July 11, 2016

Ms. Susan M. Cosper
Technical Director
File Reference No. 2016-230
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

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

Dear Ms. Cosper:

On behalf of Stout Risius Ross, Inc. ("SRR"), we are pleased to submit the following response to the Financial Accounting Standards Board ("FASB" or the "Board") related to *Accounting Standards Update ("ASU") Intangibles – Goodwill and Other ("Topic 350"): Simplifying the Accounting for Goodwill Impairment*. SRR's Valuation & Financial Opinions practice provides independent valuations for all purposes, including financial reporting, corporate tax planning, estate tax and regulatory filings, employee stock ownership plans and ERISA advisory services, fairness opinions and solvency opinions, and shareholder disputes, among other purposes.

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

On balance, we agree with the proposed amendments. While the elimination of Step 2 from the goodwill impairment test will likely reduce the accuracy of a goodwill impairment loss, we believe the reduction in complexity and cost will result in a net benefit to reporting entities, their stakeholders, and users of 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?

We do not believe the requirement to perform Step 2 should be retained as an option in order to promote consistency in accounting for goodwill impairment across reporting entities. If the use of Step 2 were to be retained as optional, we believe the option should be a policy election at the entity level, rather than at the reporting unit level.

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?

We agree that reporting entities should be required to apply the same one-step impairment test to all reporting units. Additionally, it is our experience that reporting units that have a zero or negative carrying amount on an equity basis may not have a zero or negative carrying amount on an

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enterprise basis of measurement. Accordingly, in those circumstances we suggest performing the impairment test on an enterprise basis, as provided for by ASU 2010-28, to the extent possible.

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?

In the unlikely event that an enterprise basis carrying amount is still negative, we agree that the reporting entity should be required to report the existence of such reporting units and the amount of goodwill allocated to them. Further, we believe that the reporting entity should be required to disclose the circumstances that led to a negative carrying amount for that reporting unit.

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?

We believe the guidance on deferred income tax considerations in these paragraphs should not be retained, and instead this Subtopic should rely on the fair value guidance in Topic 820.

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 agree that prospective application, once the standard is finalized, will result in the most consistent goodwill impairment testing procedures across individual companies and industries, which will limit confusion for both reporting entities and users of financial statements. Yes, specificity, including examples, will help to limit confusion in adoption and application, particularly for those companies that adopted the goodwill accounting alternative, which in many cases have more limited accounting resources at their disposal.

Question 7 – How much time would be necessary to adopt the amendments in this proposed Update? 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 proposed Update could be adopted immediately as the majority of reporting entities are familiar with the current Step I goodwill impairment test and application of the proposed update is simply a limited extension of that analysis. Since the proposed ASU is not adding to existing accounting analytics, but rather deleting the time intensive exercise of the Step II goodwill impairment test, we believe no implementation timing differences should exist between public and non-public business entities.

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, the proposed amendments will certainly reduce the cost and time associated with complying with the accounting for goodwill. Moreover, the goodwill impairment testing process that will remain in place will provide users of financial statements beneficial information related to when a reporting entity has overpaid for an acquisition (i.e., when a reporting entity's carrying value is greater than fair value, which would result in impairment).

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?

No, we believe this comprehensive change is more closely aligned with the IFRS one step impairment guidance on the subsequent accounting for goodwill impairment.

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 believe the more concise language is an improvement to the guidance.

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We appreciate the opportunity to comment on this topic and look forward to reviewing the comments received by the FASB.

Sincerely,

Stout Risius Ross, Inc.

STOUT RISIUS ROSS, INC.