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July 11, 2016

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

File Reference No. 2016-230

Re: Proposed Accounting Standards Update, *Simplifying the Accounting for Goodwill Impairment*

Dear Ms. Cospers:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Simplifying the Accounting for Goodwill Impairment*.

We support the FASB's proposal to simplify the accounting for goodwill impairment. We agree that eliminating step 2 of the goodwill impairment test will decrease the cost and complexity for many entities while not significantly reducing the usefulness of the information provided to users of financial statements. While supportive of the proposal, we recommend that the Board consider in this phase of the project additional changes as discussed in the appendix below, which contains our responses to the proposed ASU's questions for respondents. We believe that such additional changes would further simplify the accounting for goodwill without significantly reducing the usefulness of the resulting financial information.

We are also supportive of the Board's project on the subsequent accounting for goodwill for public business entities and not-for-profit entities and encourage the Board to continue this broader reconsideration of the goodwill model.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Michael Morrissey at 203-761-3630.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix
Deloitte & Touche LLP
Responses to the Proposed ASU's 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?

Yes. We support the proposed amendments to eliminate step 2 from the goodwill impairment test and believe that doing so would reduce the cost and complexity for many entities while not significantly reducing the usefulness of the information provided to users of financial statements.

We note that the proposed guidance would be a significant change in accounting for goodwill for reporting units with zero or negative carrying amounts. While current guidance addresses the assignment of liabilities to a reporting unit, there are practice questions that exist about the assignment of debt. Because a reporting unit with a negative carrying amount may be the result of an entity's decision to assign debt to the reporting unit, the Board may wish to consider adding guidance on assigning debt when such assignment results in a zero or negative carrying amount. The addition of such guidance might avoid diversity in practice on such assignment leading to different goodwill impairment results.

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. We do not support retaining step 2 of the current goodwill impairment test as an option. We believe that retaining an option would create complexity and result in a lack of comparability. We agree with the rationale provided by some Board members in paragraph BC16 of the proposed ASU that "making Step 2 of the goodwill impairment test optional would be less effective in reaching the objective of simplifying the goodwill impairment test."

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. We agree that all entities should apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts. A single model for all reporting units is consistent with the overall objective of the proposed ASU to simplify the goodwill impairment test.

However, we believe that the goodwill impairment model could be further simplified if the Board were to raise the level at which the goodwill impairment test is performed to the operating-segment or enterprise level. The model requires the use of significant judgment and is often costly and complex for preparers to identify an entity's reporting units, assess which reporting units meet the criteria for aggregation, and determine which assets and liabilities to assign to each reporting unit. While we believe that the simplest alternative would be to test goodwill at the enterprise level, we acknowledge that there may be differing views on the merits of this level. We believe that testing goodwill at the operating-

File Reference No. 2016-230
July 11, 2016
Page 3

segment level would reduce cost and complexity and would not reduce the usefulness of financial information because in many instances, entities already aggregate their reporting units at the operating-segment level.

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?

Yes. We agree that entities with reporting units with zero or negative carrying amounts should be required to disclose the existence of those reporting units and the amount of goodwill allocated to them. The proposed expanded disclosures would provide transparency to financial statement users and alert them that the goodwill allocated to such reporting unit(s) was determined to be recoverable under the framework of testing goodwill for impairment.

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?

Yes. We believe that the FASB should retain the guidance in ASC 350-20-35-25 through 35-27, and the illustrations in Example 1 and Example 2, on an entity's deferred income tax considerations in determining the fair value of a reporting unit. We believe that these paragraphs are consistent with the principles in ASC 820 and provide incremental, helpful guidance. We do not believe that any amendments, with the exception of those already drafted in the proposed ASU, are necessary to address the potential difference in the impairment charge calculated under the proposed amendments.

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. We believe that the guidance in the proposed ASU should be applied prospectively. We do not believe that the benefits outweigh the costs and complexity of retrospective application.

Paragraph BC39 in the proposed ASU's Basis for Conclusions states that a "private company would follow the preferability guidance for accounting changes in Topic 250, Accounting Changes and Error Corrections" when the private company previously adopted the accounting alternative but wants to adopt this proposed guidance. We believe that such guidance is sufficient and would result in retrospective application of the proposed amendments unless it is impracticable to do so in accordance with ASC 250. That is, we do not believe that it is necessary for the FASB to provide transition guidance for companies that previously adopted the goodwill accounting alternative for private companies in current GAAP if it is the Board's intention to require retrospective application of the proposed guidance unless impracticable.

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

File Reference No. 2016-230
July 11, 2016
Page 4

proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

While we defer to preparers' views on the time they would need to implement the guidance, we do not expect the transition period to be significant. We also believe that entities should be allowed to early adopt the guidance. Permitting early adoption would help simplify financial statement reporting while not significantly affecting the decision-usefulness of financial information. We do not object to granting entities other than public business entities additional time to implement the guidance.

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?

Yes. We believe that the proposed amendments would meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the decision-usefulness of the 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?

Yes. As discussed in our response to question 3, we believe that the Board should consider raising the level at which the goodwill impairment test is performed in this phase of the project.

In addition, we are supportive of the Board's project on the subsequent accounting for goodwill for public business entities and not-for-profit entities and encourage the Board to continue this broader reconsideration of the goodwill model.

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)?

No. We are not aware of any unintended consequences that would result from the proposed improvements to the Overview and Background sections.