Dear Russ,

I am writing on behalf of the Autorité des normes comptables (ANC) to express our views in the context of the above-mentioned Invitation to Comment. We welcome the opportunity to share our most recent positions on the subsequent evaluation of goodwill, stemming in particular from our answer to the 2017 EFRAG consultation on this topic¹, bearing in mind that this debate is not currently open in our jurisdiction and that should we organise an extensive due process on this topic it might lead to further views or comments. As a consequence, under this caveat, we restrict our comments below to our most recently-expressed general views which we hope may contribute to your own process.

An analysis conducted by EFRAG in 2016, following joint work with ASBJ and OIC², suggests that goodwill does not appear as a major concern regarding the quality of financial information or systemic financial stability, even if some sectors may deserve specific attention. The correlation between impairment loss and financial markets outlooks has been reasonably good, suggesting that the impairment process was generally conducted in a reasonably timely manner (with a limited number of counter-examples related more to governance issues and poor judgement than to accounting issues). The update analysis made by HKICPA and ASBJ staff, presented during the last IFASS meeting, does not provide in our view new evidence that the impairment method should be reconsidered.

From a general standpoint, ANC is in favour of a stable accounting platform if no new and substantial issues are at stake. As regards goodwill and its evaluation, we observe that it is not considered that « the

¹ ANC comment Letter, dated 17th January 2018, on EFRAG’s discussion paper “Goodwill Impairment test: can it be improved?”
² “What do we know about goodwill and impairment? A quantitative Study”, 2016
current model is broken » and therefore we are not in favour of amending again accounting standards by reintroducing goodwill amortisation, in particular for the following reasons:

- From a relevance perspective, there is neither compelling conceptual evidence for or against goodwill amortisation, nor clear-cut argument regarding the cost/benefit analysis. In addition we note that the introduction of amortisation would not remove the potential need for impairment, in particular in the period immediately following an acquisition which is the most critical and sensitive. While stakeholders’ differing perspectives may explain why this issue appears as a recurring challenge for standards setters, they do not per se justify a periodic shift in accounting standards. In this context, opting for one or the other approach is generally perceived as a somewhat « conventional » matter and changing standards would induce a disruption in the accounting environment without convincing reasons. In addition we observe that users are generally factoring in for their analyses such a dimension and currently know how to address the potential questions at stake. Therefore the recognition of the existence of this « conventional » dimension does not suggest that introducing an accounting choice, on the grounds of the similar relevance of both evaluation methods, should be considered. Indeed, allowing alternative accounting treatments for the same accounting phenomenon, such as amortisation or impairment for goodwill evaluation, might introduce a risk on comparability and thus the usefulness of financial statements, in particular for listed entities for which comparability is paramount,

- From a preparer’s or user’s point of view, many consider that the annual impairment test is a relevant exercise that is generally useful not only for proper accounting and financial information purposes, but also for management purposes. Impairment testing has made significant progress since the implementation of this methodology and is now perceived as an important attribute of management’s accountability. This does not imply in our view that further progress cannot be accomplished within the confines of the currently prevailing standards in order to improve and simplify their implementation.

Please do not hesitate to contact us should you want to discuss any aspect of this letter.

Best regards.

Yours sincerely,

Patrick de Cambourg