



Exposure Draft

Proposed Accounting Standards for Private Enterprises

Relief from Recognition of Acquired Intangible Assets and Amortization of Goodwill

October 2025

This Exposure Draft closes for comments on January 31, 2026.

The Accounting Standards Board (AcSB) welcomes feedback from any interested party on any or all questions posed in this Exposure Draft.

You can provide feedback to the AcSB on the proposals in a variety of ways:

- Connect directly with the Board by attending a discussion session on this Exposure Draft. Session dates and registration information will be posted to the [Subsequent Measures of Goodwill and Acquired Intangibles](#) project page.
- Write a response letter and upload it via our [online form](#). Response letters can be addressed to:

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Note: Response letters will be posted online shortly after this Exposure Draft closes for comment. Confidentiality can be requested when uploading letters via the online form.

Helpful tips when participating in a consultation:

- Comments are most helpful if they relate to a specific paragraph or group of paragraphs found in the Exposure Draft.
- If you identify a potential issue in this Exposure Draft's proposals, we encourage you to clearly explain the issue and include a suggested alternative, supported by specific reasoning.
- The AcSB does not expect you to respond to every single question posed – only those to which you feel you can or should respond to.

HIGHLIGHTS

The AcSB proposes, subject to comments received following exposure, to amend BUSINESS COMBINATIONS, [Section 1582](#), and GOODWILL AND INTANGIBLE ASSETS, [Section 3064](#) in Part II of the CPA Canada Handbook – Accounting Standards for Private Enterprises.¹ These proposed amendments address accounting for:

- intangible assets acquired in a business combination; and
- the subsequent measurement of goodwill.

The amendments will apply to private profit-oriented enterprises applying the standards in [Part II](#) of the Handbook, as relevant. The amendments will also apply to not-for-profit organizations (NFPOs) using the standards in Part II of the Handbook, as relevant.

Background

In March 2024, the AcSB approved a standard-setting project to allow private enterprises and, to the extent impacted, NFPOs to amortize goodwill and to provide relief from recognizing intangible assets acquired in a business combination. Feedback from earlier outreach activities indicated a strong preference for simplification, with particular support to explore eliminating separate recognition for intangible assets and amortizing goodwill.

The AcSB reviewed research and feedback from its [Private Enterprise Advisory Committee](#), [Medium and Small Practitioners Advisory Committee](#) and [Not-for-Profit Advisory Committee](#) on the challenges of measuring goodwill and recognizing acquired intangible assets. Overall, members strongly supported the Board's project to explore amortization of goodwill and relief from recognizing intangible assets. The Committees raised concerns about the cost and complexity of goodwill impairment tests, and the limited utility of goodwill information for financial statement users in many situations. Similarly, they noted the high cost and limited value of fair valuing intangible assets upon acquisition, with specific concern about the burden on smaller businesses.

To ensure well-informed proposals and to expedite the project, the AcSB conducted extensive preliminary outreach with 167 interested and affected parties across Canada, rather than issuing a consultation paper. This outreach included discussions with its [Private Enterprise Advisory Committee](#), [Medium and Small Practitioners Advisory Committee](#), [Not-for-Profit Advisory Committee](#), [Agriculture Advisory Group](#), financial statement users and broader public engagement. Through these discussions, the Board heard from financial statement users, preparers, practitioners, academics, valuation experts and regulators. After considering the feedback, the Board proposes to amend [Section 1582](#) and [Section 3064](#) to introduce these optional simplifications.

Main features of the Exposure Draft

The following summarizes the proposed amendments.

Relief from recognition of identifiable intangible assets acquired in a business combination (relief)

- provides an accounting policy choice to elect the relief, which must be applied consistently across all business combinations;
- entities electing the relief are required to amortize their goodwill;
- applies to all intangible assets acquired in a business combination; and
- requires disclosures on qualitatively significant intangible assets subsumed into goodwill that are readily identifiable. These disclosures are only required in the year of the business combination.

¹ Material that links to the CPA Canada Handbook is available to subscribers only. However, all information needed to respond is provided in this Exposure Draft.

Subsequent measurement of goodwill (goodwill amortization)

- provides an accounting policy choice to amortize goodwill (i.e., entities that do not elect the relief and choose to recognize identifiable intangible assets separately at fair value can make an accounting policy choice to amortize goodwill);
- the policy choice must be applied consistently to all business combinations; and
- for entities amortizing goodwill, goodwill is amortized on a straight-line basis over a default period of five years, unless the entity can demonstrate that a different useful life, not exceeding 10 years, is more appropriate.

Timing of adoption and transitional provisions

The AcSB expects to issue the final amendments in the second quarter of 2027. The proposals would apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029, with early application permitted.

Consequential amendments

This Exposure Draft also proposes consequential amendments to the following paragraphs:

- Paragraph 3064.73 to include an additional example of an impairment indicator related to the sale of an intangible asset that was not separately identified and recognized. This proposed amendment addresses scenarios where an intangible asset, previously subsumed into goodwill, is subsequently sold.
- In INVESTMENTS, paragraph 3051.11, to require amortization of the amount that is similar to goodwill arising from investments accounted for using the equity method when an entity amortizes its goodwill.
- In ACCOUNTING CHANGES, paragraph 1506.09, to allow an entity to change its accounting policies with respect to the relief and the subsequent measurement of goodwill without meeting the reliable and more relevant information criterion in paragraph 1506.06(b).
- Paragraph 1506.10(c), in combination with new paragraphs 1582.65A and 3064.94A, to:
 - provide an optional simplified approach for entities voluntarily changing their accounting policy to no longer apply the relief; and
 - require entities voluntarily changing their accounting to no longer amortize goodwill to apply this change in accounting policy prospectively.
- In FIRST-TIME ADOPTION, paragraph 1500.11, and in FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, paragraph 1501.12, to allow a first-time adopter that elects the business combinations exemption from retrospectively applying [Section 1582](#) to also:
 - apply the relief to past business combinations at the date of transition to Accounting Standards for Private Enterprises (ASPE) (or Accounting Standards for Not-for-Profit Organizations (ASNPO)), when it chooses an accounting policy not to recognize identifiable intangible assets acquired in a business combination; and
 - retrospectively adjust its goodwill balance at the date of transition to ASPE (or ASNPO), when it chooses an accounting policy to amortize goodwill.

Plans for finalizing the proposals

The AcSB will deliberate the proposals in light of the comments received. Part of the deliberation process may include consulting with the Board's [Private Enterprise Advisory Committee](#), [Medium and Small Practitioners Advisory Committee](#) and [Canadian Private Enterprise User Advisory Committee](#).

These Committees assist the Board in maintaining and improving ASPE. The Board will also consult with other interested and affected parties through targeted outreach activities.

The AcSB will provide updates about its deliberations in its [decision summaries](#) and on the [project page](#). Once the deliberation process is complete and the due process procedures for finalizing a standard are carried out, the Board plans to issue the amendments in the second quarter of 2027 if no significant changes are required to the proposals.²

Comments requested

While the AcSB welcomes comments on all aspects of the proposal in this Exposure Draft, it particularly welcomes comments on the questions listed below:

1. The AcSB proposes relief from recognition of all identifiable intangible assets acquired in a business combination (relief) to reduce the financial reporting burden. The Board proposes that the relief be provided as an accounting policy choice, applied consistently across all business combinations. The Board also proposes that entities electing the relief are required to amortize goodwill.
 - (a) Do you agree with the proposal to introduce optional relief? If not, why not?
 - (b) Do you agree with the proposal that the relief should be provided as an accounting policy choice? If not, why not?
 - (c) Do you agree with the proposal that the accounting policy choice to elect the relief be applied consistently across all business combinations? If not, why not?
 - (d) Do you agree with the proposal to require that entities electing the relief to also amortize goodwill? If not, why not?
 - (e) Do you agree with the proposal to apply the relief to all identifiable intangible assets acquired in a business combination? If not, which types of identifiable intangible assets should be included in the scope of the relief and what criteria should be used to determine their inclusion?
2. The AcSB proposes adding disclosure requirements for entities electing the relief. These requirements include a general description of the nature of each qualitatively significant intangible asset included in goodwill that is readily identifiable. The Board also proposes that these disclosures be provided only in the year of the business combination.
 - (a) Do you agree with the proposed disclosure requirements? If not, why not and what alternatives should the Board consider?
 - (b) Do you agree with the proposal that these disclosures be provided only in the year of the business combination? If not, why not and what alternatives should the Board consider?
3. The AcSB proposes that goodwill amortization be provided as an accounting policy choice for entities not electing the relief, to be applied consistently across all business combinations. Do you agree with this proposal? If not, why not?
4. The AcSB proposes that, for entities amortizing goodwill, goodwill is amortized on a straight-line basis over a default period of five years, unless the entity can demonstrate that another useful life, not exceeding 10 years, is more appropriate.
 - (a) Do you agree with the proposal to provide a default goodwill amortization period? If not, why not?
 - (b) Do you agree with the proposal that the default goodwill amortization period be set at five years? If not, why not and what alternatives should the Board consider?

² See the Due Process Specifically Related to Domestic Standards in the [AcSB Standard-Setting Due Process Manual](#).

- (c) Do you agree with the proposal to limit the goodwill amortization period to 10 years? If not, why not and what alternatives should the Board consider?
 - (d) Do you agree with the proposed amendments to paragraph 3064.91 to require disclosures for goodwill subject to amortization? If not, why not and what alternatives should the Board consider?
5. The AcSB proposes to amend paragraph 1506.09 to allow an entity to change its accounting policies with respect to the relief and the subsequent measurement of goodwill without meeting the reliable and more relevant information criterion in paragraph 1506.06(b). The Board also proposes an optional simplified approach for entities voluntarily changing their accounting policy to no longer apply the relief. In addition, the Board proposes to require entities voluntarily changing their accounting to no longer amortize goodwill to apply this change in accounting policy prospectively.
- (a) Do you agree with the proposal to allow an entity to change its accounting policies with respect to the relief and the subsequent measurement of goodwill without meeting the reliable and more relevant information criterion in paragraph 1506.06(b)? If not, why not?
 - (b) Do you agree with the proposal to require entities voluntarily changing their accounting policies to use the relief or to amortize goodwill to apply the change retrospectively, as per the requirement in paragraph 1506.10(c)? If not, why not?
 - (c) Do you agree with the proposal to provide an optional simplified approach for entities voluntarily changing their accounting policy to no longer apply the relief? If not, why not and what alternatives should the Board consider?
 - (d) Do you think that the proposed Illustrative Example in [Section 1582](#) is helpful in illustrating the application of the optional simplified approach for entities voluntarily changing their accounting policy to no longer apply the relief? If not, why not?
 - (e) Do you agree with the proposal to require entities voluntarily changing their accounting policy to no longer amortize goodwill to apply this change prospectively? If not, why not?
6. The AcSB proposes amendments to paragraphs 1500.11 and 1501.12 to allow a first-time adopter to retrospectively apply the accounting policy choice to use the relief and/or to amortize goodwill at the date of transition to ASPE (or ASNPO) when it elects the business combinations exemption from retrospectively applying [Section 1582](#). Do you agree with this proposal? If not, why not?
7. The AcSB proposes a consequential amendment to paragraph 3051.11. Do you think these consequential amendments adequately support the practical application of the equity method? If not, why not?
8. The AcSB proposes that the amendments be effective for fiscal years beginning on or after January 1, 2029, with earlier application permitted. The Board also proposes that the amendments be applied retrospectively.
- (a) Do you agree that the proposed amendments should be applied for annual periods beginning on or after January 1, 2029, with earlier application permitted? If not, why not?
 - (b) Do you agree that the proposed amendments should be applied retrospectively? If not, why not?

