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Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-230

Dear Ms. Cosper:

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants is pleased to offer comments on proposed FASB Accounting Standards Update (ASU), "Intangibles—Goodwill and Other (Topic 350) - *Simplifying the Accounting for Goodwill Impairment,"* (the proposed ASU). FinREC supports the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements. FinREC believes that the proposed amendments to eliminate Step 2 from the goodwill impairment test will help to achieve this objective. However, we encourage the Board to continue to explore ways to further simplify the goodwill impairment test.

FinREC strongly encourages the Board to add a project to its agenda to consider additional changes to the subsequent accounting for goodwill for public companies and not-for-profit entities (NFP). Acknowledging the mixed feedback that FASB has received to date related to public companies, we believe, based on our preliminary outreach, that the next phase of this project will demonstrate to FASB the very strong support from the NFP community for further goodwill simplification (including the possibility of allowing or requiring amortization) without reducing financial reporting relevance. Therefore, FinREC expects that the next phase of this project, at a minimum, would concentrate on NFPs.

The remainder of this letter provides FinREC's responses to certain questions for respondents.

Questions for Respondents

Question 1: Do you agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test? Why or why not?

Comment
We agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test because, as indicated earlier, we believe it will result in reduced costs for preparers while maintaining the usefulness of information provided to users of financial statements.

However, we recommend clarifying in the proposed ASU that the excess of the carrying amount over the fair value of a reporting unit is a goodwill impairment loss, net of any tax effects. Otherwise, in situations in which tax deductible goodwill exists, there may be a potential for impairment immediately after performing the impairment test because the increase in the deferred tax asset (or decrease in the deferred tax liability) would increase the carrying amount of the reporting unit.

Question 2: Should the requirement to perform Step 2 of the current goodwill impairment test be retained as an option? Why or why not? If the use of Step 2 is optional, should an entity be allowed to apply that option by reporting unit or should it be a policy election at the entity level applicable to all reporting units?

Comment
We do not believe that the requirement to perform Step 2 of the current goodwill impairment test should be retained as an option because it will likely result in a decrease in the comparability of financial statements.

Question 3: Do you agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts? Why or why not? If not, what would be the suggested goodwill impairment test for reporting units with zero or negative carrying amounts?

Comment
We agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts, because this approach will result in the most consistent and least complex test. Furthermore, the proposed amendments will eliminate the bright line that currently exists between reporting units with zero or negative carrying amounts and those with small positive carrying amounts, which, in the past, could result in inconsistent treatment of these reporting units and vastly different impairment test outcomes.

Question 4: Should entities with reporting units with zero or negative carrying amounts be required to disclose the existence of those reporting units and the amount of goodwill allocated to them? Why or why not? Are there additional disclosures that would provide useful information to users of financial statements?

Comment
We believe that entities with reporting units with zero or negative carrying amounts should be required to disclose the existence of those reporting units and the amount of goodwill allocated to them. We agree with the Board that these disclosures will enhance transparency and may provide useful information to users of the financial statements because these reporting units likely would never record an impairment charge under the quantitative impairment test.

Question 5: Should the guidance on deferred income tax considerations when determining the fair value of a reporting unit outlined in paragraphs 350-20-35-25 through 35-27 and illustrated in Example 1 and Example 2 be retained, or should this Subtopic rely on the fair value guidance in Topic 820, *Fair Value Measurement*? If the guidance on the tax structure is retained, what, if any, amendments are necessary to address the potential difference in the impairment charge calculated under the proposed amendments, depending on which tax structure is used in calculating the fair value of the reporting unit?

Comment

We believe that the guidance on deferred income tax considerations when determining the fair value of a reporting unit outlined in paragraphs 350-20-35-25 through 35-27 and illustrated in Example 1 and Example 2 is helpful and should be retained.

Question 7: How much time would be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Comment

We do not believe significant time would be necessary to adopt the amendments in this proposed ASU because the amended guidance only includes the steps that are already required to be performed under the current guidance. Therefore, we recommend the same effective date for all entities (including entities other than public business entities) as it will enhance the comparability of financial statements. Furthermore, we believe early adoption should be permitted because it will not be burdensome to adopt early and it would be beneficial from a cost perspective.

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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,

James A. Dolinar

Chairman

Financial Reporting Executive Committee