29 January 2021

The Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam

Re: Discussion Paper: DP 2020/1 *Business Combinations – Disclosures, Goodwill and Impairment*

On behalf of the Institute of Public Accountants, I am writing to comment on the discussion paper *DP 2020/1 Business Combinations – Disclosures, Goodwill and Impairment.*

The IPA welcomes the review of IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets* and supports some of the proposals included in the paper. However, the institute believes it fails to address adequately fundamental issues concerning the recognition and impairment of goodwill. The concerns include:

Overstatement of goodwill on initial recognition

The IPA believes that, in general, goodwill is overstated. This occurs on initial recognition, and over time where there is an inadequate subsequent reduction in carrying values due to impairment and the declining value of acquired goodwill.

The institute believes that the causes of initial overstatement of goodwill on initial recognition are:

- Understatement of identifiable intangible assets such as brand names, distribution channels, order books and customer relationships. In particular, the IPA considers that values ascribed to customer relationships are inconsistent with the concept of 'customer lifetime value' (CLV).

  Many enterprise valuations across several sectors (financial services, software as a service, online retail) are largely attributed to CLV. The inconsistency of the values attributed to customer relationships in 'purchase price allocation' (PPA) for IFRS 3 *Business Combinations* and those attributed to customer relationships using CLV for enterprise values.

The IPA believes that this is due to an accounting 'arbitrage' between indefinite life goodwill and finite life intangibles such as customer relationships. This has resulted in valuations used for such relationships being out of step with values used for internal business decisions and enterprise valuations. The institute is of view that goodwill is overstated by the consistent understatement of other identifiable intangibles. The IASB needs to reframe its guidance on identifiable-intangible recognition and include a categorical assertion that, as a residual item, goodwill is unlikely to be the most significant intangible in a business combination.

- The IPA has observed that when determining PPA it is rare that preparers allocate any consideration to identifiable intangibles that are not expected to be used by the acquirer, most typically acquired brands that will be carried forward. The IPA believes that, even though these intangibles are not intended to be used by the acquirer, they have value and should be recognised in the PPA and written-off as scraped after acquisition rather than be subsumed into the goodwill amount. The current practice results in goodwill overstatement. The institute believes that the guidance in IFRS 3 should clearly require the recognition of intangible assets acquired, even those the acquirer does not intend to use.

- Goodwill by definition includes the value of the workforce and processes. However, many acquisitions pre-suppose a redundancy/restructuring of an acquired workforce and processes. The IPA contends that acquired goodwill should be written-down to reflect any workforce restructuring or redundancy and abandonment of acquired processes. Such a requirement should be included in IFRS 3.

- IFRS 3 does not contemplate a 'bad purchase', that is that an acquirer has paid too much. This view is supported by economic theory, which has identified a 'winner's curse', whereby the price paid by an acquirer, particularly when there are multiple bidders, fails to equal the intrinsic value of the acquired assets.

  This view is also supported by several studies that have found many acquisitions have failed to increase shareholder value; some studies have found that almost half of acquisitions have resulted in the destruction of shareholder value. The IPA recommends that the IASB should conduct research into the implications of these findings and incorporate guidance in IFRS 3 to address the probability that an acquirer is carrying goodwill that in fact represents considerably less than the intrinsic value of an asset acquired, that is an overpayment has occurred that has no future economic value.

Goodwill is not an indefinite life asset

The IPA believes that in a contemporary economic setting – with high incidences of industry disruption and change – the concept of acquired goodwill as an indefinite life asset is antiquated. If goodwill includes synergies and competitive advantage derived from an acquisition, the IPA believes that they are quickly eroded by competition, technology, and regulatory changes. Furthermore, an increased frequency of corporate restructuring cycle means any acquired workforce and processes are often quickly replaced.

To address this reality, the institute believes that goodwill should be subject to a hybrid model of amortisation and impairment. It believes that the IASB should incorporate in IAS 38 *Intangible Assets* a rebuttable assumption that goodwill has a useful life of three to five years.

Disclosure is needed to support longer useful lives, including a description of goodwill elements that support its use.

Furthermore, IAS 36 *Impairment of Assets* should be modified to provide specific indicators of impairment applicable to goodwill, such as restructuring, new competitors, loss of market share, decreasing margins, and regulatory changes.

