



January 20, 2016

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

Re: **File Reference Nos. 2015-330**, Proposed Accounting Standards Update — *Business Combinations (Topic 805): Clarifying the Definition of a Business*

Dear Ms. Cosper:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB or Board) Exposure Draft of the Proposed Accounting Standards Update — *Business Combinations (Topic 805): Clarifying the Definition of a Business* (Proposal).

The IMA is a global association representing over 75,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy Activity, Areas of Advocacy, Financial Reporting Committee).

We support the Proposal because it would produce financial results better aligned with the economics for certain transactions than the results produced under existing standards. The proposed initial screen regarding concentrated fair value and the proposed framework to assess whether an integrated set of assets and activities constitute a business should narrow the transactions considered business combinations. It would be very helpful if the final update incorporated an overview flowchart like that found in KPMG's Defining Issues publication No. 15-56 to clearly demonstrate the intention of the screen and framework.

We find the cases key to understanding the intent of the Proposal. Given the individual and unique terms of any business transaction, we believe that many transactions will not follow the same fact patterns of the cases. Accordingly, considerable judgment will be needed to determine whether assets should be combined or considered similar enough in applying the initial screen and to evaluate inputs and substantial processes. Additional guidance in the final update for making these judgments would be helpful and we encourage the Board to include additional color from the comment process and other outreach. For example, what happens under the Proposal if employees that accompany the acquired inputs can be readily replaced at a reasonable



cost and without undue delay? The Proposal addresses the replacement of an acquired process or processes when the acquired set is generating outputs, but does not appear to apply that same thought process to an organized workforce, either when the acquired set is generating outputs or has no outputs. In evaluating whether an organized workforce is performing a critical process, should an acquirer consider whether the organized workforce could be replaced at a reasonable cost and without undue delay? With these questions, we are particularly focused on Cases H and I in the Proposal.

We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "N. Schroeder".

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
nancy@beaconfinancialconsulting.com