The deadline for submitting your comment letter to the AcSB is January 31, 2026. Comment on this document by uploading your response letter via this [online form](#).

PROPOSALS

AMENDMENTS TO ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES IN PART II OF THE CPA CANADA HANDBOOK – ACCOUNTING

Amendments would be made to the following Sections as indicated below. This Exposure Draft denotes new text by underlining and deleted text by strikethrough.

BUSINESS COMBINATIONS, Section 1582

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Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

.11 *As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, subject to the accounting policy choice in paragraph 1582.11A and the conditions specified in paragraphs 1582.12-.13.*

Relief from recognition of identifiable intangible assets acquired in a business combination

.11A *In accounting for identifiable intangible assets acquired in a business combination, the acquirer shall make an accounting policy choice to either:*

- (a) *separately recognize from goodwill the identifiable intangible assets acquired, subject to the conditions specified in paragraphs 1582.12-.13; or*
- (b) *include all identifiable intangible assets acquired in goodwill if, and only if, the acquirer has an accounting policy to amortize goodwill in accordance with GOODWILL AND INTANGIBLE ASSETS, paragraph 3064.69.*

This accounting policy choice shall be applied consistently to all business combinations. In making this accounting policy choice, the acquirer need not meet the criterion in ACCOUNTING CHANGES, paragraph 1506.06(b).

Recognition conditions

...

DISCLOSURE

- .61 *The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either:*
- (a) *during the current reporting period; or*
 - (b) *after the end of the reporting period but before the financial statements are completed.*
- .62 To meet the objective in paragraph 1582.61, the acquirer shall disclose the following information for each material business combination:
- (a) the name and a description of the acquiree;
 - (b) the acquisition date;
 - (c) the percentage of voting equity interests acquired;
 - (d) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:
 - (i) cash;
 - (ii) liabilities incurred (for example, a liability for contingent consideration); and
 - (iii) equity interests of the acquirer, including the number of instruments or interests issued or issuable; and
 - (e) a description of the arrangement and the basis for determining the amount of the payment for contingent consideration arrangements and indemnification assets.
 - (f)-(i) (deleted)
 - (j) if the acquirer makes an accounting policy choice in accordance with paragraph 1582.11A(b) to include in goodwill all identifiable intangible assets acquired in a business combination, a general description of the nature of each qualitatively significant intangible asset included in goodwill that is readily identifiable.

...

CHANGE IN ACCOUNTING POLICY

- .65A When an enterprise changes its accounting policy voluntarily to cease including in goodwill all identifiable intangible assets acquired in a business combination, it may apply the change in accounting policy retrospectively in accordance with ACCOUNTING CHANGES, Section 1506, or it may do so using the approach below:
- (a) The acquirer shall separately recognize all identifiable intangible assets that were previously subsumed into goodwill, to the extent that they would qualify for recognition in accordance with accounting standards for private enterprises in the acquiree's balance sheet. For example, identifiable intangible assets, such as a brand name, a patent or a customer relationship, that the acquiree did not recognize in its financial statements applying accounting standards for private enterprises, shall not be recognized by the acquirer.
 - (b) The identifiable intangible assets shall be recognized and measured at the acquisition date by the acquirer on the same measurement basis that accounting standards for

private enterprises would require in the balance sheet of the acquiree. This would usually correspond to the carrying amount of the intangible asset in the balance sheet of the acquiree at the acquisition date.

- (c) At the time of the change in accounting policy, the net carrying amount of each intangible asset that is separately recognized shall be derecognized from the current period opening goodwill balance. If the goodwill balance is insufficient or fully amortized, any remaining value shall be adjusted against the current period opening retained earnings. The net carrying amount shall include amortization of the separately recognized identifiable intangible assets as if they had been recognized separately by the acquirer since the acquisition date, in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064. Past amortization of goodwill and impairments shall not be reversed.
- (d) Any intangible asset previously included in goodwill and recognized separately upon a change in accounting policy, as well as any remaining goodwill balance, shall be tested for impairment in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, at the time the acquirer changes its accounting policy. Any impairment loss recognized under this requirement shall be included in the earnings for the current period.
- (e) The acquirer shall not apply ACCOUNTING CHANGES, paragraph 1506.35(c)-(d). Instead, the acquirer shall disclose the effects of the change in accounting policy by restating balances only as of the beginning of the current period.

...

EFFECTIVE DATE AND TRANSITION

...

- .76 Amendments to paragraphs 1582.11, 1582.A22, 1582.A24, 1582.A28 and 1582.A31-A32 and new paragraphs 1582.11A, 1582.62(j) and 1582.65A issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

APPENDIX

APPLICATION GUIDANCE

This Appendix is an integral part of the Section.

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RECOGNIZING PARTICULAR ASSETS ACQUIRED AND LIABILITIES ASSUMED (application of paragraphs 1582.11-.14)

Operating leases

- A21 The acquirer shall recognize no assets or liabilities related to an operating lease in which the acquiree is the lessee except as required by paragraphs 1582.A22-.A23.
- A22 The acquirer shall determine whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The acquirer shall recognize an intangible asset if it made an accounting policy choice in accordance with paragraph 1582.11A(a) to separately recognize identifiable intangible assets acquired, and the terms of an operating lease are favourable relative to market terms. The acquirer shall recognize ~~and~~ a liability if the terms are unfavourable relative to market terms. Paragraph 1582.A35 provides guidance on measuring the acquisition-date fair value of assets subject to operating leases in which the acquiree is the lessor.

...

Intangible assets

- A24 If the acquirer made an accounting policy choice in accordance with paragraph 1582.11A(a), it ~~The acquirer~~ shall recognize, separately from goodwill, the identifiable intangible assets acquired in a business combination. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion.

...

Reacquired rights

- A28 As part of a business combination, an acquirer may reacquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognized or unrecognized assets. Examples of such rights include a right to use the acquirer's trade name under a franchise agreement or a right to use the acquirer's technology under a technology licensing agreement. A reacquired right is an identifiable intangible asset that the acquirer recognizes separately from goodwill if it made an accounting policy choice in accordance with paragraph 1582.11A(a) to separately recognize identifiable intangible assets acquired. Paragraph 1582.31 provides guidance on measuring a reacquired right and paragraph 1582.57 provides guidance on the subsequent accounting for a reacquired right.

...

Assembled workforce and other items that are not identifiable

...

- A31 The acquirer also subsumes into goodwill any value attributed to items that do not qualify as assets at the acquisition date. For example, the acquirer might attribute value to potential contracts the acquiree is negotiating with prospective new customers at the acquisition date. Because those potential contracts are not themselves assets at the acquisition date, the acquirer does not recognize them separately from goodwill. The acquirer should not subsequently reclassify the value of those contracts from goodwill for events that occur after the acquisition date. However, if the acquirer made an accounting policy choice in accordance with paragraph 1582.11A(a) to separately recognize identifiable intangible assets acquired, it the acquirer should assess the facts and circumstances surrounding events occurring shortly after the acquisition to determine whether a separately recognizable intangible asset existed at the acquisition date.
- A32 After initial recognition, an acquirer accounts for separately recognized intangible assets acquired in a business combination in accordance with the provisions of GOODWILL AND INTANGIBLE

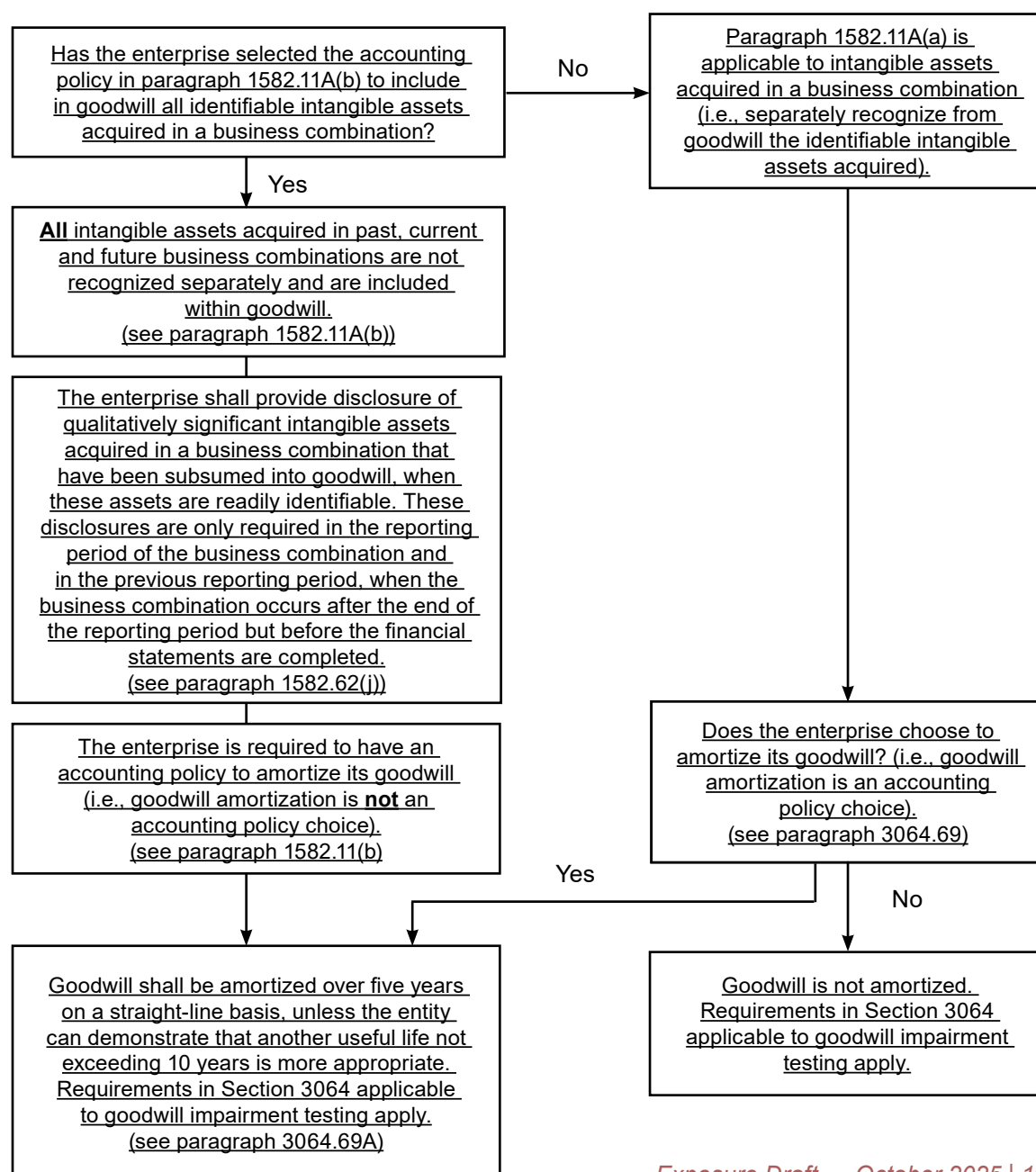
ASSETS, Section 3064. However, as described in paragraph 3064.03, the accounting for some acquired intangible assets after initial recognition is prescribed by other Sections.