Our detailed comments on the paper are included in the attached appendix to this letter.

If you would like to discuss our comments, please contact me or our technical advisers Stephen La Greca (stephenlagreca@aol.com) and Colin Parker (colin@gaap.com.au) (a former member of the AASB), of *GAAP Consulting*.

Yours sincerely

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Cc Chair, Australian Accounting Standards Board

About the IPA

The IPA is a professional organisation for accountants who are recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members in Australia and more than 65 countries, the institute represents members and students working in industry, commerce, government, academia, and private practice.

Through representation on special interest groups, the IPA ensures that the views of its members are voiced with government and key industry sectors; it makes representations to government and its satellites, including the Australian Tax Office, the Australian Securities & Investments Commission, and the Australian Prudential Regulation Authority on issues affecting our members, the profession, and the public interest. The IPA recently merged with the UK's Institute of Financial Accountants, making the new group the world's largest accounting body in the SMP/SME sector.

Appendix

Question 1

Paragraph 1.7 summarises the objective of the Board's research project. Paragraph IN9 summarises the Board's preliminary views. Paragraphs IN50-IN53 explain that these preliminary views are a package and those paragraphs identify some of the links between the individual preliminary views.

The Board has concluded that this package of preliminary views would, if implemented, meet the objective of the project. Companies would be required to provide investors with more useful information about the businesses those companies acquire. The aim is to help investors to assess performance and more effectively hold management to account for its decisions to acquire those businesses. The Board is of the view that the benefits of providing that information would exceed the costs of providing it.

(a) Do you agree with the Board's conclusion? Why or why not? If not, what package of decisions would you propose and how would that package meet the project's objective?

(b) Do any of your answers depend on answers to other questions? For example, does your answer on relief from a mandatory quantitative impairment test for goodwill depend on whether the Board reintroduces amortisation of goodwill? Which of your answers depend on other answers and why?

IPA response

The IPA believes that while some of the proposals have merit, they fall far short of an adequate response to the shortcomings of the current framework for accounting for goodwill including the failure to:

- Address the overstatement of goodwill on initial recognition as explained in our covering letter
- Aggressively address 'shielding', and
- Address the timeliness of goodwill impairments.

Furthermore, the IPA does not support moving to an 'impairment-indicator' approach to goodwill impairment (from an annual impairment-testing approach). However, as noted in our covering letter, the IPA is of the view that goodwill is a limited life asset and supports an amortisation-and-impairment hybrid approach.

Question 2

Paragraphs 2.4 - 2.44 discuss the Board's preliminary view that it should add new disclosure requirements about the subsequent performance of an acquisition.

(a) Do you think those disclosure requirements would resolve the issue identified in paragraph 2.4 – investors' need for better information on the subsequent performance of an acquisition? Why or why not?

(b) Do you agree with the disclosure proposals set out in (i) – (iv) below? Why or why not?

(i) A company should be required to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's) objectives for an acquisition as at the acquisition date (see paragraphs 2.8 – 2.12). Paragraph 7 of IFRS 8 Operating Segments discusses the term 'chief operating decision maker'.

(ii) *A company should be required to disclose information about whether it is meeting those objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives (see paragraphs 2.13 – 2.40), rather than on metrics prescribed by the Board.*

(iii) *If management (CODM) does not monitor an acquisition, the company should be required to disclose that fact and explain why it does not do so. The Board should not require a company to disclose any metrics in such cases (see paragraphs 2.19 – 2.20).*

(iv) *A company should be required to disclose the information in (ii) for as long as its management (CODM) continues to monitor the acquisition to see whether it is meeting its objectives (see paragraphs 2.41 – 2.44).*

(v) *If management (CODM) stops monitoring whether those objectives are being met before the end of the second full year after the year of acquisition, the company should be required to disclose that fact and the reasons why it has done so (see paragraphs 2.41 – 2.44).*

(vi) *If management (CODM) changes the metrics it uses to monitor whether the objectives of the acquisition are being met, the company should be required to disclose the new metrics and the reasons for the change (see paragraph 2.21).*

(c) Do you agree that the information provided should be based on the information and the acquisitions a company's CODM reviews (see paragraphs 2.33 – 2.40)? Why or why not? Are you concerned that companies may not provide material information about acquisitions to investors if their disclosures are based on what the CODM reviews? Are you concerned that the volume of disclosures would be onerous if companies' disclosures are not based on the acquisitions the CODM reviews?

