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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	**50. IFRS-FA / 23.06.2016 / 11:00 – 12:00 Uhr**
TOP:	**07 – Goodwill and Impairment**
Thema:	**Aktueller Stand**
Unterlage:	**50_07b_IFRS-FA_Goodwill_PHA**

Vorbemerkung

Diese Unterlage enthält Beispiele zur Anwendung des *pre-acquisition headroom*-Ansatzes (PHA). Die Quelle ist Agendapapier 18B der IASB-Sitzung im Juni 2016.

Illustration 1 (first acquisition)

Fact pattern

D1. Company X has a 31 December year-end. On 1 September 2016, Company X purchases 100 per cent of Company Y for CU150 and measures the goodwill acquired at CU55 in accordance with IFRS 3.

D2. Company X has three CGUs; A, B and C; with carrying amounts of CU100, CU200 and CU300 respectively at the date of acquisition of Company Y.

D3. Company X determines the following allocations of the goodwill and assets of Company Y between its CGUs for impairment testing (as required by IAS 36):

	CGU A	CGU B	CGU C	Total
Identifiable net assets of Company Y	CU35	CU60	-	CU95
Goodwill arising on acquisition of Company Y	CU20	CU35	-	CU55

D4. Assume for simplicity that in this example there is no change in the carrying amount of Company X's net assets and Company Y's net assets between the date of acquisition and the date of performing the impairment test.

D5. Assume that the recoverable amounts of CGU A and CGU B at the date of the impairment test are CU190 and CU300 respectively (determined in accordance with IAS 36 as normal, ie after including Company Y allocations of net assets and goodwill, and using the assumptions for the CGUs post acquisition of Company Y).

Applying the PH Approach

D6. In order to determine the PH, the recoverable amounts of CGUs A and B would need to be determined at the date of acquisition of Company Y, based on the pre-acquisition assumptions and before allocation of Company Y. Assume the recoverable amounts of CGUs A and B determined on this basis are CU140 and CU220 respectively. As noted in paragraph D2, the carrying amounts of CGUs A and B are CU100 and CU200 respectively (before allocation of Company Y).

D7. Consequently, for the purposes of the impairment test, a PH of CU40 (=140-100) exists for CGU A and a PH of CU20 (=220-200) exists for CGU B.

D8. IAS 36 requires CGU A and CGU B to be tested for impairment before the year-end (and on an annual basis), because goodwill is allocated to those CGUs.

D9. At the date of the impairment test, amounts relating to CGUs A and B are:

	CGU A	CGU B
Identifiable net assets excluding goodwill (includes Company Y allocation)	CU135 (=100+35)	CU260 (=200+60)
Goodwill arising on acquisition of Company Y	CU20	CU35
Carrying amount	**CU155**	**CU295**
PH (not recognised as an asset)	CU40	CU20
Total of the carrying amount of the CGU plus the PH	**CU195**	**CU315**

D10. Outcome of the impairment test:

(a) CGU A: Recoverable amount (CU190) < Carrying amount of CGU plus PH (CU195). Impairment of CU5 allocated to the goodwill recognised on acquisition of Company Y.

(b) CGU B: Recoverable amount (CU300) < Carrying amount of CGU plus PH (CU315). Impairment of CU15 allocated to the goodwill recognised on acquisition of Company Y.

D11. Consequently, the carrying amounts of the CGUs of Group X[1] after the impairment test are as follows:

[1] Group X consists of Company X and its subsidiaries (currently only Company Y).

	CGU A	CGU B	CGU C
Identifiable net assets excluding goodwill	CU135	CU260	CU300
Goodwill (after allocation of impairment)	CU15 (=20-5)	CU20 (=35-15)	CU0
Carrying amount of CGUs	**CU150**	**CU280**	**CU300**

Illustration 2 (second acquisition)

Fact pattern

D12. Same fact pattern as illustration 1. On 1 July 2017 the carrying amount of Group X's CGUs A, B and C are as follows:

	CGU A	CGU B	CGU C
Identifiable net assets excluding goodwill	CU145	CU240	CU250
Goodwill	CU15	CU20	CU0
Carrying amount of CGUs	**CU160**	**CU260**	**CU250**

D13. On 1 July 2017 Group X purchases 100 per cent of Company Z for CU200 and measures the goodwill acquired at CU61 in accordance with IFRS 3. Company X allocates Company Z in full to its existing CGU A.

