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Paris, the 8 th december 2014

M. Roger MARSHALL
Acting President
EFRAG BOARD
35, Square de Meeûs
B – 1000 Bruxelles

Re: EFRAG's discussion paper on “Should goodwill still not be amortized ? Accounting and disclosure for goodwill”.

Dear Mr Marshall,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned discussion paper. These view result from the ANC's due process, involving interested stakeholders and validated by the Board on December 4, 2014.

We first welcome the discussion paper's initiative to stimulate discussions on accounting and disclosure for goodwill and to encourage IASB to launch a dedicated debate on this subject and obtain current views from all constituents.

We are convinced that **goodwill is an intangible asset and should be recognised and measured as any other intangible assets**. We consider that the acquired business as a whole meets the definition of an asset (a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity), and the price paid for it represents the entity's investment for acquiring this controlled resource. IFRS 10 together with IFRS 3 require separating this global investment into the individual underlying assets and liabilities. Not recognising goodwill as an asset would lead to a partial recognition of the investment on the asset side of the statement of financial position. Moreover it would create a counterintuitive outcome, by presenting a decrease in the acquirer's net assets, due to a transaction that is supposed to be added value.

The ANC is of the view that the question of amortisation of goodwill should be **further investigated on a conceptual basis**. The ANC is of the view that there is no conceptual evidence that a model (“impairment only” versus “amortisation plus impairment”) is superior to the other one. Indeed in the past, as argued in the discussion paper, numerous sets of accounting standards used to require goodwill amortisation. The requirements regarding the maximum period over which goodwill should be amortised have changed over time, ranking from 40 years to 5 years. Later, goodwill amortisation

has been prohibited by US GAAP in 2001 and by IFRSs in 2004, without convincing rationale. However, we note that FASB has reconsidered its position and has reintroduced in 2013 amortisation of goodwill for private companies and is currently analysing the relevance of extending it to public companies.

In addition, the ANC considers that the current model of “impairment only” is not relevant for certain industries where goodwill seems to have a definite useful life.

As a consequence, the ANC considers that this question should be reviewed in the context of the current discussions on the Conceptual Framework, especially as regards the concept of prudence. At first glance, “amortization plus impairment” model is closer to the concept of prudence, since it allows consumption of the goodwill assets over time and reduces the stakes of impairment tests.

If goodwill were to be amortised, like for all other intangible assets, entities should assess whether, in their specific cases, it has an indefinite or a finite useful life. If one concludes that the goodwill has a definite useful life, this latter must be determined by considering many factors, like for example, the pay-back period but other indicators may be relevant to assess the length of the period over which economic benefits embedded in the goodwill will be consumed. This amortisation period could be different from one acquisition to another, and should be consistent with the objectives set out by the management when deciding the acquisition. This issue has also to be further investigated. Similarly, the situation of the intangible assets with indefinite useful life should be reanalysed on a conceptual basis.

In addition, a key point for us, which is already valid in the current impairment only method and which is not raised in the EFRAG’s paper, is that American companies (both public and private) are not obliged since September 2011 to perform any annual impairment test on goodwill. Both public and private companies are now performing impairment tests only after a qualitative review of the fair value of their reporting units. If it is more likely than not that the fair value of a cash generating unit (CGU) is above its carrying amount, there is no need to perform an impairment test. As a consequence, current guidance for US companies is less complex, easier and less costly to implement. Moreover, this limits disclosures since they are only required for CGUs for which a quantitative impairment test is performed. These amendments have created a disadvantage for companies which apply IFRS: they are not anymore on the same level playing field with their US GAAP competitors.

If you have any question concerning our comments, we would be pleased to discuss them.

Yours sincerely,



Gérard Gil
ANC Board Member
IFRS Commission Chair