(d) Could concerns about commercial sensitivity (see paragraphs 2.27 – 2.28) inhibit companies from disclosing information about management's (CODM) objectives for an acquisition and about the metrics used to monitor whether those objectives are being met? Why or why not? Could commercial sensitivity be a valid reason for companies not to disclose some of that information when investors need it? Why or why not?

(e) Paragraphs 2.29 – 2.32 explain the Board's view that the information setting out management's (CODM's) objectives for the acquisition and the metrics used to monitor progress in meeting those objectives is not forward-looking information. Instead, the Board considers the information would reflect management's (CODM's) targets at the time of the acquisition. Are there any constraints in your jurisdiction that could affect a company's ability to disclose this information? What are those constraints and what effect could they have?

IPA response

While the IPA broadly supports proposals to include in notes to audited financial statements more information on material acquisitions (as this would enhance management accountability, particularly given the risks to shareholder value represented by business acquisitions), the institute has the following reservations about the proposals:

- The IPA does not support using material used by the CODM as the basis for disclosure requirements of post-acquisition performance. The IPA is concerned that this approach will result in selective reporting of performance and a lack of comparability. The institute thinks that a minimum disclosure requirement be formulated by the IASB
- The IPA has difficulty giving any credence to a statement that a reasonably competent management would not measure, the post-acquisition performance of a material acquisition. We are also concerned that the inclusion of the ability to claim the entity does not monitor post-acquisition performance effectively allows prepares to sidestep this requirement and deprive users of useful information. The IPA does not support this portion of the proposal, and
- The IPA believes that the two-year cut-off for disclosure of post-acquisition performance is too short for material acquisitions and recommends that a longer period be prescribed with cognisance given to materiality.

The IPA believes that commercial-sensitivity arguments are often spurious, given the information available from outside sources and the responsibilities management have to investors. Furthermore, many preparers often provide significantly more disclosures in information to markets – such as profit announcements, capital-raising roadshows, and other formats (for example, BIS Pillar 3 disclosures).

The IPA is unaware of any constraints in our jurisdiction that would prevent the disclosures proposed.

Question 3

Paragraphs 2.53 – 2.60 explain the Board's preliminary view that it should develop, in addition to proposed new disclosure requirements, proposals to add disclosure objectives to provide information to help investors to understand:

- *The benefits that a company's management expected from an acquisition when agreeing the price to acquire a business; and*
- *The extent to which an acquisition is meeting management's (CODM's) objectives for the acquisition.*

Do you agree with the Board's preliminary view? Why or why not?

IPA response

Subject to our response to question 2, the IPA supports these proposals as they would enhance management's accountability for the performance of material acquisitions, particularly given the impacts of business acquisitions on shareholder value.

Question 4

Paragraphs 2.62 – 2.68 and paragraphs 2.69 – 2.71 explain the Board's preliminary view that it should develop proposals:

- *To require a company to disclose:*
    - *description of the synergies expected from combining the operations of the acquired business with the company's business;*
    - *when the synergies are expected to be realised;*
    - *the estimated amount or range of amounts of the synergies; and*
    - *the expected cost or range of costs to achieve those synergies; and*

- *to specify that liabilities arising from financing activities and defined benefit pension liabilities are major classes of liabilities.*

Do you agree with the Board's preliminary view? Why or why not?

IPA response

The IPA supports these proposals as they would enhance management's accountability for the performance of material acquisitions, particularly given the impacts of business acquisitions on shareholder value.

The institute notes that the proposals, focus on synergies, however as noted in the DP (paragraphs 2.62-2.63), users have found the disclosures, as required by IFRS 3.B54, presented by preparers are inadequate. We concur with the users' perspective.

The IPA notes that the proposal deals only with a single aspect of goodwill. We recommend that the proposals and application guidance on goodwill in IFRS 3.B54 be expanded to include other goodwill components such as assembled workforce, competitive advantage, product pipeline (that does not qualify as in-process R&D), cost savings, and so on.

