American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

April 19, 2012
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

File Reference No. 2012-100

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 Indefinite-Lived Intangible Assets for Impairment*." FinREC supports the proposed ASU's objective to simplify how an entity is required to test indefinite-lived intangible assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. FinREC supports permitting an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test currently required in Subtopic 350-30 on general intangibles other than goodwill. However, FinREC is concerned that the proposed ASU has some operational challenges, similar to those outlined in our comment letter on the proposed ASU, "Intangibles—Goodwill and Other (Topic 350) - *Testing Goodwill for Impairment.*" As such, FinREC believes certain improvements are necessary to make this proposed guidance more operational.

The remainder of this letter discusses FinREC's specific comments.

Examples of Events and Circumstances. While the examples of events and circumstances provided in ASC 350-20-35-3(a) through (e) are helpful to consider when assessing whether significant inputs to the fair value measurement have changed significantly to indicate that it is more likely than not that an indefinite-lived intangible asset is impaired, we are concerned that these examples may be too broad. We believe that in addition to these factors, other more asset-specific factors should be considered, such as the ones listed in ASC 360-10-35-21. In this context, we note the Board has previously concluded a direct measurement of goodwill is not possible because it is a residual asset (FAS 141R, paragraph B328). Therefore, broad factors are routinely incorporated into the valuation of a business or reporting unit to indirectly estimate the value of goodwill. In contrast, other types of intangible assets are measured directly, and factors specific to those assets must be incorporated in a fair value measurement under Topic 820. As such, we believe the final standard should highlight the distinction between goodwill and other intangible assets.

Furthermore, in accordance with ASC 350-30-35-16, entities are already required to evaluate the remaining useful life of an indefinite-lived intangible asset each reporting period to determine whether events and circumstances continue to support an indefinite useful life. When evaluating the useful life, entities are required to consider factors listed in ASC 350-30-35-3, which are asset-specific and similar to events and circumstances

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that would be considered during the qualitative assessment of indefinite-lived intangible assets. Therefore, at a minimum, we recommend revising paragraph 350-30-35-18B of the proposed ASU as follows (our proposed changes are in red):

> **350-30-35-18B** An entity shall assess all relevant events and circumstances that may affect the significant inputs used in determining the fair value of the indefinite-lived intangible asset. In conducting this qualitative assessment, an entity should consider the examples of events and circumstances included in paragraph 350-20-35-3C(a) through (e). The entity should also consider other relevant asset-specific events such as those listed in paragraphs 360-10-35-21 and 350-30-35-3. However, ~~those~~ examples in those paragraphs shall not be considered all inclusive.

Disclosures. Consistent with ASU No. 2011-08, "Intangibles—Goodwill and Other (Topic 350): *Testing Goodwill for Impairment*," the proposed ASU does not require an entity to disclose (a) when it utilizes the optional qualitative assessment and (b) the significant factors evaluated in reaching the conclusion that it is not more likely than not that the indefinite-lived intangible asset is impaired. However, we believe that such information would be meaningful and relevant for financial statement users and, as such, should be disclosed. In addition, we believe it might be helpful to disclose reasons for switching between the qualitative assessment and the quantitative test. We also believe that disclosures required in connection with the qualitative assessment should be consistent between goodwill and indefinite-lived intangible assets because such information would be useful, regardless of whether the asset is measured directly or indirectly. Furthermore, we believe that disclosures required in connection with the qualitative assessment should be consistent with disclosures required for the quantitative test. In other words, if an entity is required to disclose the significant factors evaluated in the qualitative assessment, the entity should be required to disclose the same information when the quantitative test is performed.

If considering additional disclosure requirements were to impact the timing of this proposed ASU, we believe that disclosure-related issues could be addressed as part of the Disclosure Framework project. Regardless of the disclosures added to this proposal, we recommend that the Board consider in the Disclosure Framework project sensitivity disclosures in connection with impairment testing and, in situations in which there is an impairment, whether implications of that impairment should be disclosed.

Terminology. We noticed that terminology in the proposed ASU was different from terminology in ASU No. 2011-08. Specifically, while the proposed ASU refers to "the significant inputs used in determining the fair value of the indefinite-lived intangible asset," ASU No. 2011-08 refers to fair value of a reporting unit in broader terms. It was unclear to us whether the intent of using this different terminology was to imply that qualitative assessment performed for indefinite-lived intangible assets is supposed to be more granular than the qualitative assessment performed for goodwill. If this is the Board's intent, we recommend clarifying it. If this is not the case, we recommend revising terminology in the proposed ASU to make it consistent with ASU No. 2011-08.

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Editorial. We recommend the following minor editorial revisions to paragraph 350-30-35-18 of the proposed ASU to clarify the meaning of this paragraph (our proposed changes are in red):

> **350-30-35-18** An intangible asset that is not subject to amortization shall be tested for impairment annually, and more frequently if events or changes in circumstances indicate that the asset might be impaired. For an intangible asset that is not subject to amortization~~,~~ for impairment testing purposes~~,~~ an entity may first perform a qualitative assessment, as described in paragraphs 350-30-35-18A through 35-18F, to determine whether it is necessary to calculate the fair value of an indefinite-lived intangible asset.

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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,

Richard Paul

Chairman

Financial Reporting Executive Committee