July 10, 2016

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2016-230

Dear Mr. Golden:
The International Business Machines Corporation ("IBM" or "the company") appreciates the opportunity to comment on the proposed Accounting Standards Update: Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment (the "proposed ASU" or "exposure draft"), issued by the Financial Accounting Standards Board ("FASB"). Overall, we are supportive of the project and appreciate the FASB's efforts to simplify the subsequent measurement of goodwill through this focus on simplification of the goodwill impairment test. This is a challenging area due to the costs and complexities of determining the implied fair value of goodwill.

We acknowledge and appreciate that removing Step 2 from the goodwill impairment test is more closely aligned with International Financial Reporting Standards, and we fully support the Board's efforts to collaborate with the International Accounting Standards Board in the second phase of the broader project to determine whether additional changes should be made to the subsequent accounting for goodwill.

Our comments on the specific questions can be found in Attachment I. Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 766-2477.

Sincerely,

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ATTACHMENT I

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

Yes, we agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test. The elimination of Step 2 reduces the cost and complexity of goodwill impairment testing for most companies.

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?

No, providing an option reduces comparability.

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?

Yes, in order to simplify goodwill impairment testing we agree with the Board's decision to require the application of the one-step impairment test for all reporting units.

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?

We do not agree that disclosing reporting units with zero or negative carrying amounts and the amount of goodwill allocated to them would provide useful information to users of the financial statements. However, if the Board moves forward with this required disclosure an entity would need to provide extensive additional information around the reasons why the reporting unit has a zero or negative carrying amount (for example, deferred revenue) otherwise users of financial statements could wonder why an impairment charge was not recorded. This extensive information would not likely provide meaningful information for users of financial statements. Additionally, companies have appropriate controls and processes around their goodwill impairment analysis which ensures that there is discipline and oversight from management to record an impairment charge. Management is in the best position to evaluate based on the company's operations and assumptions used.

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?

The deferred income tax considerations should be retained. We do not believe that additional amendments are necessary to address the potential difference in the impairment loss calculated under the proposed amendments depending on which tax structure is used in calculating the fair value of the reporting unit.

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?

Yes, the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively. We agree with the Board that prospective application would not result in a loss of comparability across periods.

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?

The amendments in this proposed Update could be applied within a short period of time. Early adoption should be permitted.

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?

Most companies would experience a cost reduction in the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements.

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?

In Phase 2 of the Board's project, we support alignment with the IASB and encourage both Boards to perform outreach, especially around transition requirements. At this point, we would support subsequent accounting for goodwill that amortizes goodwill over a period of time with impairment recorded upon a triggering event. An approach that amortizes goodwill over its useful life not to exceed a standard period (e.g., 10 years) would reduce costs and complexity. The useful life of goodwill could be aligned with the useful life of acquired intangible assets, either the life of the longest intangible or the predominant intangible.

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 do not see any unintended consequences resulting from the improvements to the Overview and Background Sections discussed in Part II of the proposed amendments.