...

DECISION TREE – DETERMINING ACCOUNTING POLICIES FOR IDENTIFIABLE INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION AND SUBSEQUENT GOODWILL ACCOUNTING

This material is illustrative only.

This decision tree illustrates the process for determining accounting policies related to the accounting for identifiable intangible assets acquired in a business combination and the subsequent accounting for goodwill under GOODWILL AND INTANGIBLE ASSETS, Section 3064. It guides enterprises through the election of accounting policies on whether to include all identifiable intangible assets in goodwill and the interaction with the policy to amortize goodwill, as described in paragraph 1582.11A.



This example illustrates how the accounting treatment specified in this Section might be applied in a particular situation. Matters of principle relating to particular situations should be dealt with in the context of this Section.

Change in accounting policy

The following example illustrates the application of paragraph 1582.65A when voluntarily applying a change in accounting policy to cease including in goodwill all identifiable intangible assets acquired in a business combination.

Entity Alpha acquired Entity Beta on January 1, 20X2, and accounted for the business combination using the acquisition method in accordance with BUSINESS COMBINATIONS, Section 1582.

Entity Alpha acquired the following intangible assets in the business combination:

- client list;
- brand name; and
- license.

Of the above intangible assets, only the license was recognized in Entity Beta's financial statements, which were prepared in accordance with accounting standards for private enterprises. Entity Beta purchased the license on January 1, 20X0, for \$200, with a remaining useful life of 20 years. On January 1 20X2, at the time Entity Beta was acquired by Entity Alpha, the license had a carrying value of \$180 on Entity Beta's balance sheet.

Entity Alpha made the accounting policy choice in accordance with paragraph 1582.11A(b) to include in goodwill all identifiable intangible assets acquired in a business combination. As a result, Entity Alpha did not separately recognize any intangible assets related to this acquisition. These intangible assets were instead included in goodwill. Entity Alpha decided to amortize the resulting goodwill of \$1,000 on a straight-line basis over a five-year period, as permitted by GOODWILL AND INTANGIBLE ASSETS, paragraph 3064.69A.

On January 1, 20X8, Entity Alpha voluntarily changes its accounting policy, to separately recognize from goodwill identifiable intangible assets acquired in a business combination. Instead of applying this change in accounting policy retrospectively as defined in ACCOUNTING CHANGES, paragraph 1506.05(d), Entity Alpha decides to apply the requirements in paragraph 1582.65A, as follows:

- Entity Beta's client list and brand name are not separately recognized by Entity Alpha, as they would not qualify for recognition under accounting standards for private enterprises in Entity Beta's balance sheet.
- The license is separately recognized by Entity Alpha, as it qualified for separate recognition in accordance with accounting standards for private enterprises in Entity Beta's balance sheet.
- The license is recognized and measured at a net carrying amount of \$120 in Entity Alpha's financial statements. This value corresponds to the carrying amount of \$180 in Entity Beta's balance sheet as at the acquisition date (January 1, 20X2) less the accumulated amortization since the acquisition date of \$60.
 - Since the goodwill from the acquisition was fully amortized by the change in accounting policy date, Entity Alpha adjusts the current period opening retained earnings by \$120. Past amortization of goodwill and impairments are not reversed.
 - The license is tested for impairment in accordance with GOODWILL AND INTANGIBLES, Section 3064, at the time Entity Alpha changes its accounting policy. Any impairment loss on the license is recognized in earnings for the current period.
 - If Entity Alpha had a remaining goodwill balance after adjusting for the net carrying amount of separately recognized intangible assets, the goodwill would also need to be tested for impairment in accordance with Section 3064.

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...

GOODWILL**Recognition and measurement**

.69 ~~Goodwill shall be recognized on an enterprise's balance sheet at the amount initially recognized, less any write-down for impairment. In accounting for goodwill, an entity shall make an accounting policy choice to either:~~

- (a) recognize goodwill on the enterprise's balance sheet at the amount initially recognized, less any write-down for impairments (i.e., an impairment-only model); or
- (b) recognize goodwill on the enterprise's balance sheet at the amount initially recognized less accumulated amortization and any write-down for impairments (i.e., an amortization and impairment model).

This accounting policy choice shall be applied consistently to goodwill resulting from all business combinations and equity method goodwill resulting from all investments accounted for using the equity method (see INVESTMENTS, paragraph 3051.11). In making this accounting policy choice, the entity need not meet the criterion in ACCOUNTING CHANGES, paragraph 1506.06(b). However, goodwill shall be amortized if the entity's accounting policy is to include identifiable intangible assets acquired in a business combination in goodwill (see BUSINESS COMBINATIONS, paragraph 1582.11A(b)).

Subsequent measurement

- ~~.69A~~ Goodwill amortized in accordance with the accounting policy under paragraph 3064.69(b) shall be amortized on a straight-line basis over a five-year period, unless the enterprise can demonstrate that another useful life not exceeding 10 years is more appropriate.
- .70 Goodwill is ~~not~~ amortized. It is tested for impairment in accordance with this Section at a level of reporting referred to as a reporting unit.
- .71 Equity method goodwill is ~~not~~ amortized if the enterprise's accounting policy is to amortize goodwill (see INVESTMENTS, paragraph 3051.11).
- Recognition and measurement of an impairment loss**
- .72 Goodwill shall be tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value of the reporting unit.
- .73 Examples of such events or circumstances include, but are not limited to:
- (a) a significant adverse change in legal factors or in the business climate;
 - (b) an adverse action or assessment by a regulator;
 - (c) unanticipated competition;
 - (d) a loss of key personnel;
 - (e) a more-likely-than-not expectation that a significant portion or all of a reporting unit will be sold or otherwise disposed of;
 - (f) the testing for write-down or impairment of a significant asset group within a reporting unit; ~~or~~
 - (g) the recognition of a goodwill impairment loss in its separate financial statements by a subsidiary that is a component of the reporting unit; ~~or~~
 - (h) a sale or disposal of an intangible asset that was not separately identified and recognized.

...

DISCLOSURE

- .91 The financial statements shall disclose the following information:
- (a) for intangible assets subject to amortization:
 - (i) the net carrying amount in total and by major intangible asset class;
 - (ii) the aggregate amortization expense for the period; and
 - (iii) the amortization method used, including the amortization period or rate;
 - (b) the carrying amount in total and by major intangible asset class for intangible assets not subject to amortization; and
 - (c) the basis to account for internally generated intangible assets; and
 - (d) for goodwill subject to amortization:
 - (i) the net carrying amount in total;
 - (ii) the aggregate amortization expense for the period; and
 - (iii) the amortization period.

...

CHANGE IN ACCOUNTING POLICY

- .94A When an enterprise changes its accounting policy voluntarily to cease using the amortization model for goodwill, it shall apply this change in accounting policy prospectively as defined in ACCOUNTING CHANGES, paragraph 1506.05(g).

EFFECTIVE DATE AND TRANSITION

...

- .99 Amendments to paragraphs 3064.69-.71 and new paragraphs 3064.69A, 3064.73(h), 3064.91(d) and 3064.94A, issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

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CONSEQUENTIAL AMENDMENTS TO PART II OF THE CPA CANADA HANDBOOK – ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

The following significant consequential amendments to [Part II](#) of the Handbook have been identified. Additional text is denoted by underlining and deleted text by strikethrough.

FIRST-TIME ADOPTION, Section 1500

RECOGNITION, MEASUREMENT AND PRESENTATION

...

Exemptions from other standards

...

Business combinations

- .10 A first-time adopter may elect not to apply BUSINESS COMBINATIONS, Section 1582, retrospectively to past business combinations (business combinations that occurred before the date of transition to accounting standards for private enterprises). However, if a first-time adopter restates any business combination to comply with Section 1582, it restates all subsequent business combinations and also applies CONSOLIDATIONS, Section 1601, and NON-CONTROLLING INTERESTS, Section 1602, from that same date.
- .11 If a first-time adopter does not apply BUSINESS COMBINATIONS, Section 1582, retrospectively to a past business combination, this has the following consequences for that business combination:
- (a) The first-time adopter retains the same classification (for example, as an acquisition, a reverse acquisition or as a pooling of interests) as in its previous financial statements.
 - (b) At the date of transition to accounting standards for private enterprises, a first-time adopter recognizes all its assets and liabilities that were acquired or assumed in a past business combination, except for financial assets and liabilities derecognized in prior periods (see paragraph 1500.27) and intangible assets when an enterprise makes an accounting policy choice to include in goodwill all identifiable intangible assets acquired in a business combination (see paragraph 1500.11(f)). Any resulting change is accounted for by adjusting retained earnings unless the change results from the recognition of an intangible asset that was previously subsumed within goodwill.

- (c) The first-time adopter excludes from its opening balance sheet any item recognized under previous financial reporting standards that does not qualify for recognition as an asset or liability under accounting standards for private enterprises. Any resulting change is accounted for by adjusting retained earnings, unless the change results from an intangible asset that is reclassified as part of goodwill.
- (d) If an asset acquired, or liability assumed, in a past business combination was not recognized previously, it does not have a deemed cost of zero in the opening balance sheet. Instead, the acquirer recognizes and measures the item in its consolidated balance sheet on the basis that the standards would require in the balance sheet of the acquiree.
- (e) The carrying amount of goodwill in the opening balance sheet is recognized at its carrying amount in accordance with previous financial reporting standards at the date of transition to accounting standards for private enterprises, after the following adjustments:
 - (i) Goodwill is increased by the amount of any item recognized as an intangible asset under previous financial reporting standards that does not qualify for recognition as an intangible asset under accounting standards for private enterprises. Similarly, goodwill is decreased by the amount of any item recognized as an intangible asset under accounting standards for private enterprises that was not recognized as an intangible asset under previous financial reporting standards but was included in goodwill.
 - (ii) Goodwill is tested for impairment at the date of transition to accounting standards for private enterprises in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, if circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value of the reporting unit.
 - (iii) If the first-time adopter elects the accounting policy choice to amortize goodwill in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, it applies the accounting policy retrospectively. Goodwill is decreased by the amount of amortization relating to prior periods that was not recognized under previous financial reporting standards.
- (f) If the first-time adopter elects the accounting policy choice to include in goodwill all identifiable intangible assets acquired in a business combination in accordance with BUSINESS COMBINATIONS, Section 1582, it applies the accounting policy retrospectively to past business combinations.

...

EFFECTIVE DATE AND TRANSITION

...

.48 Amendments to paragraphs 1500.11(b) and new paragraphs 1500.11(e)(iii) and 1500.11(f), issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

...

