Accenture plc

161 N. Clark Street
Chicago, IL 60601-3200
accenture.com

November 29, 2021

Mr. Richard R. Jones, Chair
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(Sent via e-mail to rjones@fasb.org)

Re: Subsequent Accounting for Goodwill

Dear Mr. Jones:

I am writing to express Accenture plc's views on the accounting for goodwill and other intangibles. Accenture plc is a leading global professional services company that helps clients build their digital core, transform their operations, and accelerate revenue growth. For fiscal 2021, we reported revenues of $50.5 billion, net income of $5.9 billion and total assets of $43.2 billion.

We appreciate the opportunity to provide feedback in this challenging area. We are focusing our commentary on the Financial Accounting Standards Board's (the "FASB" or "Board") tentative decision in December 2020 to amortize goodwill through the income statement and whether certain intangible assets should be subsumed into goodwill.

Based on the July 9, 2019 Invitation to Comment, *Identifiable Intangible Assets and Subsequent Accounting for Goodwill*, and the Board's subsequent material on the subject, our understanding is the primary basis for the decision to amortize goodwill is a cost/benefit concern.

Through discussions with other large public companies, we believe a majority plan to report "non-GAAP" adjusted earnings measures that will eliminate goodwill amortization should goodwill be amortized through the income statement. We also believe these companies faithfully represent the overall Public Business Entity ("PBE") population and therefore expect the broader PBE population would report similarly. In paragraph B77 of FASB Statement No. 142, *Goodwill and Other Intangible Assets,* the Board acknowledged when it decided not to amortize goodwill that many users eliminated goodwill amortization from their analysis of entity earnings, bringing into question the decision usefulness of goodwill amortization to the statement of income.
Given our expectations that PBEs will add "non-GAAP" measures excluding goodwill amortization and that financial statement users will do the same, as supported by the FASB's own observations, we believe amortizing goodwill to the income statement does not create valuable financial reporting. As an alternative, we recommend goodwill be amortized directly to Other Comprehensive Income ("OCI") and recycled through net income when operations of the unit of account at which goodwill is tested for impairment is exited. Amortizing goodwill directly to OCI has the following benefits:

- the cost/benefit objective behind the decision to amortize goodwill is met;
- “non-GAAP” measures excluding goodwill amortization would be unnecessary thereby promoting GAAP measures of profitability in financial reporting;
- the determination of the goodwill amortization period becomes less significant thereby further reducing the cost of reporting for preparers; and
- the need to discontinue the prohibition of deferred tax liability recognition on non-deductible goodwill becomes unnecessary.[1]

We would also like to address whether certain identifiable intangible items should be recognized apart from goodwill. We believe principles-based criteria should require certain intangible items, like customer-related intangible assets not capable of being sold or licensed independently and noncompete agreements, to be subsumed into goodwill. We believe discrete intangible assets should be recognized only when they can generate independent cash flows (i.e., capable of being sold or licensed separately).

Overall, we believe the financial reporting answers that best reflect the Board’s reasoning for revisiting the subsequent accounting for goodwill are to amortize goodwill to OCI and to implement a framework to separate intangible assets from goodwill only when they are capable of generating independent cash flows. Over time these solutions would reduce the costs of a non-amortization model while providing useful information to investors. We appreciate the opportunity to express our thoughts on these matters. Please feel free to contact me at +1.312.693.5465 with any questions or comments.

Yours sincerely,

Robert J. Kuehnau, Jr.
Director – Technical Accounting, Policy
Accenture plc

---

[1] Accounting Standards Codification 740-10-25-3(d) prohibits deferred tax liability recognition on non-deductible goodwill. As a result, non-deductible goodwill amortization to the income statement would distort a company’s effective tax rate (“ETR”) by treating it as a permanent difference. Recording goodwill amortization directly to OCI eliminates the need to update Topic 740 to address this because the ETR would be unaffected, and it avoids the complex deferred tax calculations that would be required if the Board were to remove the prohibition.