

11<sup>th</sup> July 2016

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

Sub: File Reference No. 2016-230

By e-mail: [director@fasb.org](mailto:director@fasb.org)

Dear Ms Cospier,

Re: Comments on FASB's Proposed Accounting Standards Update—Intangibles—Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment

**AIWMI<sup>1</sup> and CCRA Community<sup>2</sup>** appreciate the opportunity to comment on FASB's Proposed Update on Intangibles —Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment

**Executive Summary:**

We applaud Financial Accounting Standards Board (FASB) for its attempt to revise and lay new framework for Accounting for Goodwill Impairment.

*The comments below represent the views of members drawn from different categories of practitioners, including Credit Strategists, Credit Managers, Loan Syndication and Trading Members, Debt asset managers, Treasury managers, Investors, Banking professionals, Rating analysts and academics. The comments are a result of discussions conducted by the members of advocacy committee of CCRA Global Community, and do not represent the views of any one individual or section of the industry*

While bulk of the guidelines are procedural in nature, we have endeavored to address some of your proposals below, specifically in cases where we think it would help borrowers, investors, market or regulator to meet the spirit of the guidelines and foster transparency in the system.

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<sup>1</sup>**The Association of International Wealth Management of India (AIWMI)** is a not-for-profit organization and a globally recognized membership association for finance professionals with affiliates in around 40 countries. AIWMI primarily focuses on the broad and strategic role of developing a more robust and forward-looking training infrastructure for the financial services sector and to promote more active industry involvement and collaboration in training and continuing education. AIWMI is offering advanced international certification programs along with a wide variety of high-quality executive education programs. AIWMI programs combine state-of-the-art knowledge and skills with practical experience and insights into the functioning of the financial sector. All AIWMI courses and educational events have an intense and pragmatic curriculum. Participants are exposed to the latest developments within the financial services sector. AIWMI plays a key role in guiding the development of the financial services sector. AIWMI works with key industry participants' viz. the Government, the Regulators, the Industries/Associations, the Corporate, the Media and the General Public to achieve its objectives. Besides enhancing technical competence and professionalism in the industry, AIWMI organizes events and facilitates discussions to promote best practices in leadership and talent development in the financial sector with an aim to become Asia's premier centre of excellence for financial education. For more info visit [www.aiwmindia.com](http://www.aiwmindia.com) or [www.aiwm.org](http://www.aiwm.org)

<sup>2</sup>**The Certified Credit Research Analyst (CCRA)** is a comprehensive global education program designed to give an expert level understanding of Banking and credit markets to fresh graduates. It integrates the fundamentals of financial analysis, credit and Loan analysis, rating methodologies, credit strategy and structuring. It offers the tools a candidate needs to occupy key positions in the world of finance, private banking, credit ratings and fixed income domain. **The program is offered by AIWMI and NISM (National Institute of Securities Market, A SEBI Body) in India.**

**Specific comments/Observations**

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

**Response:** Yes, We agree with the proposed amendment, it shall reduce the complexities involved in performing the impairment test for goodwill and help corporates report more cohesive numbers.

**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?**

**Response:** We shouldn't retain the current option; it would create unnecessary confusion and have issues with respect to creating comparable across sectors. The current system has lot of risk for estimation and hence could lead to misleading number for investors.

**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?**

**Response:** All entities should apply the same test irrespective of the carrying value of assets. If the carrying value is zero or negative, the entire goodwill should be written off immediately to reflect the true economic accounting for the business.

**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?**

**Response:** Yes, in all fairness to segment reporting, such units should be disclosed with appropriate financials, asset values, going concern assumption decision etc. It would help investors make more informed decisions.

**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? 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?**

**Response:** Deferred tax shouldn't be considered at all during Goodwill process. While it may be of some interest to potential acquirer firms, but for equity and credit shareholders, its unrealized gains (if any) and should be ignored.

**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?**

**Response:** The proposed guidance should be made prospective for all companies irrespective of when it's becoming effective. There shouldn't be any transition for private limited companies since that would leave a loophole in the spirit of standards.

**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?**

**Response:** Early adoption should be permitted. We believe a 1 year time line is apt for all businesses to adopt the new rules.

**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?**

**Response:** The proposed amendments would 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 since it would give fair/clear picture to credit and equity investors, would increase comparability and reduce loopholes in the existing system.

**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?**

**Response:** No Comments

**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)?**

**Response:** No Comments

## Closing Remarks

FASB has taken an important step in formulating the framework for the simplifying the accounting framework for Goodwill Impairment.

CCRA global community and AIWMI appreciate the kind opportunity to comment on these proposed changes.

We hope that FASB finds the comments useful in analysing/deciding the proposals/framework.

AIWMI and CCRA Global Community will be happy to provide deeper analysis on any of the issues discussed in this comment letter. We would be very happy and keen to engage further with FASB via in person meetings or otherwise to present our views.

If you have any further questions or seek clarification, please do not hesitate to contact Biharilal Deora at +91 99308 37335 or [Biharilal@aiwmindia.com](mailto:Biharilal@aiwmindia.com) or [Biharilal.deora@gmail.com](mailto:Biharilal.deora@gmail.com)

Sincerely yours,

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