



September 14, 2016

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

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

Dear Ms. Cospers:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB) Exposure Draft of the Proposed Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* (Proposal).

The IMA is a global association representing over 80,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at [www.imanet.org](http://www.imanet.org) (About IMA, Advocacy Activity, Areas of Advocacy, Financial Reporting Committee).

The Committee agrees that the Proposal would simplify the accounting for impairments of goodwill. However, the Committee has divergent views on whether simplifying the accounting for the impairment of goodwill represents an improvement in financial reporting.

Members of the Committee supporting the Proposal note that the recognition of impairment based on the results of Step 1 of the current two-step impairment model will reduce the costs associated with assessing goodwill for impairment and believe it should not materially affect the recognition of impairment losses. Based on prior experience, members of the Committee with expertise in valuation note that, when a reporting entity proceeds with a Step 2 analysis, it has generally recognized an impairment loss. Accordingly, the Proposal should not have an adverse impact on the information provided to financial statement users regarding operating/financial performance of an entity's reporting units.

Members of the Committee opposing the Proposal do not believe that reducing the cost and complexity of evaluating goodwill for impairment, as stated on page 2 of the Proposal, should be the primary basis for concluding that the Proposal is an improvement over the existing approach. If the Board proceeds with the Proposal, there is a concern that a reporting entity could recognize an impairment of its



goodwill even though the entity's long-lived assets are impaired. Such a result is quite different from the result that would be achieved today. In addition, members opposing the Proposal note that the FASB considered and rejected an approach similar to the Proposal prior to issuing Statement No. 142 *Goodwill and Other Intangible Assets*. At that time, the Board was concerned that subtracting the carrying amount of recognized net assets from the reporting unit's fair value would lessen the likelihood that the entity would recognize an impairment loss. Those members who do not support the Proposal also object to applying the simplified approach to determining goodwill impairment at reporting units with a zero or negative book value. If, as discussed in paragraph BC20, the population of reporting units with a zero or negative carrying amount is "relatively small", having the reporting entity complete a Step 2 analysis should not be unduly burdensome, particularly if a reporting entity is only required to perform that analysis if it believes that it is more likely than not that goodwill is impaired. While it would be preferable to have a consistent impairment test for all reporting units, deferring the recognition of an impairment loss simply because the reporting entity has a negative carrying amount does not seem to be an improvement in financial reporting.

The Committee also has differing views on whether, if the Board proceeds with the Proposal, the final standard should provide an option allowing a reporting entity to complete a Step 2 analysis. Some Committee members believe the Board should provide an option, but believe a reporting entity that elects to apply the option should treat that election as the adoption of an accounting policy and should be required to apply that policy consistently in future periods. Other Committee members believe that a reporting entity should be allowed to use Step 1 as a practical expedient to measuring the amount of goodwill impairment. These committee members believe that the use of the practical expedient would be based on the then current facts and circumstances associated with the reporting unit. Those Committee members do not view the use of the practical expedient as the adoption of an accounting policy, but as a simplified measurement as to the amount of goodwill impairment to be recognized. Finally, other Committee members do not believe reporting entities should have the option of performing a Step 2 analysis because permitting entities to elect to perform a Step 2 analysis will result in inconsistent approaches for measuring impairment.

Finally, the Committee encourages the Board to reconsider the subsequent accounting for goodwill, including whether to extend the private company alternative to all entities. The Committee has divergent views on whether the Board should extend the private company alternative to all entities and notes the discussion in paragraph BC11 of the Proposal that there may be concerns about the benefits of that alternative. In addition, the Committee believes the Board should revisit the accounting for impairments of other long-lived assets to more closely align with IFRS and to address complexities in the current model.

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The Association of  
Accountants and  
Financial Professionals  
in Business

We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Nancy J. Schroeder". The signature is written in a cursive style.

Nancy J. Schroeder, CPA  
Chair, Financial Reporting Committee  
Institute of Management Accountants  
nancy@beaconfinancialconsulting.com