ACCOUNTING CHANGES, Section 1506

...

CHANGES IN ACCOUNTING POLICIES

...

- .09 An enterprise may change the following accounting policies without meeting the criterion in paragraph 1506.06(b):
- (a) to consolidate subsidiaries, to account for them using the cost or equity method (see *SUBSIDIARIES*, Section 1591);
 - (b) to account for investments subject to significant influence using the cost or equity method (see *INVESTMENTS*, Section 3051);
 - (c) to account for interests in jointly controlled enterprises using the cost or equity method or by accounting for rights to the individual assets and obligations for the individual liabilities, in accordance with *INTERESTS IN JOINT ARRANGEMENTS*, Section 3056;
 - (d) to capitalize or expense expenditures on internally generated intangible assets during the development phase (see *GOODWILL AND INTANGIBLE ASSETS*, Section 3064);
 - (e) to measure a defined benefit obligation for defined benefit plans in which an actuarial valuation for funding purposes (funding valuation) is required to be prepared to comply with legislative, regulatory or contractual requirements using an actuarial valuation prepared for accounting purposes (accounting valuation) or the most recently completed funding valuation (see *EMPLOYEE FUTURE BENEFITS*, Section 3462);
 - (f) to account for income taxes using the taxes payable method or the future income taxes method (see *INCOME TAXES*, Section 3465);
 - (g) to initially measure the equity component of a financial instrument that contains both a liability and an equity component at zero (see *FINANCIAL INSTRUMENTS*, Section 3856);
 - (h) to determine the cost of agricultural inventories using full cost or only input costs (see *AGRICULTURE*, Section 3041); and
 - (i) to account for expenditures in a cloud computing arrangement using the simplification approach or the accounting policy to expense or capitalize expenditures that are specific to implementation activities, in accordance with *ACCOUNTING GUIDELINE AcG-20, Customer's Accounting for Cloud Computing Arrangements*;
 - (j) to separately recognize from goodwill or include in goodwill all identifiable intangible assets acquired in a business combination (see *BUSINESS COMBINATIONS*, Section 1582); and
 - (k) to subsequently measure goodwill using the impairment-only model or the amortization model (see *GOODWILL AND INTANGIBLE ASSETS*, Section 3064).

...

Applying changes in accounting policies

- .10 Subject to paragraph 1506.14:
- (a) an enterprise shall account for a change in accounting policy resulting from the initial application of a primary source of GAAP in accordance with the specific transitional provisions, if any, in that primary source of GAAP;
 - (b) when an enterprise changes an accounting policy upon initial application of a primary source of GAAP that does not include specific transitional provisions applying to that change, it shall apply the change retrospectively; and
 - (c) when an enterprise changes an accounting policy voluntarily, it shall apply the change retrospectively, except as:
 - (i) permitted by *AGRICULTURE*, paragraph 3041.23;
 - (ii) permitted by *BUSINESS COMBINATIONS* paragraph 1582.65A; and
 - (iii) required by *GOODWILL AND INTANGIBLE ASSETS* paragraph 3064.94A.

...

EFFECTIVE DATE AND TRANSITION

...

- .45 New paragraphs 1506.09(j)-.09(k) and amendments to paragraph 1506.10(c) issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

...

INVESTMENTS, Section 3051

INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE AND INTERESTS IN JOINTLY CONTROLLED ENTERPRISES

...

Equity method

...

- .11 Depreciation and amortization of investee assets are based on the assigned costs of such assets at the date(s) of acquisition. The portion of the difference between the investor's cost and the amount of its underlying equity in the net assets of the investee that is similar to goodwill (equity method goodwill) is ~~not~~ amortized if the investor's accounting policy is to amortize goodwill (see GOODWILL AND INTANGIBLE ASSETS, paragraphs 3064.69). No part of an impairment write-down of an investment accounted for by the equity method is presented in the income statement as a goodwill impairment loss (see ~~GOODWILL AND INTANGIBLE ASSETS~~, Section 3064). Similarly, no amortization of equity method goodwill is presented in the income statement as a goodwill amortization charge (see Section 3064).

EFFECTIVE DATE AND TRANSITION

...

- .46 Amendments to paragraph 3051.11, issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

CONSEQUENTIAL AMENDMENTS TO PART III OF THE CPA CANADA HANDBOOK – ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

The following significant consequential amendments to **Part III** of the Handbook have been identified. Additional text is denoted by underlining and deleted text by strikethrough.

FIRST-TIME ADOPTION BY NOT-FOR-PROFIT ORGANIZATIONS, Section 1501

RECOGNITION, MEASUREMENT AND PRESENTATION

...

Exemptions from other standards

...

Business combinations

(paragraph 1501.11 deleted)

- .12 A first-time adopter accounts for a past combination that was accounted for as an acquisition as follows:
- (a) The first-time adopter retains the same acquisition classification as in its previous financial statements.
 - (b) At the date of transition to accounting standards for not-for-profit organizations, a first-time adopter recognizes all its assets and liabilities that were acquired or assumed in a past combination, except for financial assets and liabilities derecognized in prior periods (see paragraph 1501.24) and intangible assets when an enterprise makes an accounting policy choice to include in goodwill all identifiable intangible assets acquired in a business combination (see paragraph 1501.12(f)). Any resulting change is accounted for by adjusting net assets unless the change results from the recognition of an intangible asset that was previously subsumed within goodwill.
 - (c) The first-time adopter excludes from its opening statement of financial position any item recognized under previous financial reporting standards that does not qualify for recognition as an asset or liability under accounting standards for not-for-profit organizations. Any resulting change is accounted for by adjusting net assets, unless the change results from an intangible asset that is reclassified as part of goodwill.
 - (d) If an asset acquired, or liability assumed, in a past combination was not recognized previously, it does not have a deemed cost of zero in the opening statement of financial position. Instead, the acquirer recognizes and measures the item in its consolidated statement of financial position on the basis that the standards would require in the statement of financial position of the acquiree.
 - (e) The carrying amount of any goodwill in the opening statement of financial position is recognized at its carrying amount in accordance with previous financial reporting standards at the date of transition to accounting standards for not-for-profit organizations, after adjustments from paragraph 1501.12(b)-(d) if the goodwill arose from the acquisition of a for-profit enterprise by a not-for-profit organization. If the goodwill arose from the acquisition of a not-for-profit organization, the goodwill is excluded from the opening statement of financial position and accounted for by adjusting net assets.
 - (i) Goodwill arising from a previous acquisition of a for-profit enterprise by a not-for-profit enterprise is increased by the amount of any item recognized as an intangible asset under previous financial reporting standards that does not qualify for recognition as an intangible asset under accounting standards for not-for-profit organizations. Similarly, goodwill is decreased by the amount of any item recognized as an intangible asset under accounting standards for not-for-profit organizations that was not recognized as an intangible asset under previous financial reporting standards but was included in goodwill.
 - (ii) Goodwill arising from a previous acquisition of a for-profit enterprise by a not-for-profit enterprise is tested for impairment at the date of transition to accounting standards for not-for-profit organizations in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, if circumstances indicate that the carrying amount of the goodwill may be impaired.
 - (iii) If the first-time adopter elects the accounting policy choice to amortize goodwill in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, it applies the accounting policy retrospectively. Goodwill is decreased by the amount of

amortization relating to prior periods that was not recognized under previous financial reporting standards.

- (f) If the first-time adopter elects the accounting policy choice to include in goodwill all identifiable intangible assets acquired in a business combination in accordance with BUSINESS COMBINATIONS, Section 1582, it applies the accounting policy retrospectively to past business combinations.

...

EFFECTIVE DATE AND TRANSITION

...

- .44 Amendments to paragraphs 1501.12(b) and new paragraphs 1501.12(e)(iii) and 1501.12(f), issued in [MONTH 2027], apply to annual financial statements relating to fiscal years beginning on or after January 1, 2029. Earlier application is permitted.

...

BASIS FOR CONCLUSIONS

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Introduction

- 1 This document summarizes considerations that the AcSB deemed significant in reaching its conclusions to amend BUSINESS COMBINATIONS, [Section 1582](#), and GOODWILL AND INTANGIBLE ASSETS, [Section 3064](#) in Part II of the Handbook. This document sets out the reasons the Board undertook to develop the amendments, the process of research and deliberation, the key decisions made and the principal reasons for adopting the positions taken and rejecting others.
- 2 In developing these proposals, the AcSB sought the advice of its [Private Enterprise Advisory Committee](#), [Medium and Small Practitioners Advisory Committee](#), [Not-for-Profit Advisory Committee](#) and [Agriculture Advisory Group](#). The Advisory Committees include financial statement users, auditors and preparers, with a range of backgrounds and experience from across Canada. Advisory Committee members include representatives from organizations of differing sizes and in a variety of industries. The Agriculture Advisory Group includes experts who reflect the broad diversity of practitioners and firms in Canada.
- 3 In developing these proposals, the AcSB also conducted preliminary outreach with 167 interested and affected parties across Canada between April and July 2024. This outreach included three public roundtables and several meetings with targeted groups, including preparers, financial statement users, practitioners, academics, regulators and valuation experts.

Background

- 4 [Part II](#) of the Handbook (or ASPE) currently requires the separate recognition of identifiable intangible assets acquired in a business combination and does not permit the amortization of goodwill.

- 5 Earlier feedback AcSB received regarding the priorities for [Part II](#) of the Handbook indicated a preference for simplification. There was a strong call from earlier outreach activities and from [Private Enterprise Advisory Committee](#) to explore the elimination of separate recognition for intangible assets and the amortization of goodwill. The feedback stressed the burden and cost associated with current practices, particularly for smaller businesses. Specifically, preparers have mentioned the cost and complexity of estimating the fair value of certain intangible assets acquired in a business combination and carrying out the goodwill impairment tests. In addition, the Board has received feedback that goodwill and quantitative information about some intangible assets may not be decision useful for financial statement users of private enterprises and NFPOs.
- 6 After hearing the preliminary feedback, the AcSB added to its 2023-2024 Annual Plan a project to advance its understanding on reporting challenges related to goodwill and intangible assets accounting.
- 7 In March 2024, after consulting with its Advisory Committees, the AcSB approved the [Subsequent Measurement of Goodwill and Acquired Intangible Assets](#) project. This standard-setting project would allow private enterprises and, to the degree impacted, NFPOs to:
 - (a) amortize goodwill; and
 - (b) provide relief from recognizing certain or all identifiable intangible assets acquired in a business combination.
- 8 To streamline the process while ensuring well-informed Exposure Draft proposals, the AcSB opted for extensive preliminary outreach, including public engagement, rather than issuing a consultation paper. As noted in paragraph 3 above, the Board conducted preliminary outreach between April and July 2024 with 167 interested and affected parties. Overall, participants supported the preliminary proposals to amortize goodwill and to provide relief from recognizing all identifiable intangible assets acquired in a business combination (relief). The Board considered this detailed feedback to further develop the proposals of this Exposure Draft.

