and time-consuming
- Need to calculate both VIU and fair value less costs of disposal (FVLCD)
- Requirement to perform the test annually in the absence of indicators

# What we heard...



- Difficulties in determining a pre-tax discount rate
- Prohibition on including expansion capital expenditure in projections

# What we heard...



- High degree of subjectivity in the assumptions used in VIU calculation
- Difficulties in allocating goodwill to CGUs for testing purposes, and reallocating when restructuring



## One model approach

- a method that reflects how an entity expects to recover the asset?

## Relief from annual test

- indicator-only approach?

## Improving value in use (VIU) calculations

- pre-tax versus post-tax discount rate?
- relax restrictions on the cash flows to be included?

## Allocating goodwill to CGUs

- additional criteria/guidance on allocating goodwill to existing CGUs?

# We ask you...

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**...for ideas on possible simplifications to goodwill impairment testing that wouldn't make the impairment test less robust**

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