



American Institute of CPAs
1211 Avenue of the Americas
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June 3, 2011
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

File Reference No. 2011-180

Dear Ms. Cosper:

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants is pleased to offer comments on the proposed FASB Accounting Standards Update (ASU), “Intangibles—Goodwill and Other (Topic 350) - *Testing Goodwill for Impairment*.”

FinREC supports the proposed ASU’s objective to simplify how an entity is required to test goodwill for impairment. FinREC members have mixed views on the proposed ASU and on whether the proposal meets its objective. FinREC members who are supportive believe the proposal would meet its objective, especially for private companies. Other members are not supportive of the proposal.

FinREC would also like to offer the following observations by individual members regarding the proposed ASU:

- Some members of FinREC are not certain whether, in many situations, the proposed ASU will help reduce the cost and complexity of performing the goodwill impairment test required under Topic 350. Those members have some concern that if judgments involved in the qualitative assessment about whether to proceed to the first step of the goodwill impairment test are routinely challenged, many preparers and auditors may be reluctant to stop at the qualitative assessment and will choose to perform the first step of the goodwill impairment test in order to quantitatively support their conclusion. They also are concerned that those who do choose to use the qualitative assessment option may feel obligated to perform an extensive analysis and develop detailed documentation to support their assessment in order to avoid being second-guessed. In either case, it may be questionable whether the objective to reduce the cost and complexity will be achieved.
- Some members believe that before performing the qualitative assessment, a reporting entity should be required to consider its recent quantitative experience with the goodwill impairment test. Such history would provide a baseline that would allow an entity to make reasonable judgments from that baseline analysis. Those members share the concerns included in paragraph B11 regarding the relevance and effectiveness of a fair value measurement of a reporting unit as time elapses. Those members suggest the Board reconsider its conclusion regarding periodic calculations of fair value noting that the optional step introduced by the board requires some understanding of the fair value of a reporting unit to meet the proposed criteria (“whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount, including goodwill...”).



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- Some members are concerned that guidance on how to perform the qualitative assessment (provided in paragraphs 35-3A through 35-3G) is very broad and will be challenging to apply. Those members recommend providing examples to assist with implementation of this guidance. Also, paragraphs 35-3F and 35-3G refer to “positive and mitigating events and circumstances;” however, paragraph 35-3C only lists negative factors. They believe that some guidance/examples in connection with positive and mitigating events and circumstances would be very helpful. Furthermore, they believe that it would be helpful if the standard included language on how to weigh the indicators (for example, similar to language in ASC 740-10, *Income Taxes*).
- Some members believe that if the FASB moves forward with the proposal, the scope of the final ASU should be expanded to include indefinite-lived intangible assets. They understand that preparers of financial statements are not only concerned about the cost and complexity of testing goodwill for impairment, but have similar concerns about testing indefinite-lived intangible assets for impairment.
- Some members are concerned that the amendments in this proposed ASU do not improve convergence of Topic 350 and International Accounting Standard 36, *Impairment of Assets*, relating to how an entity tests goodwill for impairment.

We appreciate the opportunity to comment on the proposed ASU. We are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

Richard Paul

Chairman

Financial Reporting Executive Committee