Applicability to NFPOs

- 9 This Exposure Draft does not propose amendments to ASNPO in Part III of the Handbook, other than consequential amendments proposed to [Section 1501](#).
- 10 However, NFPOs apply ASPE in [Part II](#) of the Handbook to the extent that these standards address topics not addressed in [Part III](#) of the Handbook or when Part III standards require the application of the certain Part II requirements.
- 11 Specifically, NFPOs apply [Section 1582](#) when the acquisition method is elected to account for the acquisition of a for-profit entity. NFPOs also apply the requirements in [Section 3064](#) to subsequently measure goodwill. Consequently, certain NFPOs would be required to follow the proposals.

Effects analysis

Relief from recognition of identifiable intangible assets acquired in a business combination (relief)

- 12 The proposals to provide relief from separately recognizing identifiable intangible assets in business combinations aim to reduce the cost of preparing financial statements. The AcSB received feedback from its interested and affected parties that the current requirements to separately recognize intangible assets acquired in a business combination add significant reporting burden and costs on preparers. Financial statement users have indicated that they do not find this information particularly useful.

- 13 Financial statement users emphasized that they are more interested in how intangible assets impact future cash flows rather than their fair value at a given time. Consequently, the costs of performing a complete purchase price allocation to separately recognize intangible assets at their acquisition date fair value could outweigh the benefits users derive from having this information in the notes.
- 14 The AcSB recognizes that some entities may prefer to maintain the existing accounting to be largely consistent and comparable with entities reporting under other financial reporting frameworks or to facilitate a future transition to IFRS Accounting Standards. The cost of mandatorily applying these amendments may exceed the benefits for such entities, as they may become less comparable or may need to maintain separate accounts for their intangible assets. To mitigate this risk, the Board proposes that relief be provided as an accounting policy choice.
- 15 The proposal requiring entities that elect the relief to amortize their goodwill ensures that intangible assets are not indefinitely retained on the balance sheet once they are included in goodwill. The AcSB expects that this proposal will reduce the costs and burden on these entities by minimizing the need to regularly perform impairment tests.
- 16 The proposed disclosure requirement when the relief is elected specifically targets information likely to be material to users. The AcSB thinks that focusing on qualitatively significant intangible assets that are readily identifiable from transaction documentation or negotiations addresses concerns about excessive disclosure and the associated costs for preparers. This approach also ensures that useful information is still provided to users. Furthermore, the Board expects that the disclosed information will help users determine more easily whether they need additional information about an entity's intangible assets to better evaluate the intangible assets' financial impact on the business. This approach avoids the inclusion of insignificant details that may not affect users' decisions, thus ensuring that the benefits outweigh the costs of this proposal.

Subsequent measurement of goodwill (goodwill amortization)

- 17 The AcSB heard concerns about the cost and complexity of goodwill impairment tests and received feedback that goodwill provides limited useful information for financial statement users, including creditors and lenders. The proposals to permit entities to amortize goodwill aim to reduce the costs of preparing financial statements. Similar to the relief, an accounting policy choice is offered for entities that do not elect the relief. This allows entities that wish to maintain their existing practice of following an impairment-only model for goodwill:
 - (a) to facilitate a future transition to IFRS Accounting Standards;
 - (b) to ensure comparability with other entities that do not amortize goodwill; and
 - (c) to do so without incurring the costs of changing their current accounting practices or maintaining two approaches to measure goodwill.
- 18 While goodwill would remain subject to an impairment test in the presence of an indicator of impairment, the AcSB expects that impairment testing would be less likely if the carrying amount of goodwill decreases over time. This reduction in impairment testing frequency is expected to lower the costs and reporting burden on preparers.
- 19 The AcSB acknowledges that a default amortization period does not have strong conceptual merits and that ASPE does not currently provide default amortization periods for other assets. However, the Board thinks that providing an optional default amortization period is a practical and cost-effective approach, given the difficulty in predicting and supporting the useful life of goodwill and the limited usefulness of such information to users.
- 20 The AcSB recognizes that introducing accounting policy choices related to the recognition of intangible assets acquired in a business combination and the subsequent measurement of goodwill may lead to diversity among entities and reduced comparability. This may result in more cost and

complexity for financial statement users who would need to understand the options allowed under ASPE and adapt their processes to accommodate different accounting policy choices. However, given the preliminary feedback to date, the Board thinks that the benefit of simplified financial reporting, particularly for smaller entities, would exceed the cost to financial statement users.

- 21 The AcSB also considered the potential consequential effects of these proposals on agreements and other contractual clauses. For example, applying the proposals could impact compliance with financial covenants, bonus calculation payouts and other agreements. Users indicated that lending and related financial covenants are typically based on earnings before interest, tax, depreciation and amortization. Therefore, they would not expect a significant impact on financial covenants as a result of the proposals. However, the Board acknowledges that there could be some financial covenants impacted. The Board expects that preparers will carefully assess the impact on financial covenants, other agreements and clauses when deciding on their accounting policies for goodwill and intangible assets acquired in business combinations. This proactive approach will help ensure that any potential disruptions to financial covenants and agreements are managed effectively.
- 22 Having considered the effects of the proposed amendments, the AcSB expects that these proposals will result in improvements to the financial reporting of private enterprises and NFPOs, where applicable.

Proposed amendments

Relief from recognition of identifiable intangible assets acquired in a business combination (relief)

- 23 The AcSB received feedback from its interested and affected parties suggesting the elimination of the mandatory requirement to separately identify and recognize intangible assets acquired in business combinations at their acquisition-date fair value. This issue is particularly relevant for the many small entities that apply ASPE, as some receive qualified opinions to avoid the expense of hiring valuation experts to perform a purchase price allocation. Additionally, financial statement users have indicated that this information is not particularly decision useful.
- 24 Upon considering this feedback and the project's objective to simplify ASPE financial reporting and to reduce application costs without compromising users' information needs, the AcSB proposes to amend the requirements in [Section 1582](#). These proposed amendments will provide private enterprises, and to the extent impacted, NFPOs, relief from recognizing all identifiable intangible assets acquired in a business combination (relief). Instead, these intangible assets will be subsumed into goodwill. In developing these proposals, the Board also considered feedback from extensive preliminary outreach, which included public engagement.

Accounting policy choice

- 25 The AcSB considered whether the relief should be provided as an accounting policy choice. The Board discussed that offering relief as an accounting policy choice would allow entities to select the recognition and measurement basis for intangible assets that best meets their users' information needs and is most relevant to their specific circumstances. For example, an entity planning to go public may prefer to recognize acquired intangible assets separately to ease the transition to another financial reporting framework and ensure comparability with other publicly traded entities.
- 26 The AcSB acknowledges that offering relief as an accounting policy choice may result in diversity in practice and reduced comparability between entities. It could also be seen as increasing complexity for financial statement users. However, the Board thinks that that because ASPE are used by entities of various sizes, comparability may not be as critical for entities preparing financial statements under ASPE as it is for those in public markets. This is especially relevant considering the significant number of very small entities reporting under ASPE that could benefit from the option to use the relief and simplify their reporting processes.

- 27 The AcSB proposes to reduce further diversity by requiring that this accounting policy choice be applied consistently across all business combinations. The Board decided that these policy choices should not be applied on a transaction-by-transaction basis, as doing so would reduce comparability across business combinations executed by the same entity.
- 28 Most preliminary outreach participants supported providing relief as an accounting policy choice or had no concerns with this proposal. They emphasized the importance of introducing relief while also allowing entities to continue applying the current requirements under ASPE. Participants also noted that many entities would likely elect the relief, but highlighted scenarios where separately recognizing acquired intangible assets might be more relevant, such as when financial statement users need this information or when an entity intends to transition to IFRS Accounting Standards.

Mandatory goodwill amortization when relief is elected

- 29 The AcSB thinks entities electing the relief should be required to amortize their goodwill. This approach ensures that intangible assets are not indefinitely retained on the balance sheet once they are included in goodwill.
- 30 During the preliminary outreach, most participants agreed with the proposal that goodwill amortization should be mandatory when the relief is elected. However, a few participants expressed concerns that mandatory goodwill amortization could lead to some entities having negative equity, which might be negatively perceived by users. Additionally, there were concerns that indefinite-lived intangible assets included in goodwill would be amortized as a result. Despite these concerns, most users during the preliminary outreach indicated that they were indifferent to these effects, as their analysis typically focuses more on earnings before interest, taxes, depreciation and amortization. Furthermore, the AcSB noted that since the relief is optional, an entity could choose not to elect it and separately recognize indefinite-lived intangible assets on the balance sheet instead. In addition, entities concerned with negative equity could choose not to elect the relief and therefore would not be required to amortize goodwill.

Scope of relief

- 31 The AcSB's proposal includes all intangible assets acquired in a business combination within the scope of the relief. The Board decided to propose an extensive scope of relief after hearing from users who noted that the current information on intangible assets is generally not useful for their analysis. The cost and complexity of determining the fair value of the acquired intangible assets offer little to no benefit to users. These users also noted that most preparers they interact with rarely prioritize the accounting for intangible assets or perceive any benefit from their separation from goodwill.
- 32 Most lenders indicated that their decisions would not be affected if all the intangible assets were subsumed into goodwill, as their focus is on the cash flows and earnings before interest, taxes, depreciation and amortization. While lenders and other users may be interested in knowing that the entity owns certain intangible assets, specifically those generating distinct cash flows or with specific rights, they noted that they often obtain more detailed information directly from the entity. Some users emphasized that they are more interested in how intangible assets impact future cash flows than their fair value at a given time and generally prefer conducting their own valuation rather than relying on fair value figures in financial statements.
- 33 During the preliminary outreach, most participants expressed strong support for applying relief to all intangible assets acquired in a business combination. They emphasized that offering relief for only a subset of intangible assets would not be effective, as preparers would still need to incur significant audit and valuation costs to identify the acquired intangible assets and determine the fair value of those excluded from the scope of the relief.
- 34 The AcSB also heard concerns about some lenders accepting financial statements with qualified audit opinions regarding intangible assets that are currently included in goodwill. Additionally, it was noted that compilation engagements prepared using another basis of accounting are becoming

more common, as preparers and their users increasingly view identifying and determining the fair value of intangible assets acquired in business combinations as not worth the associated costs.

