



July 11, 2016

Eli Lilly and Company

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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 2016-230, Intangibles-Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment

Dear Director:

Eli Lilly and Company (“Lilly”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s Proposed Accounting Standards Update, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment” (the “proposed ASU”). Lilly is a multinational pharmaceutical and animal health company with more than 200 legal entities in over 80 jurisdictions.

Following are responses to selected questions in the proposed ASU:

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

We fully support the elimination of Step 2 from the goodwill impairment test. We believe the proposed amendment will reduce the cost and complexity of determining the existence and amount of a goodwill impairment. Further, we do not believe it will reduce the usefulness of the information provided to users of the financial statements.

**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?**

While we believe that elimination of Step 2 would lead to simplification and improved comparability, should preparers wish to undertake the more costly and time consuming path of performing Step 2 we would not object. However, we do believe that if such an election is made by a preparer, it should be applied consistently and not be selectively chosen when it proves to be more advantageous to their organization. We believe it would be appropriate for the option to be applied by 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 for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?**

We believe the proposed guidance to remove Step 2 should be applied prospectively. We agree with the Board's belief that retrospective application would reduce the cost savings intended with this proposed amendment.

**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?**

We believe that we could begin applying the proposed amendments immediately. We would also support an option for early adoption as being beneficial to preparers.

**Question 8: Would the proposed amendments meet the Board's objective of reducing the cost of 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 amendments would meet the Board's objective of reducing the costs associated with the subsequent accounting for goodwill. Further, because any impairment would be a non-cash charge, it is our belief that disclosure of the facts and circumstances that led to the impairment is of greater significance to the readers of the financial statements than the amount of the goodwill impairment recorded.

**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 would be supportive of an accounting alternative to require an entity to amortize goodwill over a reasonable period of time as part of Phase 2 of the Board's project. While the original amortization period for goodwill of its useful life not to exceed 40 years under Statement 142 was subject to some debate, it is also debatable to believe the excess purchase price paid in a business combination would have value to an entity in perpetuity. We would also be supportive of an approach that would result in an immediate offset of goodwill against equity as we understand that the amount of recorded goodwill is often not viewed as providing much valuable information to users of financial statements.

We appreciate the opportunity to express our view and concerns regarding the discussion paper. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 651-2310.

Sincerely,

ELI LILLY AND COMPANY

/s/Donald A. Zakrowski

Donald A. Zakrowski  
Vice President, Finance and  
Chief Accounting Officer