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tk/ga

Submitted to: comentletters@ifrs.org

Dear Mr. Hoogervorst,

Comments on Discussion Paper DP/2020/1 Business Combinations – Disclosures, Goodwill and Impairment

We welcome the opportunity to comment on the DP proposals as follows. The DGRV - German Cooperative and Raiffeisen Confederation represents both the umbrella organisation and auditing association of the German cooperative sector with over 20 million members in about 5.350 mostly small and medium sized cooperative entities.

In general, we appreciate the IASB's efforts to improve and simplify accounting for goodwill and the provision of useful information about acquisitions to users.

However, with respect to the overall task the decisive question concerns the reintroduction of amortisation of goodwill which we support. Thus, the Board's intention in the discussion paper should not be, if or how the mandatory quantitative impairment test for goodwill could be made more effective and how useful the subsequent information about the performance of an acquisition would be.

Therefore, we limit our comment to question 1 of the questionnaire regarding the objective of the Board's research project.

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?**

We do not agree with the Board's decision not to reintroduce amortisation of goodwill (see IN9 (c)). Instead, we share the view of other Board members according to IN34 advising to reintroduce amortisation of goodwill.

We argue:

- a) It has proved infeasible to create an impairment test that is significantly more effective in recognising impairment losses of goodwill on a timely basis. The Board should reintroduce goodwill amortisation responding to the fact that the quantitative impairment test is not robust enough to recognise impairment losses on a timely basis.
- b) Carrying amounts of goodwill in Germany have been increasing. We see evidence that without adequate annual amortisation costs companies' management is not properly accountable for its acquisition decisions. Therefore, amortisation is needed to maintain the integrity and credibility of financial statements.
- c) Goodwill is a depreciable asset with a finite useful life. So, reintroducing amortisation is the only way to show that parts of goodwill have been consumed.
- d) Without amortisation of goodwill self-generated value is capitalised.

If you have further questions, please do not hesitate to contact us.

Yours sincerely,

DGRV – German Cooperative and Raiffeisen Confederation

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