- 35 The AcSB understands that in certain sectors, such as technology and agriculture, the fair value of intangible assets may still be relevant to some financial statement users. The Board also acknowledges that the relief could lead to inconsistencies with other ASPE requirements for purchased intangible assets (e.g., licenses or quotas), as their recognition would depend on whether the entity acquired them directly or through a business combination. A relief applying to all intangible assets could also complicate a future transition to IFRS Accounting Standards. Furthermore, such relief would be broader than what is currently allowed by other national standard-setters, including U.S. generally accepted accounting principles (GAAP) for private companies and not-for-profit entities.
- 36 The AcSB heard strong opposition to the idea of allowing entities to selectively identify which intangible assets to recognize or to recognize only those intangible assets for which fair value is easily determined. While the fair value of certain intangible assets might be relevant for some users, most outreach participants suggested that entities could provide this information through voluntary note disclosures or that users could obtain this information directly from the entity. They cautioned that such selective recognition would introduce significant diversity in practice and complexity, undermining the consistency and comparability of financial statements.
- 37 A few preliminary outreach participants suggested limiting the scope of the relief to a subset of intangible assets by defining criteria to identify which intangible assets should be recognized. The AcSB discussed that introducing criteria to determine which intangible assets should be recognized or subject to relief would introduce significant complexity to the proposals. Furthermore, limiting relief to certain intangible assets would diminish its impact and fail to adequately reduce the reporting burden as entities would still have to incur significant valuation and audit costs. The Board also notes that, since the relief is optional, entities can choose not to elect it and instead separately recognize intangible assets on the balance sheet if they think this accounting policy choice would better meet their users' needs.
- 38 The AcSB considered the requirements in existing paragraph 1582.A22 and whether the scope of the relief should include intangible assets arising from operating leases with favourable terms or liabilities arising from operating leases with unfavourable terms relative to the market. The Board decided that intangible assets arising from operating leases with favourable terms would be included within the scope of the relief. However, liabilities arising from operating leases with unfavourable terms would not be within the scope of the relief and would therefore continue to be recognized separately when the relief is elected. The Board discussed that a financial statement user may view liabilities arising from unfavourable contract terms differently, and that relief from recognition of a liability would be beyond the project's scope.

Disclosures

- 39 The AcSB heard mixed feedback during the preliminary outreach on the need for disclosures if the relief is elected. Among users, some lenders felt more strongly than others about the importance of these disclosures, indicating that it was essential for them to know what intangible assets the entity held to assess their impact on future cash flows. Other lenders and private equity users thought this information was useful, but not crucial.
- 40 Consequently, preliminary outreach participants in favour of requiring disclosures thought they should be minimal, since users could ask for additional information if needed. User feedback indicated that disclosures of the most important or most material intangible assets or categories of intangible assets acquired would be sufficient for their needs. While some participants expressed concerns about whether entities would be able to identify material intangible assets without valuing them, others indicated that entities usually know what they purchase and what is material for their operations.

- 41 Many practitioners were against requiring qualitative disclosures of the intangible assets subsumed into goodwill, highlighting that significant work would have to be performed by auditors to ensure the completeness of such disclosure, leading to additional costs. They noted that ASPE are based on the assumption that users are informed and can ask for more information from the entity, and that entities could voluntarily disclose this information if they thought their users needed it. Practitioners were concerned that such disclosures would become boilerplate and vague. They also clarified that the cost and complexity of the current requirements arise from both identification and measurement of intangible assets acquired in a business combination. Therefore, the relief would not be as effective in reducing the financial reporting burden if it still requires identification and disclosure of all intangible assets acquired and included in goodwill.
- 42 The AcSB considered the alternative of not disclosing any intangible assets included in goodwill. While some users were indifferent to this information, the Board thinks that complete omission may compromise the usefulness of the financial statements. The Board also thinks that requiring disclosure of certain intangible assets acquired could alleviate some of the concerns raised in paragraph 35, for instance, in sectors where intangible assets may have some relevance to financial statement users. A minimal disclosure strikes a reasonable balance, maintaining the integrity of financial reporting and ensuring transparency about the composition of goodwill. Additionally, feedback from the preliminary public outreach indicated that targeted disclosure is useful, particularly for new users who might not be familiar with the business combination and the intangible assets involved. Some intangible assets could also be relevant for understanding future cash flows, making a reasonable level of disclosure beneficial.
- 43 The AcSB acknowledges these concerns but recognizes that qualitative disclosures about intangible assets included in goodwill can be a valuable starting point for users, encouraging further inquiries and analysis if necessary. Therefore, the Board thinks that disclosures should be provided when the relief is elected. To address some of the concerns, the Board proposes that the disclosures focus on a specific subset of intangible assets included in goodwill.
- 44 The AcSB thinks that requiring entities electing the relief to disclose a general description of the nature of each “qualitatively significant intangible asset included in goodwill that is readily identifiable” constitutes a reasonable compromise when those intangible assets are not separately recognized and measured at their acquisition-date fair value. Furthermore, providing these disclosures would not impose a significant burden, as entities typically have detailed knowledge of the significant assets acquired in a business combination.
- 45 The disclosure proposal uses terminology mostly consistent with ASPE to minimize complexity and facilitate easier application of the requirements. The term “significant” is already used in [Section 3064](#). Although the term “significant” is not specifically defined, it is widely used throughout ASPE, providing a familiar term for identifying and disclosing relevant intangible assets in the financial statements. The Board recognizes there may be concerns regarding the subjective nature of what constitutes significant, which could lead to quantitative assessments. However, the Board’s intent is not to create a burdensome process that involves a quantitative assessment to ensure completeness of the disclosure. Therefore, the Board proposes that the disclosures apply to “qualitatively significant” intangible assets. These intangible assets are typically characterized by their ability to generate significant economic benefits, are essential to sustain the business operations or have a substantial impact on the entity’s competitive advantage. Only those intangible assets that play a critical role in maintaining or significantly enhancing the entity’s business operations should be considered for disclosure.

- 46 The phrase “readily identifiable” is relatively consistent to terminology already used in ASPE.³ The AcSB considers readily identifiable intangible assets to be those that can be directly and clearly identified from the business combination documentation or negotiations. These assets are not challenging to identify because they are explicitly mentioned or clearly discernible in the transaction documents. The Board expects that identifying these assets should be straightforward and unambiguous.
- 47 The AcSB thinks that by focusing on qualitatively significant intangible assets that are readily identifiable from transaction documentation or negotiations, the disclosure proposal addresses concerns about excessive disclosure and the associated costs for preparers, while still ensuring useful information is provided to users. The proposed disclosure requirement specifically targets information that is likely to be material to users. Furthermore, focusing on readily identifiable intangible assets also ensures that the disclosed information has feedback value, by helping users determine more easily whether they need additional information about an entity’s intangible assets to better evaluate their financial impact on the business. This approach also avoids the inclusion of insignificant details that may not affect users’ decisions.
- 48 The AcSB notes that the disclosure proposal does not prevent an entity from voluntarily providing additional information about its intangible assets included in goodwill if management deems it relevant to its users. Entities may disclose further details if they think such information would enhance transparency and relevance, and provide greater insight into the composition of goodwill and its potential impact on future financial performance.

Disclosure period

- 49 The AcSB proposes that the disclosures related to intangible assets subsumed within goodwill be required only in the reporting period of the business combination and in the previous reporting period, when the business combination occurs after the end of the reporting period but before the financial statements are completed. This approach aims to reduce the ongoing reporting burden associated with tracking and disclosing these intangible assets in subsequent periods. The Board understands that most users will generally have direct access to management and can request prior period financial statements to obtain this information if needed.

Subsequent measurement of goodwill (goodwill amortization)

- 50 The AcSB heard concerns about the cost and complexity of goodwill impairment tests, and that goodwill provides limited useful information for financial statement users, including creditors and lenders. For instance, banks usually do not consider goodwill in lending decisions. The Board also notes that goodwill amortization was previously required until 2001 under the former Canadian GAAP, over a period not exceeding 40 years. In addition, goodwill is amortized in several other jurisdictions. For instance, the *IFRS for SMEs*[®] Accounting Standard requires goodwill to be amortized while U.S. GAAP for private companies and not-for-profit entities provides entities with an accounting alternative to do so.
- 51 The AcSB considered feedback from extensive preliminary outreach, which included public engagement, in developing the proposals related to the subsequent measurement of goodwill.
- 52 Based on this feedback, the AcSB proposes to amend the requirements in [Section 3064](#) to offer an accounting policy choice to amortize goodwill. While goodwill would remain subject to an impairment test in the presence of an indicator of impairment, the Board expects that impairment testing would be less likely if the carrying amount of goodwill decreases over time.

³ The phrase “readily determinable” is already used in AGRICULTURE, [Section 3041](#), in the application of the net realizable valuation model. FINANCIAL INSTRUMENTS, [Section 3856](#), uses the phrase “readily determined” for determining the fair value of an equity instrument of another enterprise. Furthermore, GOVERNMENT ASSISTANCE, [Section 3800](#), uses the phrase “readily apparent” for determining the accounting treatment for government assistance received. These phrases are not specifically defined, but their application is explained in their respective Bases for Conclusions.

Accounting policy choice

- 53 The AcSB considered whether goodwill amortization should be provided as an accounting policy choice for entities not electing the relief. The Board thinks that an accounting policy choice would allow entities to choose an accounting policy that meets their users' needs, without forcing entities to change their current accounting. For instance, small entities lacking technical resources would benefit from having an option to amortize goodwill, while large entities may find it mostly irrelevant due to having in-house capabilities. Consequently, the Board thinks that an accounting policy choice enables entities to find a practical solution based on cost-benefit considerations, given the range of entities applying ASPE, and will cater to the diverse needs of all parties.
- 54 The AcSB acknowledges that providing an accounting policy choice to amortize goodwill may result in diversity, reduced comparability between entities and increased complexity for financial statement users. Similar to the relief, the Board thinks that comparability may not be as critical for entities preparing financial statements under ASPE as it is for those in public markets, given that ASPE are used by entities of various sizes.
- 55 However, like the relief, the AcSB thinks that this accounting policy choice should be applied consistently across all business combinations. The Board decided that these policy choices should not be applied on a transaction-by-transaction basis, as doing so would reduce comparability across business combinations executed by the same entity. Finally, as noted in paragraphs 29-30, the Board proposes to require entities electing the relief to also amortize their goodwill.
- 56 Most preliminary outreach participants supported the proposal to introduce goodwill amortization as an accounting policy choice, as it would allow entities to select the accounting policy providing the most useful information, based on cost-benefit considerations. They noted that financial statement users are accustomed to navigating different accounting policy choices under ASPE and could ask relevant questions based on the entity's choices. While a few participants were concerned about reduced comparability between entities, others strongly opposed requiring all entities to amortize goodwill.

Amortization period: default amortization period

- 57 The AcSB proposes that goodwill be amortized over a default period. Most preliminary outreach participants agreed with a default amortization period, citing the difficulty in determining the useful life of goodwill and cost-benefit considerations. Some participants thought most entities would apply the default amortization period, therefore, increasing comparability. Participants also mentioned that a default amortization period would simplify the audit process. However, a few participants expressed concerns that a default amortization period lacks conceptual merits and would prefer that the amortization period be based on other factors, such as the time it takes for the acquired business to be integrated, the average term of funding provided for the acquisition, or the useful life of the main intangible asset acquired and subsumed into goodwill.
- 58 Most preliminary outreach participants also agreed that an entity should be able to amortize goodwill over another useful life, if it can be supported. Participants gave the example of a business combination leading to goodwill mainly composed of one main intangible asset with a contractually defined period (e.g., a quota or a license) as a situation where it would be justified for the useful life of goodwill to be shorter or longer than a default amortization period.
- 59 The AcSB acknowledges that a default period does not have strong conceptual merits and that ASPE do not currently provide default amortization periods for other assets. The Board also notes that only U.S. GAAP for private companies and not-for-profit entities includes a default amortization period for goodwill. In other jurisdictions where goodwill amortization is required, its useful life must be determined by management. If management is unable to reliably estimate the useful life, a maximum amortization period is imposed. However, the Board thinks that providing a default amortization period is a practical approach, given the difficulty to predict, and to support, the useful life of goodwill and the limited usefulness of this information to users.