D14. Assume for simplicity that in this example there is no change in the carrying amount of the net assets of the companies between the date of acquisition of Company Z and the date of performing the impairment tests of CGUs A and B. Assume also that the annual impairment test of CGUs A and B is performed after the acquisition of Company Z takes place.

D15. CGU A and CGU B would need to be tested for impairment during the year, because goodwill is allocated to those CGUs.

(a) Assume the recoverable amount of CGU A after allocation of Company Z at the date of the impairment test is CU400 (determined in accordance with IAS 36 as normal, ie after including Company Z allocations of net assets and goodwill, and using the assumptions for CGU A post acquisition).

(b) Assume that the recoverable amount of CGU B is CU250 at the date of the impairment test.

Applying the PH Approach

CGU A

D16. The allocation to CGU A of goodwill from the acquisition of Company Z will require measurement of a revised PH for CGU A. The recoverable amount of CGU A would need to be determined at the date of acquisition of Company Z, based on the pre-acquisition assumptions and before allocation of Company Z goodwill and other assets. These pre-acquisition values and assumptions would nevertheless include the Company Y allocations

D17. Assume the recoverable amount of CGU A on 1 July 2017 based on the pre-acquisition assumptions and before allocation of Company Z is CU196. Consequently, a revised PH of CU36 (=196-160) exists for CGU A.

D18. At the date of the impairment test, the amounts relating to CGU A are as follows:

	CGU A
Identifiable net assets excluding goodwill (includes Company Z allocation)	CU284 (=145+139)
Goodwill	CU76 (=15+61)
Carrying amount	**CU360**
Revised PH (not recognised as an asset)	CU36
Total of the carrying amount of the CGU plus the PH	**CU396**

D19. Outcome of the impairment test of CGU A: Recoverable amount (CU400) > Carrying amount of CGU plus the PH (CU396). No impairment.

CGU B

D20. At the date of the impairment test, the amounts relating to CGU B are as follows:

	CGU B
Identifiable net assets excluding goodwill	CU240
Goodwill	CU20
Carrying amount	**CU260**
PH (not adjusted as no goodwill allocated from Company Z)	CU20
Total of the carrying amount of the CGU plus the PH	**CU280**

D21. Outcome of the impairment test: CGU B: Recoverable amount (CU250) < Carrying amount of CGU plus pre- acquisition headroom (CU280). Impairment of CU20 allocated to the goodwill arising on acquisition of Company Y. The remaining CU10 is allocated against the PH, not the other assets of CGU B.

D22. As there is no goodwill remaining in CGU B, the PH allocated to CGU B will be disregarded for future impairment tests.

D23. Note: If the recoverable amount of CGU B had been CU230, CU20 would have been allocated to goodwill, CU20 would have been allocated against the PH and CU10 would have been allocated to other assets of the unit in accordance with IAS 36.

Illustration 3 (disposal of part of an operation)

Fact pattern

D24. Same fact pattern as illustrations 1 and 2. On 1 February 2018 the carrying amount of CGU A is as follows:

	CGU A
Identifiable net assets excluding goodwill	CU260
Goodwill	CU76
Carrying amount of CGU	**CU336**

D25. On 1 February 2018 Group X sells for CU100 an operation that is part of CGU A. The carrying amount of the net assets in the operation excluding goodwill at the time of sale is CU70. Assume the goodwill associated with the operation is measured on the basis of the relative values of the operation disposed of and the portion of CGU A retained in accordance with paragraph 86(b) of IAS 36. The recoverable amount of the portion of CGU A retained is CU300.

Allocation of goodwill and PH between operations disposed and retained

D26. Assuming goodwill and PH are both allocated on the basis of relative values:

(a) The portion of the CGU disposed of is 25% of the CGU based on relative value (=100/(300+100). Hence, 25% of the goodwill in CGU A is included in the operation sold.

(b) 25% of the PH would be removed from future impairment calculations.

D27. Consequently:

(a) Goodwill of CU19 (=0.25x76) is allocated to the operation disposed of.

(b) A PH of CU9 (=0.25x36) would be allocated to the operation disposed of, leaving a PH of CU27 in CGU A for use in future impairment tests.

D28. Immediately following disposal of part of CGU A, amounts relating to CGU A are:

	CGU A
Identifiable net assets excluding goodwill (includes Company Z allocation)	CU190 (=260-70)
Goodwill	CU57 (=76-19)
Carrying amount	**CU247**
Remaining PH	CU27 (=36-9)