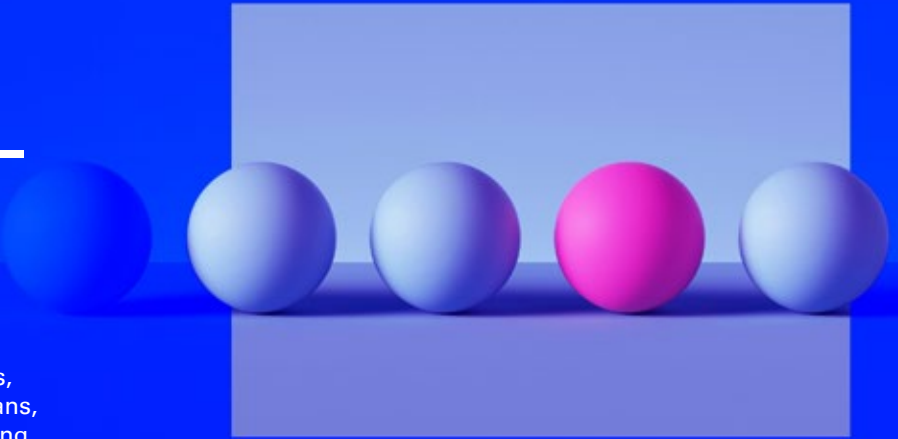




Goodwill impairment— triggering events and process guide

A practical guide to identifying triggering events, understanding what changes in uncertainty means, and deciding when to move to quantitative testing



This quick guide is intended to assist management teams identify and document potential triggering events and move efficiently from a trigger assessment to a defensible testing plan, with a clear line of sight to what evidence is relevant as of the measurement date.



Clarify what constitutes a triggering event and how to frame the “more likely than not”¹ assessment in a way that is company-specific and well supported.



Use a practical checklist of trigger categories to document the facts considered (macro, industry, performance, entity events, reporting unit changes, and share price).



Follow a streamlined workflow that links trigger identification to measurement-date evidence gathering and (when needed) quantitative testing.

How uncertainty affects impairment testing

Goodwill and indefinite-lived intangible assets are tested for impairment annually, but goodwill must be tested between annual tests if events occur or circumstances change, indicating it is more likely than not that an impairment loss has been incurred (a triggering event). Increased uncertainty and market disruption can accelerate the need for this assessment and may require closer consideration of market evidence and company-specific developments at the measurement date.

¹ More likely than not: A probability threshold meaning a greater than 50 percent likelihood. This is the standard used to determine if a triggering event requires a company to perform an interim goodwill impairment test.

Examples of potential triggering events (not exhaustive)

