

August 23, 2013

Submitted via email: director@fasb.org

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

File Reference PCC-13-01B

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to comment on certain matters in the Proposed Accounting Standard Update to Intangibles-Goodwill and Other (Topic 350), *Accounting for Goodwill a proposal of the Private Company Council*. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We generally agree with the direction taken by the Financial Accounting Standards Board (Board) and support any action by the Board that addresses the needs of preparers and users of private company financial statements. We agree with the Board's objectives of reducing the cost and complexity of accounting for these transactions and, therefore, the preparation of financial statements. However, the responses below are not intended to convey either support or opposition to the Board's establishment of the Private Company Council (PCC) or the PCC's intended authority and responsibilities. We acknowledge that certain constituencies do not believe the current plan does enough to solve the problems of private company standard setting and believe a separate standard setting body, independent of the Board, should set accounting standards for private companies.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Josh Ayers, Private Company Reporting Project Leader (jayers@stonecarlie.com).

Sincerely,



Joshua A. Ayers, CPA
TIG Chairman
& Project Leader



Jeffrey P. Antrainer, CPA
Project Leader



James L. Pursley, CPA
Project Leader

Robert A. Singer

Robert A. Singer, Ph.D., CPA
Project Leader

The following responses address selected questions:

Question 1: *Please describe the individual or organization responding to this Invitation to Comment.*

Response: The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond. The MSCPA is the largest professional association dedicated to advancing CPAs in Missouri and represents more than 8,000 members in public practice, industry, government and education. Established in 1909, the MSCPA provides members with continuing education, governmental advocacy, and networking opportunities, while working to further the future of the CPA profession through student-focused initiatives.

The objective of the TIG is to selectively respond to publicly issued exposure drafts of proposed accounting and auditing standards and rules and regulations issued by select standard setting bodies that have an impact on the practice of accountancy in Missouri. Members of the TIG include financial statement preparers, users and public accountants with both public and private company experience.

Question 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?*

Response: No. The TIG has not specifically identified any entities, transactions, or accounts that should be excluded from the proposed scope.

Question 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?*

Response: No. The scope of the accounting alternative should not be expanded to include publicly traded companies, specifically; impairment testing at the entity wide level in certain situations may produce misleading results. Public companies should continue to be required to perform impairment testing at reporting unit level. However, the Board might consider reviewing SFAS 142 provisions with respect to publicly-held companies with an aim towards simplifying or reducing complexities in their application.

Given that not-for-profit entities usually have the fewest accounting and financial reporting resources, the scope of the Proposed Accounting Update should be expanded to include not-for-profit entities in its entirety.

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

Response: Yes. The proposed amendments would significantly reduce the overall costs and complexity compared with the existing guidance.

Question 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?*

Response: Yes. We agree that the accounting alternative for goodwill would provide relevant and decision-useful information to users of private company financial statements at a more reasonable cost.

Question 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?*

Response: No. Limiting the useful life of goodwill to a period of 10 years is arbitrary and may result in misleading the financial statement users. The amortization period should be the estimated period of economic benefit based on the underlying events and circumstances.

Question 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 be either required or given an option to test goodwill at the reporting unit level? What issues, if any, arise from amortizing goodwill at the individual acquired goodwill level while testing for goodwill impairment at the entity-wide level?*

Response: Yes. Goodwill accounted for under this alternative should be tested for impairment at the entity-wide level. The step of determining a company's reporting units can be onerous and complex with limited reporting benefits. This burden is compounded for nonpublic companies since they are not required to follow the guidance of ASC Topic 280, *Segment Reporting* and therefore not required to determine its operating segments which must be done in order to identify its reporting units.

Amortizing goodwill at the individual acquired goodwill level while testing for impairment at the entity-wide level may yield inconsistent and confusing results, specifically, in the recording of an impairment loss or in the circumstance when a nonpublic entity elects to follow the guidance of ASC Topic 280, *Segment Reporting*.

Question 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?*

Response: Yes. We agree that goodwill accounted for under this alternative should be tested for impairment upon a triggering event and annual testing for impairment is not necessary. The annual qualitative assessments necessary to test for impairment can be difficult for private companies. The information necessary to conduct these evaluations are often not readily available for nonpublic companies and can be costly to obtain. The triggering event approach is more practical and will result in providing the users of financial statements necessary and meaningful information at less cost.

Question 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?*

Response: Yes. The assessment of triggering events should be performed consistently with how entities currently assess for goodwill impairment between annual tests. However, it would be helpful if the proposed amendment provided more specific examples of events and circumstances that result in a significant effect on the fair value of an entity and result in a triggering event.

Question 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?*

Response: Yes. We agree with the alternative one-step method of calculating goodwill impairment loss. The method eliminates the laborious second step of the goodwill impairment test described in Topic 350 which requires the allocation of a hypothetical purchase price to the reporting unit's assets and liabilities which provides limited benefit.

Question 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.*

Response: Yes. We agree the disclosure requirements of the proposed Update are necessary to provide the users with all of the pertinent information.

Question 12: *Do you agree that the proposed Update should be applied on a prospective basis for all existing goodwill and for all new goodwill generated in business combinations after the effective date? Should retrospective application be permitted?*

Response: Yes. We agree the proposed Update should be applied on a prospective basis.

Question 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?*

Response: We agree with amortizing goodwill on a straight-line basis over its remaining useful life as determined on the basis of the useful life of the primary assets of the reporting unit. However, limiting the useful life of goodwill to a period of 10 years is arbitrary and may result in misleading the users of the financial statements. The amortization period should be the estimated period of economic benefit based on the underlying events and circumstances. We agree with assigning a remaining useful life of 10 years if a reliable estimate of the remaining useful life is not determinable based on the relevant events and circumstances.

Question 14: *When should the alternative accounting method be effective? Should early application be permitted?*

Response: The alternative accounting method should be effective as soon as possible and early application should be permitted.

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

Response: The implementation will not present a hardship to preparers or auditors.

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

Response: The proposed amendments will not result in less relevant information for users.

Question 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.)*

Response: If an entity elects the accounting alternative in the amendments in this proposed Update, the company should also be required to apply the PCC's proposed accounting alternative for Topic 805 and if an entity elects the accounting alternative in the amendments to Topic 805 it should be required to adopt the proposed accounting alternative. This requirement would help ensure that information is reported in a clear, concise and consistent manner alleviating possible confusion to the users of the financial statements.

Question 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.

Response: We generally agree with the proposed definition of a public business entity, however believe that item (d) needs further clarification or limitation. At minimum, clarification and guidance related to the definition of unrestricted securities would be required in instances where an entity has public disclosure of its financial statements. Examples where this definition causes concern include a privately held franchisor that is required to disclose its financial statements in a Franchise Disclosure Document by the Federal Trade Commission and a privately held broker/dealer that is required to file their financial statements with FINRA and whose financial statements end up on the EDGAR system. We do not feel a privately held franchisor or broker/dealer should be scoped into this definition and should not be held to the same financial reporting requirements as entities that meet the requirements of items (a), (b), or (c). By their nature, these are often small businesses with a simple operating structure and imposing additional reporting obligations as a result of this definition is inappropriate in our view.