The IPA supports the proposals requiring the specifying of liabilities from financing activities and defined-benefit-pensions liabilities as major classes of liabilities. The institute recommends in relation to liabilities from financing activities that disclosure be disaggregated between those assumed on acquisition from the acquiree and those used to fund the acquisition.

Question 5

IFRS 3 Business Combinations requires companies to provide, in the year of acquisition, pro forma information that shows the revenue and profit or loss of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period.

Paragraphs 2.82 – 2.87 explain the Board's preliminary view that it should retain the requirement for companies to prepare this pro forma information.

(a) *Do you agree with the Board's preliminary view? Why or why not*
(b) *Should the Board develop guidance for companies on how to prepare the pro forma information? Why or why not? If not, should the Board require companies to disclose how they prepared the pro forma information? Why or why not?*

IFRS 3 also requires companies to disclose the revenue and profit or loss of the acquired business after the acquisition date, for each acquisition that occurred during the reporting period.

Paragraphs 2.78 -2.81 explain the Board's preliminary view that it should develop proposals:

- *To replace the term 'profit or loss' with the term 'operating profit before acquisition-related transaction and integration costs' for both the pro forma information and information about the acquired business after the acquisition date. Operating profit and loss would be defined as in the Exposure Draft General Presentation and Disclosures.*
- *To add a requirement that companies should disclose the cash flows from operating activities of the acquired business after the acquisition date, and of the combined business on a pro forma basis for the current reporting period.*

(c) *Do you agree with the Board's preliminary view? Why or why not?*

IPA response

The IPA supports the proposal concerning *pro forma* disclosures; they would enhance comparability for users.

Question 6

As discussed in paragraphs 3.2 – 3.52, the Board investigated whether it is feasible to make the impairment test for cash-generating units containing goodwill significantly more effective at recognising impairment losses on goodwill on a timely basis than the impairment test set out in IAS 36 Impairment of Assets. The Board's preliminary view is that this is not feasible.

(a) *Do you agree that it is not feasible to design an impairment test that is significantly more effective at the timely recognition of impairment losses on goodwill at a reasonable cost? Why or why not?*
(b) *If you do not agree, how should the Board change the impairment test? How would those changes make the test significantly more effective? What cost would be required to implement those changes?*
(c) *Paragraph 3.20 discusses two reasons for the concerns that impairment losses on goodwill are not recognised on a timely basis; estimates that are too optimistic; and shielding. In your view, are these the main reasons for those concerns? Are there other main reasons for those concerns?*
(d) *Should the Board consider any other aspects of IAS 36 in this project as a result of concerns raised in the Post Implementation Review (PIR) of IFRS 3?*

IPA response

The IPA agrees with the IASB that the two major contributors to recognising goodwill impairment on a timely basis is management's estimates of cash flows and other assumptions used in the testing of impairment and 'shielding'. Without addressing these two issues the IPA agrees that there is no better way to improve impairment testing of goodwill.

In relation to shielding the institute proposes:

- Re-consideration of the 'head-room approach' as discussed in the paper, or
- Require the Cash Generating Unit to be disaggregated and assessed for impairment at the lowest level monitored by the preparer.

On management estimates, the IPA suggests enhanced disclosure of inputs to the impairment model with more sensitivity analysis.

Question 7

Paragraphs 3.86 – 3.94 summarise the reasons for the Board's 'preliminary view that it should not reintroduce amortisation of goodwill and instead should retain the impairment- only model for the subsequent accounting for goodwill.

(a) *Do you agree that the Board should not reintroduce amortisation of goodwill? Why or why not? (If the Board were to reintroduce amortisation, companies would still need to test whether goodwill is impaired.)*

(b) *Has your view on amortisation of goodwill changed since 2004? What new evidence or arguments have emerged since 2004 to make you change your view, or to confirm the view you already had?*
(c) *Would reintroducing amortisation resolve the main reasons for the concerns that companies do not recognise impairment losses on goodwill on a timely basis (see Question 6(c)? Why or why not?*
(d) *Do you view acquired goodwill as distinct from goodwill subsequently generated internally in the same cash-generating units? Why or why not?*
(e) *If amortisation were to be reintroduced, do you think companies would adjust or create new management performance measures to add back the amortisation expense? (Management performance measures are defined in the Exposure Draft General Presentation and Disclosures.) Why or why not? Under the impairment-only model, are companies adding back impairment losses in their management performance measures? Why or why not?*
(f) *If you favour reintroducing amortisation of goodwill how should the useful life of goodwill and its amortisation pattern be determined? In your view how would this contribute to making the information more useful to investors?*

IPA response

For the reasons noted in our covering letter, the IPA believes that goodwill is not 'indefinite life asset', and in a modern business context has a useful life of probably between three to five years. Because of this, the institute recommends that the IASB should implement a hybrid approach to goodwill, requiring impairment over a three-to-five-year period (the period being a rebuttable assumption) with an impairment-indicator approach overlaid.

