Staff Accounting Communiqué 52-714
Restructuring and Similar Charges (Including Write-downs of Goodwill)

The CICA's Emerging Issues Committee (the "EIC") has released EIC-60, Liability Recognition for Costs to Exit an Activity (including *Certain Costs Incurred in a Restructuring*), which provides important guidance on many of the measurement issues associated with the recording of restructuring and similar charges. Staff have views on disclosure and other related matters not yet addressed by the EIC.

In staff's view, restructuring and similar charges (including the income statement effect of recognizing a liability in accordance with EIC-60 for costs to exit an activity) should be reported as operating expenses in arriving at subtotals described using captions such as "income from operations". Descriptions of these charges should normally not refer to them using terms such as "non-recurring" or "one-time", since restructuring and similar activities will likely occur more than once. In addition, in staff's view, the following disclosures should be provided in the financial statements or Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A;") in all periods until the exit plan or restructuring is substantially completed if the income statement effect is material or if the activities being exited or restructured are significant to the entity:

- a description of any activities that will not be continued with an indication of the method of disposition;
- a description of the major actions comprising the exit plan or restructuring and the anticipated date of completion;
- a description of the type and amount of costs recognized as liabilities and the classification of those costs in the income statement if not otherwise apparent;
- a description of the cash flow effects associated with the liability including the type and amount of costs paid and charged against the liability; and
- the amount of any adjustment(s) (e.g., for changes in estimates) to the liability.

Staff have noted several instances of restructuring charges being recorded for costs directly associated with just completed business acquisitions. Staff reminds issuers that Section 1580 of the CICA Handbook should be applied in these circumstances. This will normally result, for example, in the recognition of the costs of closing facilities and terminating employees of the acquiree in the purchase equation. Similar results may occur for costs related to the acquiror's business if the criteria in EIC-42, Costs Incurred on Business Combinations, are met.

Staff have noted an increasing number of writedowns and write-offs of goodwill. It is important that the requirements of paragraph 1580.62 of the CICA Handbook are followed which indicate that a writedown or writeoff is appropriate "where there has been a permanent impairment in value". Issuers should disclose their accounting policy with respect to goodwill. Staff will expect issuers' policies on identification of permanent impairment and how value is determined once permanent impairment occurs to be consistently applied. When a writedown or write-off of goodwill occurs, disclosure should be made in the financial statements or MD&A of the circumstances which indicated the occurrence of a permanent impairment and how value was determined. Staff expects that issuers would normally provide disclosure in the financial statements or MD&A of significant measurement uncertainties associated with goodwill.