MICPA
THE MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

July 8, 2016

AICPA
Attn: Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Director@fasb.org

Dear Ms. Cosper:

The Michigan Association of CPAs' (MICPA) Accounting & Auditing Standards Task Force is comprised of member CPAs whose main objective is to review discussion papers and exposure drafts issued by the AICPA's Accounting and Review Services Committee and Auditing Standards Board on behalf of our more than 17,000 members across the state.

The comments offered below on "Proposed Accounting Standards Update (ASU), Intangibles-Goodwill and Other (Topic 350: Simplifying the Accounting for Goodwill Impairment) while reflecting the thoughts of the members of this particular Task Force are developed with the entire Michigan CPA community in mind. It is our hope that you find them both insightful and helpful as you work to complete this project. We are very supportive of the FASB's ongoing focus to simplify the accounting for certain areas within existing GAAP. As it relates to this proposed ASU, the current two step model can be costly and complicated for both clients and service providers. For many of our clients, the annual impairment test is time-consuming and does not provide measurable value for the effort. Layered on this challenge, when a potential impairment results, it results in significant additional time and effort, delaying the delivery of the statements to readers which reduces their usefulness.

Questions for Respondents:

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

We agree with the proposed amendments to eliminate the second step. This will decrease cost and complexity as the step 2 is the most time-consuming and less consistent with the other impairment models. In addition, although not as relevant for all of our members, the consistency with international models will be very helpful.

2. **Should the requirement to perform Step 2 of the current model 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 applicable for all reporting units.**

Given the complexities surrounding Step 2, we do not believe it is necessary to retain an option, We acknowledge differing answers may result with the elimination of Step 2, and in particular, perhaps lower impairments, but we believe the ease in calculation outweighs the potential varying results. If however, the option is provided, we strongly believe it should be a policy choice to continue with the goal of decreasing the complexities.

3. **Do you agree with the prosed amendments to require all entities to apply the same one step 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?**

In order to reduce costs and complexities, we agree that it should be applied across the board to all reporting units. We acknowledge that in rare cases there may be slightly different results, but we believe that the reduced costs and complexities would be beneficial to our clients and members alike.

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?**

In order to be transparent to the readers, we are supportive of the disclosure of these units. We believe that those factors would be helpful in readers understanding the performance and financial position of the entity as a whole. We don't think there are other disclosure requirements, currently not in existence that are needed for this topic.

5. **Should the guidance on deferred income tax considerations when determining the fair value of a reporting unit be retained or should users rely on the guidance in Topic 820**.

We believe that the current guidance should be retained as our members and clients find it useful and it is helpful to be included in this literature.

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 alterative for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?

We agree that adoption should be prospective. As noted above, we understand there are differences in mathematical results; a retrospective adoption would be difficult and confusing. While a number of our clients have adopted the private company guidance, we do not expect a number will adopt the proposed standard – specific guidance is always appreciated and helpful for preparers and practitioners alike. We would be interested in preferability views on the PPC GAAP or this proposed standard (and in particular, would there be any need to unwind or retrospectively adopt.)

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 the public business entities be different from aunt of time needed by public entities.**

We do not believe a significant amount of time would be needed as this amendment simplifies the accounting. We believe for the reasons noted above that early adoption would be beneficial, and given the overall benefits and expected favorable response, we do not believe that entities other than public would need more time.

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

Absolutely! We believe this amendment supports these initiatives and would be a well received and supported.

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?**

Yes, we believe that the Board should continue with its plan to consider the amortization of goodwill for all entities, not just private companies. We also think that the Board should consider requiring a goodwill impairment test only if a trigger event is met rather than on an annual basis., Clients and practitioners incur a significant amount of time completing this test, and often the answer is apparent prior to the start of the test.

10. Are there any unintended consequences resulting from the improvements?

We did not note any unintended consequences.

General Comments

We appreciate this opportunity to provide comments. The FASB may contact the MICPA's Accounting & Auditing Standards Task Force in regard to these comments. Please direct any inquiries to the MICPA Staff Liaison to the Task Force, Shane A. Barry, at (248) 267-3700 or via e-mail at sbarry@micpa.org.

Regards,

Dennis A. Reef

Dennis A. Reef, CPA
Chair, MICPA Accounting & Auditing Standards Task Force

cc: Peggy A. Dzierzawski, CAE – MICPA President and CEO
Shane A. Barry – Staff Liaison, MICPA Accounting & Auditing Standards Task Force