Question 8

Paragraphs 3.107 – 3.114 explain the Board's preliminary view that it should develop a proposal to require companies to present on their balance sheets the amount of total equity excluding goodwill. The Board would be likely to require companies to present this amount as a free-standing item, not as a subtotal within the structure of the balance sheet (see the Appendix to this Discussion Paper).

(a) *Should the Board develop such a proposal? Why or why not?*
(b) *Do you have any comments on how a company should present such an amount?*

IPA response

The IPA does not support this proposal. Deducting goodwill from equity seems to be, in effect, treating goodwill as a negative asset. The approach is arguably like a first-day write-off of goodwill to equity. This proposal would reduce management's accountability for goodwill and, in the light of the impact on shareholder value of business combinations, would not be in the best interests of investors.

Question 9

Paragraphs 4.32 – 4.34 summarise the Board's preliminary view that it should develop proposals to remove the requirement to perform a quantitative impairment test every year. A quantitative impairment test would not be required unless there is an indication of impairment. The same proposal would also be developed for intangible assets with indefinite useful lives and intangible assets not yet available for use.

(a) *Should the Board develop such proposals? Why or why not?*

(b) *Would such proposals reduce costs significantly (see paragraphs 4.14 – 4.21)? If so, please provide examples of the nature and extent of any cost reduction. If the proposals would not reduce costs significantly, please explain why not.*

(c) *In your view, would the proposals make the impairment test significantly less robust (see paragraph 4.22 – 4.23)? Why or why not?*

IPA response

The IPA does not support this proposal. The institute believes that the proposals are contrary to user concerns that goodwill is not being impaired on a timely basis and hence result in a its potential overstatement. Furthermore, the IPA believes such a proposal would reduce management accountability for acquisition outcomes.

The institute is also sceptical as to the cost savings. We believe that the annual costs are not that significant once the model has been developed, as inputs on cash-flows should be available from a preparer's budgeting and planning.

If the IASB adopted a hybrid approach – as outlined in our covering letter – we would support an impairment-indicator approach as part of the hybrid model.

Question 10

The Board's preliminary view is that it should develop proposals:

- *to remove the restriction in IAS 36 that prohibits companies from including some cash flows in estimating value in use – cash flows arising from a future uncommitted restricting, or from improving or enhancing the asset's performance (see paragraphs 4.35 – 4.42); and*
- *to allow companies to use post-tax discount rates in estimating value in use (see paragraphs 4.46 – 4.52).*

The Board expects that these changes would reduce the cost and complexity of impairment tests and provide more useful and understandable information.

(a) *Should the Board develop such proposals? Why or why not?*

(b) *Should the Board propose requiring discipline. In addition to the discipline already required by IAS 36, in estimating the cash flows that are the subject of this question? Why or why not? If so, please describe how this should be done and state whether this should apply to all cash flows included in estimates of value in use, and why.*

IPA response

The IPA supports the proposed changes to the 'value in use' impairment model. However, we think that with the introduction of these changes a VIU could be considered to be approaching a fair-value-less-cost-to-sell model. The IPA believes there is merit in the IASB requiring such a model be used and scrapping the VIU model. The institute fails to find the arguments at the paper's paragraph 4.56(b) argue compellingly for retention of a two-model impairment approach.

The IPA notes that the use of post-tax discount rates raises issues about allocation of tax cash-flows and tax assets and liabilities to CGUs. The institute recommends that the IASB develops application guidance on tax cash-flows and balance to ensure consistency in practice.

Question 11

Paragraph 4.56 summarises the Board's preliminary view that it should not further simplify the impairment test.

