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January 22, 2016

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

Via email to [director@fasb.org](mailto:director@fasb.org)

RE: File Reference No. 2015-330

Dear Ms. Cospier:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Business Combinations (Topic 805); Clarifying the Definition of a Business* (Proposal) and are supportive of the Board's objective to provide additional guidance on the definition of a business.

Our comments to certain questions in the Proposal are included in Attachment 1.

Please contact Scott G. Lehman should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Crowe Horwath LLP".

Crowe Horwath LLP

**ATTACHMENT 1**

**Question 1: Do you agree that to be a business a set of assets and activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs? If not, what other alternatives would you suggest?**

We agree that, at a minimum, a set of assets and activities must include an input and a substantive process that together contribute to the ability to create outputs. Please see our response to Question 5 below that discusses the definition of outputs. Also, we suggest that “substantive” processes be used in the first sentence of 805-10-55-5. With this suggested change the sentence would read – “To be capable of being conducted and managed for the purposes described in paragraph 805-10-55-3A, an integrated set of activities and assets requires two essential elements – inputs and **substantive** processes applied to those inputs, which together are or will be used to create outputs”.

**Question 2: Paragraphs 805-10-55-5A through 55-5D provide guidance on determining whether a set contains an input and a substantive process that together contribute to the ability to create outputs. Are the criteria appropriate, and would they be operable in practice? If not, why?**

Although we agree that an organized workforce is a potentially significant factor in evaluating whether a process is substantive, one matter to consider is that it is common for business combinations to be structured where the acquirer does not legally obtain the organized workforce at the date of acquisition. In many of these transactions, the acquirer may hire key employees involved in the process or substantially all of the workforce shortly after the close of the transaction.

The examples in the proposed Update focus significant attention on an organized workforce. The examples do not specifically address when an organized workforce is not legally required to be acquired under the agreement but is, in essence, acquired soon after the transaction. The example in 805-10-55-62 to 66 (Case D) presents a case where the organized workforce was furloughed but local laws require that they be rehired. We believe that the substance of a transaction is similar if an organized workforce is furloughed, and although the acquirer is not required to rehire the workers, they hire the workforce shortly after the transaction. We suggest that the guidance or the examples (or both) include reference to the substance of the acquisition of an organized workforce to avoid diversity in practice.

**Question 3: Would the proposed guidance be operable without the criteria in paragraphs 805-10-55-5A through 55-5D? Why or why not?**

We believe that the referenced guidance on the framework to assist an entity in evaluating whether the set includes both an input and a substantive process is needed to make the proposed guidance operable.

**Question 5: Do you agree with the changes proposed to the definition of outputs? That is, do you agree that for purposes of evaluating whether a transferred set is a business, outputs should be focused on goods and services provided to customers? If not, why?**

The proposed changes in paragraph 805-10-55-5 eliminate the concept of a market participant view when considering the ability to produce outputs. We believe that this creates an inconsistency with the market participant view that is retained in 805-10-55-8. The proposed change to the definition of a business in the master glossary indicates that “paragraphs 805-10-55-3A through 55-6 and 805-10-55-8 through 55-9C define what is considered a business.” We suggest paragraph 805-10-55-8 be amended to remove the reference to market participant so that the definition is consistent with the other proposed changes to Topic 805.

**Question 8: Will the proposed guidance reduce the cost and complexity of applying the definition of a business? Why or why not?**

Although we do not believe that the proposed Update will reduce the cost and complexity of applying the definition of a business, we believe it will have a positive impact as more acquisitions will qualify as asset purchases as opposed to business combinations. Under the proposed Update more effort will be required to assess and conclude on whether a transaction involved an acquisition of assets or a business. However, we believe that the overall transaction analysis, and therefore the overall cost and complexity, required to conclude on the transaction as an asset acquisition and apply the accounting for an asset acquisition will generally be less than if the transaction was determined to be a business combination.

**ATTACHMENT 1**

**Question 9: 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?**

We believe the adoption of the new standard will not require significant time. Early adoption should be permitted, including adoption for financial statements that have not yet been issued. Furthermore, entities other than public business entities should not need additional time to apply the standard.