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July 11, 2016

Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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File Reference No. 2016-230, *Proposed Accounting Standards Update, Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment*

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment on the Exposure Draft for the proposed Accounting Standards Update ("ASU"), *Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("the Proposal").

We support the FASB's objective of simplifying the subsequent accounting for goodwill by removing Step 2 from the current goodwill impairment test. We believe that the Proposal would reduce the cost and complexity of assessing goodwill impairment while maintaining the usefulness of information that is provided to financial statement users. Our responses to the questions presented in the Proposal are provided below.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me at (347) 648-7721.

Sincerely,

Robert Traficanti

Robert Traficanti
Global Head of Accounting Policy

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

We agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test. We believe the proposed amendments would reduce the cost and complexity of assessing goodwill for impairment.

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 support retaining Step 2 of the current goodwill impairment test as an option because this would result in diversity in practice and would decrease comparability between reporting units and between entities. However, if the Board decides to retain Step 2 as an option, we believe any such policy election should be made available only on an entity-wide basis, as opposed to reporting unit by reporting unit, and required to be disclosed.

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 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. We believe that this requirement would promote consistency in the subsequent measurement of goodwill.

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?*

We support the requirement to disclose the existence of those reporting units with zero or negative carrying amounts and the amount of goodwill allocated to them.

In order for a user to understand the fluctuations in the carrying amount of an entity's goodwill during each reporting period, current guidance requires that an entity provide disclosures that reconcile beginning and ending carrying values of goodwill by each reportable segment and in total. In addition, the amount of any unallocated goodwill balances are currently required to be disclosed along with an explanation as to what the reasons are for not allocating such balances.

As the above disclosure requirements are retained under the Proposal, in order for a user of the financial statements to get a complete understanding of the fluctuations in the carrying value of goodwill, all reporting units for which goodwill has been allocated should be subject to a disclosure requirement, regardless of whether the reporting unit holds a positive, negative, or zero carrying value.

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?*

We agree that the proposed guidance should be applied prospectively.

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?*

If applied prospectively, the proposed amendments could be adopted immediately. We believe early adoption should be permitted.

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?*

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 usefulness of the information provided to users 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?*

The Board noted that one of the reasons for replacing the transaction-based accounting for goodwill under APB Opinion No. 17 with a reporting unit-based approach under ASC 350 (formerly SFAS 142) was the fact that acquiring entities typically integrate acquired entities into existing operations. Under an integrated approach, newly acquired goodwill loses its specific identity and instead becomes merged with the overall goodwill of the reporting unit. We believe this principle is relevant when considering a potential change to the subsequent measurement model of goodwill. Specifically, if Phase 2 of the project results in a proposal whereby goodwill is amortized at a level lower than at the reporting unit (e.g., at an acquisition level), we believe the Board should consider if and how business integration affects the amortization of goodwill. Further, impairment of goodwill, both under current accounting requirements as well as under the Proposal, occurs at the reporting unit level. As such, any proposed amortization model may necessitate a re-review of the related impairment model in order to address the governing principle and methodology for allocating impairment losses to separately amortizing "vintages" of goodwill within a reporting unit's overall goodwill carrying amount.

In addition to the above considerations, we also encourage the Board to consider the complexities associated with transition guidance for changes to subsequent accounting for goodwill as part of Phase 2 of the project. In particular, changes to subsequent accounting for goodwill that include an amortization requirement present a number of transition challenges regardless of whether such changes are adopted retrospectively or prospectively. For example, under current U.S. GAAP, a reporting unit's goodwill may be comprised of goodwill from multiple business combinations in which acquired businesses have been integrated into the reporting unit. Therefore, in such cases, a full cumulative retrospective adjustment for the amortization of a reporting unit's goodwill may be impracticable. Whether applied retrospectively or prospectively, an entity with integrated operations may require additional guidance in determining the appropriate amortization period to apply to existing goodwill balances (e.g., should the amortization of existing goodwill balances upon transition occur at a reporting unit level, or instead, should amortization occur at an acquisition level with consideration of the dates of previous acquisitions?). Additionally, the occurrence of subsequent reorganizations of reporting units with allocated goodwill balances would present similar challenges in identifying components of goodwill that relate to previous business combinations and therefore possess different vintages in order to effect retrospective adoption.

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)?*

We have not identified any unintended consequences resulting from the improvements to the Overview and Background Sections of the Subtopics.