

Alcoa

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Advancing each generation.

July 13, 2016

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

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

Dear Technical Director:

Alcoa Inc. appreciates the opportunity to comment on the Exposure Draft referenced above. Alcoa is a global leader in lightweight metals engineering and manufacturing. Alcoa is also the world leader in the production and management of primary aluminum, fabricated aluminum, and alumina combined.

We support the Board's effort to improve financial reporting by proposing to remove Step 2 from the current goodwill impairment test. We agree that the cost and complexity that exists today is unnecessary and warrants simplification, which will benefit all constituents while maintaining the decision usefulness of such information. We also have comments related to several of the questions put forth in the proposed Accounting Standards Update (ASU).

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

Yes, we agree with the proposed amendments as we believe they will result in a reduction of cost, complexity, and time while maintaining or improving the usefulness of information provided to users of financial statements. Assigning the fair value of a reporting unit to all of its assets and liabilities is an onerous task with limited benefits.

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, the requirement to perform Step 2 of the current goodwill impairment test should not be retained as an option. As noted above, assigning the fair value of a reporting unit to

all of its assets and liabilities is an onerous task with limited benefits. One potential detriment of retaining Step 2 as an option is reduced comparability between entities which use Step 2 and others who do not.

Additionally, the Step 2 analysis is redundant and unnecessary for other assets recorded on the balance sheet. Other guidance already exists in the Codification to evaluate the valuation of assets such as inventory, investments, and property, plant, and equipment. We believe the complete removal of Step 2 of the current goodwill impairment test will result in the highest reduction of complexity with no detrimental impact to understandability for the users of financial statements.

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, the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively. Retrospective application resulting in adjustment to goodwill impaired in a prior period could cause confusion to a user of the financial statements, and will also add a layer of complexity for both preparers and users when the goal is simplification. As we are a public company, we do not have a view on the second question within Question 6.

Question 7: How much time would be necessary to adopt the amendments in the proposed Update? Should early adoption be permitted? Would the amount of time needed to adopt the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

We believe the proposed amendments should be effective immediately upon the issuance of a final ASU. This is appropriate because the goodwill impairment test is not a process that is applied every month or even every quarter. Considering the reduction in complexity and time spent on preparation, no significant amount of time should be necessary. As we are a public company, we do not have a view on the amount of time needed to apply the proposed amendments by entities other than public business entities.

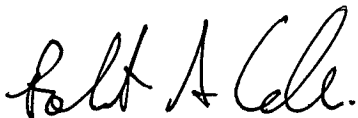
Question 8: Would the proposed amendments meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of the financial statements? Why or why not?

Yes. As noted above, Step 2 of the current goodwill impairment test is overly complex, costly, and time consuming, while providing limited benefits to the users of the financial statements.

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Thank you for allowing us the opportunity to present our views on this Exposure Draft.
Please contact me at (412) 553-1772 if you would like us to clarify any of our comments.

Sincerely,



Robert S. Collins
Vice President and Controller