- 60 While the AcSB expects a default amortization period for goodwill to be helpful, the Board also thinks entities should be able to use another amortization period if it is more appropriate and can be supported. The Board, therefore, rejected making the default amortization period for goodwill mandatory. The Board is also of the opinion that the decision to use the default amortization period or another useful life to amortize goodwill should be made on a transaction-by-transaction basis, based on the relevant facts and circumstances of each business combination and the nature of the intangible assets subsumed into goodwill if the entity also elects the relief.
- 61 The AcSB proposes that the default amortization period be set to five years. During the preliminary outreach, most participants supported a default 10-year amortization period for goodwill. A 10-year period aligns closely with requirements in North America and internationally and would encompass the useful life of most intangible assets acquired. However, in discussing the length of a default period, the Board was concerned that there would be no incentive for entities to support a useful life shorter than 10 years. The Board notes there could be cases where the main intangible asset subsumed into goodwill has a useful life of less than five years. In such cases, entities could revert to the default amortization period rather than supporting a useful life shorter than 10 years, even when it is relevant and can be supported. This could lead to overstated goodwill balances and potential impairment of goodwill. Consequently, the Board proposes a five-year default amortization period for goodwill. For consistency, the Board thinks that the five-year default amortization period should also apply when no intangible assets are subsumed into goodwill. A consistent default amortization period will eliminate undue complexity, facilitate application and ensure its uniform use. This approach is also expected to make it easier for financial statement users to navigate the proposed amendments.
- 62 The AcSB also heard concerns that a default amortization period of five years could lead to negative earnings and negative equity for some entities, especially if intangible assets are subsumed into goodwill and that goodwill balance is large. Some indicated that the financial statements could become less relevant and less understandable if otherwise profitable entities show losses only due to goodwill being amortized over a short period. The Board considered that feedback and noted that an amortization period not exceeding 10 years may be used, if it can be supported by the entity. Furthermore, both the relief and goodwill amortization would be provided as an accounting policy choice and would not be mandatory. As a result, entities would be able to select the accounting policies that provide the most useful information for their users, which may include separately recognizing acquired intangible assets and subsequently measuring goodwill using the impairment-only model.
- 63 The AcSB does not intend for the default goodwill amortization period to serve as guidance for determining the amortization period of separately recognized intangible assets. The Board acknowledges that the default amortization period is arbitrary and may not reflect the specific nature, facts and circumstances related to separately recognized intangibles. This proposal aims to reduce the reporting burden when subsuming intangibles into goodwill, rather than to indicate the Board's view on the useful life of separately recognized intangible assets acquired in a business combination.

Amortization period: maximum amortization period

- 64 The AcSB considered whether a maximum amortization period for goodwill should be provided. Most preliminary outreach participants thought an entity should be allowed to amortize goodwill over a useful life exceeding 10 years if it can be supported, and that no limit should be imposed. However, they acknowledged that this situation would be rare and that auditors would likely request stronger documentation in such a case. A few participants opposed this view and thought that 10 years should be the maximum amortization period allowed for goodwill. They argued that it would be uncommon for entities to justify a longer useful life.
- 65 Based on the feedback received, the AcSB proposes to limit the amortization period of goodwill to 10 years. The Board understands that most intangible assets acquired in a business combination would have a useful life of 10 years or less. Therefore, situations where an entity could support a

useful life for goodwill exceeding 10 years are expected to be rare. The Board is concerned that not limiting the useful life of goodwill could lead to situations where goodwill is amortized over a too-long period, reducing the usefulness of the information. The Board also notes that entities usually acquiring intangible assets of significant value with a long useful life through business combinations could conclude that recognizing the acquired intangible assets separately provides more useful information than electing the relief.

- 66 In line with the rationale provided in paragraph 61 above, the AcSB thinks that for consistency and to reduce the complexity of these requirements, the same maximum amortization period should apply to goodwill when no intangible assets are subsumed into goodwill.

Amortization method

- 67 With respect to the amortization method, the AcSB notes that this project aims to simplify the subsequent measurement of goodwill. Given the complexity of determining another pattern in which the entity would consume the economic benefits of goodwill, the Board thinks that goodwill should be amortized on a straight-line basis only. Most preliminary outreach participants agreed with this view, noting that it would provide sufficient information to users and that any other amortization method would be complex to implement with no significant added benefit to users.

Disclosure

- 68 The AcSB considered the disclosure needed to help users understand the impact of goodwill amortization on the financial performance of an entity. The Board notes that paragraph 3064.91 already provides certain disclosure requirements for intangible assets subject to amortization. The Board proposes similar disclosure requirements for goodwill subject to amortization. The Board expects entities to be able to provide these disclosures without undue cost.

Consequential Amendments

Additional goodwill impairment indicator

- 69 During the preliminary outreach, a few participants questioned how intangible assets subsumed into goodwill and subsequently sold would be accounted for.
- 70 The AcSB considered its [Private Enterprise Advisory Committee](#)'s feedback that subsequent sales of intangible assets acquired in a business combination are rarely observed in practice. The Board, therefore, decided not to provide guidance in the standard on the subsequent sale of intangible assets subsumed into goodwill, given the limited prevalence of such transactions and the fact that goodwill amortization reduces the risk of an overstated goodwill balance. The Board also notes that there is currently no derecognition guidance on tangible and intangible assets in [Part II](#) of the Handbook.
- 71 However, the AcSB acknowledges that the sale of an intangible asset that is not separately recognized could affect the carrying value of goodwill. Consequently, the Board proposes to amend paragraph 3064.73 to include an additional example of an impairment indicator that would encompass the disposals of significant components of goodwill or the sale of an internally generated intangible asset. The Board thinks that this additional example would reduce the risk that the carrying value of goodwill is overvalued when unrecognized intangible assets generating significant cash flows are sold.

Equity method

- 72 During the preliminary outreach, a participant questioned if the amount that is similar to goodwill arising from investments accounted for using the equity method (equity method goodwill) would also be subject to amortization when an entity makes an accounting policy choice to amortize goodwill.

- 73 The AcSB notes that the accounting treatment of equity method goodwill is consistent with the treatment of goodwill in other jurisdictions. For example, under U.S. GAAP, if an entity elects the accounting alternative to amortize goodwill, this policy extends to equity method goodwill as well. Similarly, the *IFRS for SMEs* Accounting Standard requires goodwill amortization, including for equity method goodwill.
- 74 The AcSB, therefore, proposes to amend paragraphs 3064.71 and 3051.11 to require amortization of the amount that is similar to goodwill arising from investments accounted for using the equity method when an entity elects to amortize its goodwill. The Board thinks that this amendment will ensure that all forms of goodwill, including equity method goodwill, are accounted for in a consistent manner by the same entity.

Change in accounting policies

Exception to paragraph 1506.06(b)

- 75 During preliminary outreach, participants raised questions about how changes in accounting policy would be accounted for. They highlighted scenarios where an entity might want to change its accounting policy to use the relief or to amortize goodwill due to evolving information needs of financial statement users. Additionally, they noted situations where an entity might wish to discontinue applying the relief or amortizing goodwill in anticipation of an initial public offering. Concerns were specifically raised regarding an entity's ability to meet the reliable and more relevant information criterion in paragraph 1506.06(b) to apply the change in accounting policy for both the relief and the amortization of goodwill.
- 76 The AcSB considered the criterion in paragraph 1506.06(b) for an accounting policy change to result in reliable and more relevant information. The Board noted that this criterion could only be met by an entity seeking to change its accounting policy to recognize intangible assets separately from goodwill, but not for an entity seeking to apply the relief. Regarding the subsequent measurement of goodwill, the Board observed that it might be challenging to determine whether the impairment-only model or the amortization model provides the most useful information, and whether changing the accounting policy from one model to the other leads to reliable and more relevant information.
- 77 Therefore, the AcSB proposes to amend paragraph 1506.09 to allow an entity to change its accounting policies regarding the relief and the subsequent measurement of goodwill without meeting the reliable and more relevant information criterion in paragraph 1506.06(b). The Board considered whether to exclude from this exception changes in accounting policy to discontinue applying the relief, given that the reliable and more relevant information criterion is likely to be met in this instance. However, the Board decided to extend the exception to both directions, as a one-way exception would introduce complexity and costs with limited benefit.

Retrospective application of the voluntary change in accounting policy

- 78 The AcSB considered whether to provide exceptions to the requirement in paragraph 1506.10(c) to apply a voluntarily change in accounting policy retrospectively. The Board considered exceptions that would allow for the prospective application of the change in accounting policy for both the relief and subsequent measurement of goodwill, recognizing that this approach might be simpler and more feasible. However, the Board concluded that permitting prospective application could enable an enterprise to change its accounting policy at minimal cost to achieve a desired outcome. This is a situation the Board seeks to avoid as it results in manipulation of financial statement information.
- 79 Despite these reservations, the AcSB recognizes the complexities associated with full retrospective application for entities opting to no longer apply the relief. For example, full retrospective application could be challenging for entities that want to change their accounting policy to separately recognize intangible assets acquired in a business combination, due to the challenges of performing a

purchase price allocation retrospectively. The Board also notes that paragraph 1506.33 prohibits the use of hindsight in applying a new accounting policy to a prior period. The Board expects that most entities using the relief will have minimal or no documentation about the future expected cash flows at the acquisition date of the intangible assets acquired in a business combination. Additionally, these entities might not be able to identify all the intangible assets acquired in a past business combination, as the identification exercise is likely to be omitted when the relief is elected. Consequently, these entities may not have the information needed to determine the fair value of the acquired intangibles at the acquisition date without relying on hindsight.

- 80 While [Section 1506](#) provides guidance on the limitations of retrospective application of a change in accounting policy, the AcSB thinks that establishing impracticability for retrospective application would introduce significant complexity and judgment. Furthermore, if an entity can establish that it is impracticable to apply the new accounting policy retrospectively, paragraph 1506.18 requires that the change be applied prospectively. Consequently, under this approach, it is likely that most entities will either be unable to change their accounting policy to stop using the relief or will apply this change in accounting policy prospectively, which is an outcome the Board seeks to avoid.
- 81 The AcSB also recognizes that mandating retrospective application of a change in accounting policy when an entity amortizing goodwill seeks to use the impairment-only model could create issues. This would imply reversing past goodwill amortization and assessing goodwill impairments from prior periods. Additionally, this would conflict with the requirements in paragraph 3064.74, which prohibits the reversal of goodwill impairment losses. As a result, the Board explored alternatives including simplified approaches to the change in accounting policy requirements.

