



RSM US LLP

One South Wacker Drive, Suite 500
Chicago, IL 60606

www.rsmus.com

June 17, 2016

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

File Reference No. 2016-230

Dear Ms. Cospers:

RSM US LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Intangibles-Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* (the “proposed Update”). Overall, we support the Board’s efforts to simplify the accounting for goodwill impairment. The current two-step model to test goodwill for impairment is often costly both in terms of internal resources required to perform the testing as well as external valuation specialists that may be required, especially in determining the fair value of all assets and liabilities in a reporting unit if Step 2 is necessary. We believe the proposed Update will reduce the overall costs and complexity of goodwill impairment testing compared with existing guidance and still result in information that is decision-useful to investors. Provided below for your consideration are our responses to the “Questions for Respondents” on which specific comment was requested in the proposed Update.

Responses to Questions for Respondents

Question 1: *Do you agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test? Why or why not?*

We agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test and have a one-step test to determine and measure goodwill impairment. This will result in significant reductions in cost and complexity as performing Step 2 of the goodwill impairment test under existing guidance is often the most difficult and time-consuming area of goodwill impairment testing.

Question 2: *Should the requirement to perform Step 2 of the current goodwill impairment test be retained as an option? Why or why not? If the use of Step 2 is optional, should an entity be allowed to apply that option by reporting unit or should it be a policy election at the entity level applicable to all reporting units?*

We don’t believe the current two-step goodwill impairment test should be retained as an option. Requiring the one-step test for all entities and all reporting units within the entities reduces complexity and promotes consistency and comparability for the users of the financial statements. While we acknowledge that the goodwill impairment loss could be significantly different in a one-step model as compared to the existing two-step model, the potential increase in the precision of the goodwill impairment loss is not justified by the added cost and complexity. Quite often the difference would be either the result of (a) the book value of the tangible long-lived assets being in excess of their fair value or (b) the fair value of internally generated intangible assets that have not been given

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accounting recognition. In either of these situations, the one-step test results in the net book value of the reporting unit being a closer approximation of its underlying fair value.

Question 3: *Do you agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts? Why or why not? If not, what would be the suggested goodwill impairment test for reporting units with zero or negative carrying amounts?*

From a standpoint of reducing costs and complexity while still providing users with decision-useful information, we agree that all entities, including those with reporting units with zero or negative carrying amounts, should apply the same one-step impairment test. From a purely conceptual standpoint, we certainly understand that a two-step impairment test may result in a goodwill impairment loss in certain cases for reporting units with zero or negative carrying amounts, whereas a one-step impairment test would generally not result in an impairment loss. However, we believe the proposed amendments are appropriate because (a) these scenarios are in the significant minority, and certain disclosures are proposed to be required in these situations and (b) use of a two-step impairment test for reporting units with zero or negative carrying amounts would be inconsistent with the one-step impairment test that would be required for reporting units with small positive carrying amounts.

Question 4: Should entities with reporting units with zero or negative carrying amounts be required to disclose the existence of those reporting units and the amount of goodwill allocated to them? Why or why not? Are there additional disclosures that would provide useful information to users of financial statements?

From a transparency standpoint, we believe it would be appropriate for entities with reporting units with zero or negative carrying amounts to disclose the existence of those reporting units and the amount of goodwill allocated to them. We also believe these entities should be required to disclose the carrying amount of these reporting units and qualitatively describe what led to the reporting unit having a zero or negative carrying amount. We think this information could be helpful to a user in evaluating the related goodwill assigned to the reporting unit.

Question 5: Should the guidance on deferred income tax considerations when determining the fair value of a reporting unit outlined in paragraphs 350-20-35-25 through 35-27 and illustrated in Example 1 and Example 2 be retained, or should this Subtopic rely on the fair value guidance in Topic 820, Fair Value Measurement? If the guidance on the tax structure is retained, what, if any, amendments are necessary to address the potential difference in the impairment charge calculated under the proposed amendments, depending on which tax structure is used in calculating the fair value of the reporting unit?

We believe the guidance on deferred income tax considerations when determining the fair value of a reporting unit should be retained as it is helpful to preparers in evaluating whether a taxable or nontaxable transaction should be assumed in determining the fair value of a reporting unit. However, we believe that in order for the one-step test to be an apples-to-apples comparison, the determination of the carrying value of a reporting unit should be based on the tax structure assumed in the estimation of fair value. In other words, if a taxable transaction is assumed for purposes of estimating the fair value of a reporting unit, deferred taxes generally would be excluded from carrying value. Whereas if a nontaxable transaction is assumed for purposes of estimating the fair value of a reporting unit, deferred taxes would be included in the carrying value. If changes are made to this guidance on determining the carrying value of a reporting unit, we believe corresponding changes also should be made to the goodwill accounting alternative for private companies.

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Question 6: Do you agree that the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively? Should there be specific transition guidance for companies that previously adopted the goodwill accounting alternative for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?

We agree that the proposed guidance to remove Step 2 from the goodwill impairment test should be applied on a prospective basis. While we wouldn't expect a significant number of entities that previously adopted the goodwill accounting alternative for private companies to adopt the proposed Update once finalized, we believe specific transition guidance would be helpful for those that do adopt the proposed Update. It would be particularly helpful to provide guidance regarding (a) the evaluation of preferability and (b) whether on adoption of the proposed Update an entity would be required to retrospectively adjust prior periods to undo the previous adoption of the goodwill accounting alternative for private companies.

Question 7: *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?*

Because the proposed Update would remove Step 2 of the existing impairment testing requirements and not add any incremental testing requirements, we don't believe a significant amount of time would be required to adopt the amendments in this proposed Update for either public business entities or entities other than public business entities. Consistent with the transition guidance on goodwill impairment testing in ASU 2011-08, *Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, and ASU 2014-02, we believe entities should be allowed to adopt the guidance for all financial statements that have not yet been issued or made available for issuance.

Question 8: *Would the proposed amendments meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements? Why or why not?*

We believe the proposed Update meets the Board's objective of cost reduction in testing goodwill for impairment while still providing useful information to financial statement users.

Question 9: *Are there additional changes that should be made to the subsequent accounting for goodwill to meet this objective, including changes that might be considered in Phase 2 of the Board's project?*

We think the Board should consider removing the requirement to test goodwill for impairment on an annual basis and instead only require impairment testing upon the occurrence of a triggering event. This would align the goodwill impairment test with the impairment test under the goodwill accounting alternative for private companies and all other long-lived asset impairment tests, other than the indefinite-lived intangible asset impairment test. If the Board removes the annual goodwill impairment testing requirement, for consistency purposes we'd recommend that the annual impairment testing requirement for indefinite-lived intangible assets also be removed.

Question 10: *Are there any unintended consequences resulting from the improvements to the Overview and Background Sections of the Subtopics (discussed in Part II of the proposed amendments)?*

We didn't identify any potential unintended consequences as a result of the improvements to the Overview and Background Sections of the Subtopics discussed in Part II of the proposed Update.

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We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Brian H. Marshall at 203.312.9329.

Sincerely,

RSM US LLP

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