July 11, 2016

Submitted via email: director@fasb.org

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

File Reference No. 2016-230

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We generally agree with the direction taken by the Financial Accounting Standards Board (Board). The proposed Update meets the objectives of financial reporting by providing greater consistency and transparency in the accounting for goodwill impairment and reducing the cost and complexity for preparers and auditors by eliminating Step 2 of the goodwill impairment test.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Mark Winiarski, TIG Chairman, MWiniarski@CBIZ.com.

Sincerely,

Mark Winiarski, CPA	Robert A. Singer, Ph.D., CPA	Jeff Antrainer
TIG Chairman	Project Leader	TIG Member

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

Response: The existing goodwill impairment provides a more theoretically accurate measurement of impairment, but is costly to apply. We believe the proposed amendment will significantly streamline the goodwill impairment test, and on the cost-benefit spectrum believe that for the majority of entities it is preferable to eliminate Step 2 as proposed. Step 2, which involves an entity's having to determine implied goodwill has proven to be a costly and time-consuming process particularly if the reporting unit is below the entity level (e.g., subsidiary). For example, if the reporting unit consists of a product line, the valuation of its identifiable net assets (without the allocated goodwill) will involve a number of Level 3 fair value measurements potentially requiring a firm's having to acquire the services of valuation consultants. Further, we believe that implementation of the proposed amendment will lower the cost of the independent audit in terms of amount of time the outside auditors currently devote to reviewing the assumptions and techniques used in valuing the assets and liabilities of reporting units and to reviewing measurement of any unrecorded intangibles such as in-process research and development cost, trademarks, etc. While a determination of the fair value of a reporting unit below the entity level is problematic for many firms, the elimination of step 2 would nonetheless be a welcome development to reduce the cost of compliance with U.S. GAAP.

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: Although we acknowledge that the Step 2 test results in a theoretically more accurate measurement of impairment and that some entities do not find it prohibitively costly to apply, we believe that the requirement to perform Step 2 of the current goodwill impairment should not be retained as an option. To the extent that all entities are required to apply the one-step impairment test, comparability is enhanced not only with respect to discerning trends from one period to the next within the same company, but also in comparing financial statements of the entity with those of similar entities. Because we do not believe that Step 2 should be made optional, we would regard the question of whether to allow the entity to apply Step 2 at the reporting level or at the entity level applicable to all reporting units as moot.

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: We 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. First, making the one-step impairment test mandatory for reporting units with positive net assets would enhance comparability and result in consistency from one reporting period to the next. Second, removal of the qualitative assessment test for reporting units with zero or negative carrying values to determine whether an impairment is "more likely than not," and the elimination of the requirement that the entity apply Step 2 if the assessment test suggests an impairment, will relieve the entity of a costly and time-consuming process. Third, the proposed amendment which would require those reporting units to apply the impairment test would enhance comparability and consistency of all reporting units, those with positive as well as those with negative net carrying amounts. That said, as indicated in the update, research suggests that the number of entities reporting negative or zero carrying amounts is relatively insignificant and in those cases, very few impairments were reported suggesting that fair values of their units exceeded the negative or zero carrying values of their net assets. Thus, we believe that in those few instances the requirement that the impairment test be limited to the one-step impairment test would be a welcome improvement over the existing requirement. All this said, we see some merit in allowing reporting units with zero or negative carrying amounts to write off the goodwill on the basis that because goodwill is defined as representing future economic benefits arising from other assets acquired, maintaining goodwill on the balance sheet of a reporting unit with negative book value may be contradictory as the negative book value could be an indicator of a lack of future economic benefits to be derived from the reporting unit as a whole.

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: We concur with the Board's recommendation that 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. Because we believe that the proposed one-step impairment test be required for all reporting units including those with negative carrying amounts and given the likelihood that these units would pass impairment test, thereby avoiding incurring an impairment loss, disclosure of the amount of goodwill and the circumstances surrounding its inclusion despite the unit's negative net asset position is warranted and would provide useful information to users.

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?

Response: We believe deferred income tax considerations when determining the fair value of a reporting unit in paragraphs 350-20-35-25 through 35-27 should be retained. How to structure a particular sale of a reporting unit or asset grouping for tax purposes (i.e., non-taxable vs taxable exchange) often influences the agreed upon sale price that market participants may place on the value of a unit. Thus in those contexts in which determination of tax structure is feasible, the entity should take into account the impact of taxes in estimating the fair value of its reporting units. As indicated in Examples 1 and 2 of the exposure draft, whatever tax structure would result in the highest fair value to the entity based on its analysis of the impact of tax structure in valuing similar reporting units in similar contexts within and outside the entity would constitute the most reasonable estimate. The implications of temporary future taxable or deductible amounts resulting from these amendments giving rise to deferred tax liabilities or deferred tax assets should be appropriately disclosed in the notes to the financial statements. Thus we concur with the guidance provided in the Update.

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: We agree that the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively. We believe that prospective as opposed to retrospective treatment would significantly reduce the cost and time for financial statement preparers and auditors and improve transparency for the users. Because the proposed treatment might be of benefit to private companies who previously adopted the goodwill accounting alternative provided in the previous exposure draft, we believe that transition guidance for such companies would be helpful and minimize any confusion should they elect to make the change.

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: Given that adoption of the amendments in this proposed Update would be applied prospectively, we do not believe that the transition would take any significant amount of time. In fact the elimination of Step 2, which in some respects is similar to the singular treatment provided in IAS 36, Impairment of Assets (aside from applying the test to cash generating as opposed to reporting units), should reduce the amount of time, effort, and cost. In this respect, we believe that early adoption should be permitted, and further believe that the application of the proposed amendments by entities other than public business entities ceteris paribus would not require any more or less time than needed by 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?

Response: Based on our responses to the previous questions, we believe that the proposed amendments clearly meet the Board's objective of reducing the cost of subsequent accounting for goodwill while providing useful information to users of financial statements. In fact, the elimination of Step 2 in the goodwill impairment test would not only reduce cost but also enhance the usefulness of the information to the extent that a comparison of the fair value to the carrying value of the reporting unit is more transparent and understandable. On this basis, we believe that users are provided with information through which they can better assess the significance of the impairment and better evaluate how the deterioration of the unit might affect the entity in the future.

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: We believe some consideration might be given to evaluating the allocation of goodwill to reporting units. The allocation of goodwill to reporting units below the level of the subsidiary is inherently subjective and is often difficult to evaluate fairly, which may reduce transparency and the meaningfulness to the financial statement users. In this regard, some consideration might be given toward the IAS 36 approach, which attempts to associate goodwill arising from acquisitions to specific asset classes (i.e., cash generating units).

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: We do not see any adverse consequences arising from the improvements to the Overview and Background Sections of the Subtopics. In general, we believe that the proposed changes will greatly reduce the burden on the entities as well as the independent auditors while at the same time improve the transparency and relevance of the information to users.