Board Meeting Handout

Agenda Consultation—Goodwill

July 29, 2026

Meeting Purpose

1. The Board will determine whether to add a project on goodwill to its technical agenda and begin initial deliberations.

Questions for the Board
Agenda Decision 1. Does the Board want to add a project on goodwill to its technical agenda to address any of the following issues? (a) Issue A: Level at which goodwill is tested for impairment (b) Issue B: Frequency of the goodwill impairment testing *If the Board decides not to add a project on one or both of these two issues, some or all the remaining questions are not applicable.* **Initial Deliberations** 2. If yes to Question 1(a), does the Board want to test goodwill for impairment at the operating segment level? Should the requirement apply to all entities, including those that elect to test goodwill for impairment at the reporting unit level under the amortization accounting alternative? 3. If yes to Question 1(b), does the Board want to eliminate the requirement to test goodwill for impairment annually? Should the requirement be eliminated for all public companies and private companies and not-for-profit organizations (NFPs) that have not elected the amortization accounting alternative? 4. If yes to Question 1(b), does the Board support eliminating Step 0 for all entities, regardless of whether they elect the goodwill amortization accounting alternative?

The staff prepares Board meeting handouts to facilitate the audience's understanding of the issues to be addressed at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect the views of the FASB or its staff. Official positions of the FASB are determined only after extensive due process and deliberations.

Transition

5. Does the Board want to require the prospective transition method?

6. If the Board decides to change only the level of goodwill impairment testing under Issue A without eliminating the annual testing requirement under Issue B, does the Board want to permit entities with reporting units in the same operating segment that have differing annual testing dates to elect an annual testing date for the affected operating segment during transition without performing a preferability analysis in accordance with Topic 250, Accounting Changes and Error Corrections?

7. Does the Board want to require the following transition disclosures?

   (a) The nature of and reason for the change in accounting principle
   (b) The method of applying the change
   (c) An entity that issues interim financial statements should provide the required disclosures in the financial statements of both the interim period of the change and the annual period of the change

8. Should early adoption of the proposed amendments be allowed for all entities in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance?

Expected Benefits and Expected Costs, Comment Period, and Permission to Ballot

9. Does the Board think that the expected benefits would justify the expected costs of the amendments included in a proposed Update? If not, why?

10. What comment period does the Board select for the proposed Update?

11. Does the Board grant the staff permission to draft a proposed Update to vote by written ballot?

Background

2. The Board discussed feedback received on goodwill accounting in response to the 2025 Invitation to Comment, *Agenda Consultation,* at its February 4, 2026, Board meeting and directed the staff to perform additional research with the objective of simplifying the subsequent accounting for goodwill by (a) allowing goodwill to be tested for impairment at the operating segment level and (b) requiring goodwill impairment testing only upon a triggering event. Stakeholders expressed concern about the operational complexity and costs of performing goodwill impairment testing. In particular, they identified the requirement to test goodwill for impairment at the reporting unit level and the frequency of goodwill impairment testing as two significant contributors of those costs.

3. In October 2018, the Board added a project on subsequent accounting for goodwill to its technical agenda. The objective of that project was to simplify how entities perform the goodwill impairment test and to explore other changes to the subsequent accounting for goodwill to address stakeholders' concerns about benefits and costs. Although the Board unanimously voted to remove the project from its agenda in 2022, it discussed (a) the level at which goodwill is tested for impairment and (b) the frequency of the goodwill impairment testing at its June 23, 2021, and January 26, 2022, Board meetings in the context of potentially establishing an amortization-with-impairment model.

Summary of Current GAAP

4. Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component of an operating segment). An entity has the option to first perform a qualitative assessment (Step 0) to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then an entity performs a quantitative goodwill impairment test by comparing the reporting unit's fair value with its carrying amount, including goodwill. If the carrying amount is greater than the fair value, an impairment is recognized for the excess of the carrying amount over the fair value of the reporting unit, limited to the carrying amount of goodwill allocated to the reporting unit.

5. Goodwill must be tested for impairment at least annually and also between annual tests if an event occurs or circumstances change indicating that it is more likely than not that the reporting unit's fair value has declined below its carrying amount. Private companies and NFPs can elect one or both of the following accounting alternatives:

    a. The accounting alternative to amortize goodwill

    b. The accounting alternative for a goodwill impairment triggering event evaluation.

Agenda Decision Criteria

6. The Board will evaluate whether to add a project on goodwill to its technical agenda based on the following agenda decision criteria:

    a. There is an identifiable and sufficiently pervasive need to improve GAAP.

    b. There are technically feasible solutions, and the expected benefits of those solutions are likely to justify the expected costs of change.

    c. The issue has an identifiable scope.