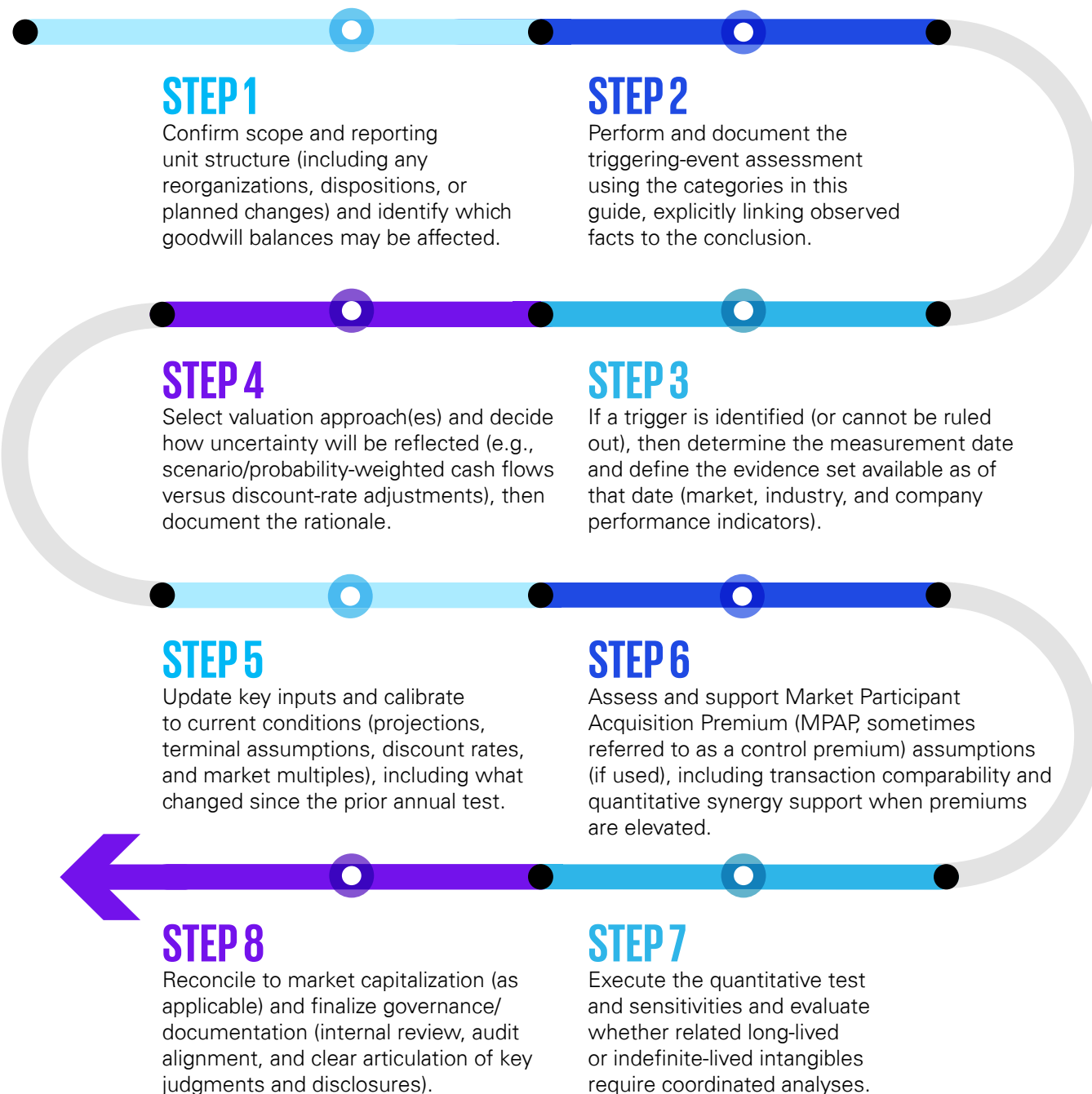
Category	Potential triggering event	Illustrative example (qualitative)
Macroeconomic conditions	Deterioration in general economic conditions; limitations on accessing capital; fluctuations in foreign exchange rates; other developments in equity and credit markets.	A sustained economic recession in a key market, leading to a broad-based decline in consumer and business spending that is impacting multiple business segments.
Industry and market considerations	Deterioration in the environment in which an entity operates; an increased competitive environment; a decline in market-dependent multiples or metrics (absolute terms and/or relative to peers); a change in the market for an entity's products or services; a regulatory or political development.	The entrance of a new, disruptive competitor with a lower-cost technology, leading to significant, unanticipated market share loss and pressure on pricing.
Cost factors	Increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.	A sustained, significant increase in key input costs that cannot be passed on to customers, resulting in a material erosion of historical and projected profit margins.
Financial performance	Negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.	Actual and projected revenues and cash flows for a reporting unit are consistently and significantly below the levels forecasted at the time of its acquisition.
Entity-specific events	Changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; litigation.	The loss of a primary customer that has historically accounted for a substantial portion of a reporting unit's revenue, with no clear path to replace that business.
Events affecting a reporting unit	Changes in the composition or carrying amount of net assets; a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit; the testing for recoverability of a significant asset group within a reporting unit; recognition of a goodwill impairment loss in the financial statements of a component subsidiary.	A significant adverse legal or regulatory ruling that directly impacts the primary product line of a reporting unit, requiring a halt in production or costly remediation.
Share price	A sustained decrease in share price (absolute terms and/or relative to peers). A substantial capital markets downturn may be a triggering event that requires a company to test its goodwill for impairment. However, a single day's market capitalization might not be the best indication of fair value in volatile markets; instead, it might be appropriate to use an average market price over a reasonable period of time preceding the measurement date (see Goodwill impairment testing—practical valuation FAQs in uncertain markets , FAQ 4).	A situation where the entity's total market capitalization has fallen below the book value of its net assets and has remained there for a prolonged period.

Triggering-event analysis is company-specific and no single factor is typically determinative. Companies should evaluate their specific facts and circumstances in light of potential triggering events, and similar companies may reach different conclusions.

Can a company apply Step 0 (qualitative assessment) after identifying a triggering event?

Generally, no. The factors used to identify a triggering event are the same factors considered in the qualitative (Step 0) test; therefore, after a triggering event, a qualitative analysis would likely indicate that the company should proceed to a quantitative impairment test.

Suggested workflow



How to use this series

This quick guide focuses on identifying triggering events and moving efficiently to a defensible testing plan; see the first document of this series, [Goodwill impairment in volatile markets—what changes \(and what doesn't\)](#), for market context and the second document, [Goodwill impairment testing—practical valuation FAQs in uncertain markets](#), for focused guidance on key valuation mechanics (uncertainty, MPAP, market-cap reconciliation, and subsequent events).

Additional resources

- [KPMG Handbook: Accounting for economic disruption](#) (chapters 5 and 6)
- [KPMG Handbook: Impairment of nonfinancial assets](#)
- [Appraisal Foundation: Valuations in Financial Reporting Valuation Advisory 3—The Measurement and Application of Market Participant Acquisition Premiums](#)
- [AICPA: Accounting and Valuation Guide—Testing Goodwill for Impairment](#)

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