

FASB PCC 13-01B Goodwill

Date of Entry: 7/26/2013

Respondent information

Type of entity or individual:

Preparer

Contact information:

Organization: MMC Materials, Inc.

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Questions and responses

1a. Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.

CFO - preparer

1b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

Privately held

1c. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.

NA

1d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

NA

2. Should any types of entities in the proposed scope be excluded? Should any types of transactions or accounts be excluded, or are there any other types of transactions or accounts that should be included in the scope?

No. This is an excellent proposal that should be implemented as widely as possible.

3. Should the Board consider expanding the scope of the accounting alternative to other entities, such as publicly traded companies or not-for-profit entities? If the scope is expanded to other entities, what changes, if any, should the Board consider to the accounting alternative for the subsequent measurement of goodwill? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

Yes. In my opinion, the decision to move away from amortization of goodwill toward impairment was a poor decision. Anything that moves back toward amortization is positive for any company. Impairment calculations are influenced by many estimates and assumptions. Goodwill does not last forever. Amortization is simple, understandable, and uniform.

4. Would the proposed amendments reduce overall costs and complexity compared with existing guidance? If not, please explain why.

Absolutely. Amortization is far better than the current impairment testing solution. It should never have been changed in the first place. It is infinitely simpler and less costly and, in my opinion, reduces the chance to misstate financial statements.

5. Do you agree that the accounting alternative for goodwill would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide relevant information to users?

Yes.

6. Do you agree with the PCC's decision to amortize goodwill on a straight-line basis over the life of the primary asset acquired in a business combination, not to exceed 10 years? If not, please tell us what alternative approach or useful life you would prefer?

Yes

7. Do you agree that goodwill accounted for under this alternative should be tested for impairment at the entity-wide level? If not, should an entity either be required or given an option to test goodwill at the reporting unit level? What issues, if any, do you believe arise from amortizing goodwill at the individual acquired goodwill level while testing for goodwill impairment at the entity-wide level?

Do you agree that goodwill accounted for under this alternative should be tested for impairment at the entity-wide level? If not, should an entity either be required or given an option to test goodwill at the reporting unit level? What issues, if any, do you believe arise from amortizing goodwill at the individual acquired goodwill level while testing for goodwill impairment at the entity-wide level?

8. Do you agree that goodwill accounted for under this alternative should be tested for impairment only upon the occurrence of a triggering event that would indicate that the fair value of the entity may be below its carrying amount? If not, when should goodwill be tested for impairment? Should there be an annual requirement to test goodwill?

I agree. There should be no requirement to test annually.

9. In the proposed amendments, an entity would consider the same examples of events and circumstances for the assessment of triggering events as those considered for the qualitative assessment. However, the PCC intends the nature and extent of those two assessments to be different. The assessment of triggering events would be similar to the current practice of how an entity evaluates goodwill impairment between annual tests. In contrast, the optional qualitative assessment would be part of an entity's goodwill impairment test, requiring a positive assertion, consistent with current practice, about its conclusion reached and the events and circumstances taken into consideration. Should the assessment of triggering events be performed consistently with how entities currently assess for goodwill impairment between annual tests? If not, how should an entity assess for triggering events? Do you agree that there should be a difference in how an entity would perform its assessment of triggering events and how it would perform the qualitative assessment?

I agree with the proposal.

10. Do you agree with the alternative one-step method of calculating goodwill impairment loss as the excess of the carrying amount of the entity over its fair value? Why or why not?

Absolutely. It simplifies the process.

11. Do you agree with the disclosure requirements of the proposed Update, which largely are consistent with the current disclosure requirements in Topic 350? Do you agree that an entity within the scope of the proposed amendments should provide a roll forward schedule of the aggregate goodwill amount between periods? If not, what disclosures should be required or not required, and please explain why.

I have no problem with the disclosure requirement.

12. For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

I am not in favor of applying the proposal retrospectively and restating prior year financials. However, I would like to be able to amortize both existing and new goodwill prospectively. In some cases, because of the FASB's rule change, goodwill on the books will be more than ten years old at the time of implementation of the new standard. In that case, companies should not be required to expense the remaining goodwill in the first year. They should be given at least five years from implementation to amortize existing goodwill.

13. Do you agree that goodwill existing as of the effective date should be amortized on a straight-line basis prospectively over its remaining useful life not to exceed 10 years (as determined on the basis of the useful life of the primary asset of the reporting unit to which goodwill is assigned) or 10 years if the remaining useful life cannot be reliably estimated? Why or why not?

I agree completely.

14. When should the alternative accounting method be effective? Should early application be permitted?

As soon as possible. Early application should be permitted.

15. For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

Very little effort would be needed to implement the proposed amendment.

16. For users, would the proposed amendments result in less relevant information in your analyses of private companies?

NA

17. If an entity elects the accounting alternative in the amendments in this proposed Update, do you think that entity also should be required to apply the PCC's proposed accounting alternative for recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination (in Topic 805)? Alternatively, if an entity elects the accounting alternative in Topic 805, should that entity also be required to adopt the proposed accounting alternative? (No decisions have been reached by the Board and the PCC about this question.)

Yes. The proposals from topic 805 and 350 should be implemented together.

18. The scope of this proposed Update uses the term publicly traded company from an existing definition in the Master Glossary. In a separate project about the definition of a nonpublic entity, the Board is deliberating which types of business entities would be considered public and would not be included within the scope of the Private Company Decision-Making Framework. The Board and PCC expect that the final definition of a public business entity resulting from that project would be added to the Master Glossary and would amend the scope of this proposed Update. The Board has tentatively decided that a public business entity would be defined as a business entity meeting any one of the following criteria: a. It is required to file or furnish financial statements with the Securities and Exchange Commission. b. It is required to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities. c. It has issued (or is a conduit bond obligor) for unrestricted securities that can be traded on an exchange or an over-the-counter market. d. Its securities are unrestricted, and it is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement. Do you agree with the Board's tentative decisions reached about the definition of a public business entity? If not, please explain why.

I agree.

Additional Update comments. Please provide any additional comments on the proposed Update:
comments - updt.

I love this proposal! To this day, I despise the decision to do away with amortization of goodwill and I welcome a return to that very simple, understandable, and uniform practice.