(a) *Should the Board develop any of the simplifications summarised in paragraph 4.55? If so, which simplifications and why? If not, why not?*
(b) *Can you suggest other ways of reducing the cost and complexity of performing the impairment test for goodwill, without making the information provided less useful to investors?*

IPA response

The IPA disagrees with the board's preliminary view on simplification of the impairment test.

As noted in our response to question 10, the IPA believes that with proposed changes to the VIU model there is an argument to adopt fair-value-less-cost-to-sell as the only model for CGU impairment testing.

Furthermore, the IPA has observed several areas where application guidance could ensure consistency in practice and more robust outcomes, including:

- Specific guidance for financial institutions – less sophisticated preparers struggle to develop impairment models and are confused by the IAS 36 requirements on financial assets and liabilities and the implications for financial institutions
- Whether working-capital requirements should be included in cash-flows given the IAS 36 requirements on financial assets and liabilities
- The impairment of allocated assets – for example, an enterprise software system is allocated to a CGU, which incurs an impairment that results in a pro-rata impairment against the allocated enterprise software. The preparers note that in the event of the CGU's abandonment, the software would be reallocated to other CGUs and not be impaired. They are therefore reluctant to recognise an impairment against the asset.

Given issues with 'shielding' the IPA believes that the IASB should revisit guidance on identifying CGUs to address their goodwill allocation to minimise the instances of shielding.

Question 12

Paragraphs 5.4 – 5.27 explain the Board's preliminary view that it should not develop a proposal to allow some intangible assets to be included in goodwill.

(a) *Do you agree that the Board should not develop such a proposal? Why or why not?*
(b) *If you do not agree, which of the approaches discussed in paragraph 5.18 should the Board pursue, and why? Would such a change mean that investors would no longer receive useful information? Why or why not? How would this reduce complexity and reduce costs? Which costs would be reduced?*

(c) *Would your view change if amortisation of goodwill were to be reintroduced? Why or why not?*

IPA response

As noted in our covering letter, the institute believes that there is a failure to value appropriately identifiable intangibles and these are often understated and goodwill consequently overstated. The IPA is sceptical about the issues raised on the valuation of customer relationships; we are aware of preparers with sophisticated models used to determine 'customer lifeline value' used to support customer-acquisition-and-retention business cases.

The IPA is of the view that separate identification and appropriate measurement enhances users' understanding of an entity and management accountability.

Question 13

IFRS 3 is converged in many respects with US generally accepted accounting principles (US GAAP). For example, in accordance with both IFRS 3 and US GAAP for public companies, companies do not amortise goodwill. Paragraphs 6.2 – 6.13 summarise an Invitation to Comment issued by the US Financial Accounting Standards Board (FASB).

Do your answers to any of the questions in this Discussion Paper depend on whether the outcome is consistent with US GAAP as it exists today, or as it may be after the FASB's current work? If so, which answers would change and why?

IPA response

The IPA responses are independent from US GAAP.

Question14

Do you have any other comments on the Board's preliminary views presented in this Discussion Paper? Should the Board consider any other topics in response to the PIR of IFRS 3?

IPA response

In addition to the matters addressed in our covering letter the IPA believes that the IASB should consider:

- Amortisation of customer relationships: The IPA is concerned that straight-line amortisation commonly used for customer relationships does not adequately represent the actual 'stickiness' of certain cohorts of customers and IAS 38 provides insufficient guidance on nuances of customer behaviour and retention
- Recognition of customer acquisition costs: While the introduction of IFRS 15 *Revenue from Contracts with Customers* allows limited recognition of customer-acquisition costs, the IPA believes that recognition criteria fail to represent actual costs incurred. The IPA is aware that customer-acquisition models are more nuanced about customer-acquisition costs and are used in conjunction with CLV to support customer-acquisition business cases. Given that much customer-acquisition activity is supported by robust customer-acquisition models and business cases based on CLV, the institute believes that there is a strong case for bringing recognition of customer intangibles into line with commercial considerations

- Impairment trend concerns: The IPA is concerned with a trend to treat impairments of goodwill as an adjustment to ‘underlying earnings’. The institute thinks that such a practice reduces management accountability for the outcomes of business combinations. As part of the *General Presentation and Disclosures* project, we think that the IASB should include commentary indicating that impairment of goodwill is not an unusual expense.