Proposals

- 82 The AcSB proposes that an entity changing its accounting policy to adopt the relief and/or to amortize goodwill should apply the change retrospectively, without any simplification. This approach aligns with the proposed transition requirements. As noted in paragraph 105, the Board thinks most entities would have the information to apply these changes in accounting policy retrospectively.
- 83 However, the AcSB proposes that an entity changing its accounting policy to no longer amortize goodwill should apply this change prospectively. This approach ensures that any past goodwill amortization or impairments are not reversed, except for amounts related to intangible assets that are eligible for separate recognition, if applicable, under the simplified approach when an entity changes its accounting policy to no longer apply the relief as described below.
- 84 The AcSB also proposes an optional simplified approach for entities that decide to change their accounting policy to no longer apply the relief. Under this approach, only the intangible assets that qualify for recognition in accordance with ASPE in the acquiree's balance sheet would be recognized and measured on the basis required by ASPE in the acquiree's financial statements. The Board thinks that this approach enables entities to recognize some intangible assets without using hindsight. The Board also notes that this approach is broadly aligned with the transitional provisions in [IFRS 1 First-time Adoption of International Financial Reporting Standards](#), where an entity elects not to apply [IFRS 3 Business Combinations](#) retrospectively. The Board thinks that this alignment may ease the transition for entities planning to go public.
- 85 In its deliberations, the AcSB considered three options for applying the simplified approach to discontinue using the relief:
 - (a) restating balances from the acquisition date;
 - (b) restating balances from the earliest comparative period presented; and
 - (c) restating balances only as of the beginning of the current period.

In evaluating these options, the Board considered several points, including the impact of reversing goodwill amortization, the existing prohibition under paragraphs 3064.67 and 3064.74 to reverse

goodwill impairment losses, and the choice entities have to either continue amortizing goodwill or adopt the impairment-only approach when changing accounting policy to discontinue using the relief. Based on this, the Board proposes applying the change in accounting policy by restating balances only as of the beginning of the current period. The Board thinks that by applying the policy change in the current period only and not restating comparatives, the proposal avoids further complications, such as determining when to stop amortizing goodwill if an entity simultaneously discontinues the relief and adopts the impairment-only model, or whether to adjust amortization from the acquisition date or the start of the comparative period. Moreover, retrospective restatement may lead to situations where previously recognized amortization is reversed in a comparative period, only to have a similar impairment charge recognized in the current period. This outcome would be counterintuitive and would reduce the usefulness of financial information.

- 86 The AcSB thinks that restating comparative periods would not provide users with meaningful or relevant information. Since the restated balances would not reflect acquisition-date fair values consistent with a full retrospective application, the usefulness of the comparative information is limited. Additionally, the Board understands that financial statement users often make adjustments to goodwill, and reversing amortization from prior periods could increase complexity and confusion. Therefore, the Board thinks that focusing the impact of the change in accounting policy on the current period avoids these issues and reduces the reporting burden.
- 87 The AcSB also proposes to include an illustrative example in [Section 1582](#) to facilitate the application of the simplified approach for entities seeking to discontinue using the relief.
- 88 The AcSB considered the risk that the simplified approach could lead to overstated equity, as goodwill and separately recognized intangible assets may have been shielded from impairment by being previously subsumed into goodwill. Therefore, the Board proposes that any goodwill and intangible assets, previously included within goodwill but now separately recognized, be tested for impairment in the current period, with any resulting impairment losses recognized in that period's earnings.
- 89 The AcSB discussed the risk that some entities may misuse this approach to circumvent performing a complete purchase price allocation. For example, an entity might initially apply the relief for a recent business combination and then reverse that decision shortly afterward, thereby avoiding the cost and effort of identifying intangible assets acquired and determining their fair values, while creating the appearance that a full purchase price allocation had been performed. Such behaviour could mislead users and undermine the reliability of financial statements. The Board does not intend to enable such aggressive practices. Instead, the simplified approach is intended as a pragmatic solution for entities with valid reasons for changing their accounting policy, particularly where performing a retrospective purchase price allocation would require hindsight. Furthermore, the goodwill amortization and relief accounting policies should be applied consistently to all business combinations. It is not the Board's intention to allow entities to selectively apply policy changes to avoid unfavourable outcomes, such as reporting negative equity.

Additional mitigation measures

- 90 The AcSB also considered instituting a five-year cool-off period from the last application of the accounting policy related to the relief (i.e., from the last business combination) to prevent entities from aggressively applying changes in accounting policy related to the relief. This would effectively prevent entities from exploiting the simplified approach to bypass performing full purchase price allocations for past business combinations. The Board acknowledges that this cool-off period would serve as a strong deterrent, encouraging entities to carefully assess the timing and necessity of any accounting policy changes related to the relief. However, the Board also notes the potential drawbacks of this approach, as it could inadvertently hinder entities with legitimate reasons for changing their accounting policies during the cool-off period. Consequently, the Board decided not to proceed with this proposal.

Interaction with other requirements

- 91 The AcSB considered the interactions between the simplified approach to cease applying the relief and the accounting policy choice allowed under [Section 3064](#) to expense or capitalize the expenditures generated in the development phase of internally generated intangible assets. More specifically, the Board considered whether, under the simplified approach, an acquirer that capitalizes development costs would be required to subsequently recognize internally generated intangible assets that were not recognized in the financial statements of the acquiree, which followed an accounting policy to expense its development costs.
- 92 The AcSB notes that, while consistency with the acquirer's accounting policies would be preferable, there could be situations where such a requirement would lead to significant complexity. For instance, when changing its accounting policy to no longer apply the relief, an acquirer with an accounting policy to capitalize development costs of internally generated intangible assets might face challenges in retrospectively recognizing these costs when the acquiree has expensed them in its separate financial statements. This could be particularly difficult if the information is not available, or it could lead to completeness issues.
- 93 The AcSB notes that the simplified approach refers to the acquiree's balance sheet. As a result, development costs of internally generated intangible assets would be recognized upon a change in accounting policy, but only if they were recognized on the acquiree's balance sheet applying ASPE. The Board expects that this will reduce cost and complexity in scenarios when an acquirer's policy is to capitalize development costs, and they have not been previously recognized by the acquiree as an asset.
- 94 Similarly, the Board recognizes that complexity can arise if the acquiree did not prepare financial statements in accordance with accounting standards for private enterprises. Questions may arise regarding which accounting policy should be applied to development costs in these instances. The Board thinks that different facts and circumstances can apply to such scenarios, making it unfeasible to develop guidance for each potential set of circumstances. Therefore, the Board expects that judgment will be applied to achieve reasonable outcomes in such situations.

First-time adoption

- 95 The AcSB considered the project's interaction with [Section 1500](#) in Part II and [Section 1501](#) in Part III of the Handbook. The Board observed that current paragraphs 1500.11(b) and 1500.11(d) could lead first-time adopters to recognize intangible assets acquired in past business combinations upon transition to ASPE, even if the first-time adopter elects the relief. Specifically, paragraph 1500.11(d) requires the first-time adopter to recognize unrecognized assets or liabilities from past business combinations in its consolidated balance sheet on the basis that the standards would require in the balance sheet of the acquiree. Similar requirements are listed in paragraphs 1501.12(b) and 1501.12(d) for first-time adopters of ASNPO.
- 96 The AcSB also observed that, while current paragraph 1500.11(e) provides guidance on goodwill measurement upon transition to ASPE, it does not require nor preclude a first-time adopter to retrospectively amortize goodwill when it elects that accounting policy. As a result, first-time adopters electing to amortize goodwill could reach different conclusions in this situation. Similar guidance for goodwill is provided in paragraph 1501.12(e) for first-time adopters of ASNPO.
- 97 The AcSB notes that a prospective application of accounting policy choices to use the relief and/or to amortize goodwill would be inconsistent with the transitional requirements for these proposed amendments. In addition, the Board notes that the requirement to recognize certain intangible assets related to past business combinations even when the entity elects the relief would generate costs exceeding the benefits to users and would lead to inconsistent financial information.
- 98 The AcSB thinks that aligning the requirements in [Section 1500](#) in Part II and [Section 1501](#) in Part III with the accounting policy choices to use the relief and/or to amortize goodwill would result in information that is transparent for users and comparable over all periods presented.

Furthermore, this alignment would also provide a suitable starting point for accounting under each set of standards. The Board therefore proposes consequential amendments to paragraphs 1500.11 and 1501.12 to require retrospective application of the accounting policy choices to use the relief and to amortize goodwill upon first-time adoption of ASPE and first-time adoption of ASNPO.

Other issues

Balance sheet description of goodwill

- 99 During the preliminary outreach, some participants questioned whether goodwill be renamed “goodwill and intangible assets” on the balance sheet when an entity elects the relief and intangible assets are subsumed into goodwill.
- 100 The AcSB decided not to require entities to change the balance sheet description of “goodwill” when the relief is elected. The Board notes that intangible assets not separately identified and recognized as the result of an entity electing the relief would meet the current definition of “goodwill”, which is defined as “an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized” in [Section 1582](#) and [Section 3064](#). However, the Board observes that entities are not prohibited from using another caption, if that other caption better describes the composition of the goodwill balance.
- 101 The AcSB notes the importance for an entity electing the relief to mention this accounting policy choice in the notes to the financial statements. Disclosing this accounting policy choice provides useful information to financial statements users, as they may not otherwise know whether the goodwill balance includes intangible assets that were acquired in a past business combination.

Retrospective application of goodwill amortization when there was an impairment of goodwill in a prior period

- 102 The AcSB considered the impact of past goodwill impairment charges when transitioning to or changing accounting policy to amortize goodwill. Specifically, the Board assessed whether guidance was necessary for addressing the effect of prior period impairment charges when calculating the retrospective amortization of goodwill.
- 103 The AcSB expects that, when retrospectively applying the accounting policy to amortize goodwill, the entity should have all necessary information readily available to reconstruct the goodwill balances as if the amortization policy had been applied from the initial recognition of goodwill. Therefore, the Board concluded that introducing specific requirements for the treatment of past goodwill impairment charges at transition would add unnecessary complexity. Additionally, the Board thinks that this issue lacks sufficient prominence and is unlikely to result in significant negative impacts, thus, not warranting further consideration.

Effective date and transition

- 104 The AcSB plans to issue the amendments in the second quarter of 2027 if no significant changes are required to the proposed amendments following feedback from interested and affected parties on this Exposure Draft. Determining an effective date for amendments is an important step in the Board's due process. Considering the support for the proposals during the preliminary outreach, the Board proposes that the amendments be effective for fiscal years beginning on or after January 1, 2029. Since the proposals are accounting policy choices and are, therefore, not mandatory, the Board thinks the adoption period is appropriate. The Board also proposes permitting earlier application, which includes financial statements not yet authorized for issue. Early adopting the proposed amendments provides enterprises an opportunity to apply the relief and amortize goodwill as business combinations continue to occur.

- 105 The AcSB proposes that the amendments be applied retrospectively to all past business combinations. The Board decided on retrospective application since most entities would have the information to apply the amendments retrospectively and, as a result, the reporting burden on initial application of the amendments is expected to be minimal. Consequently, the Board thinks that retrospective application would not be too costly and would be more beneficial to users as they would be able to compare the financial statements of the entity over time to identify trends in its financial position, financial performance and cash flows. The Board also notes that this approach would eliminate the carryover of past qualified audit opinions related to intangible assets acquired in business combinations that have not been separately recognized or measured at their acquisition-date fair value, for entities electing the relief.

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