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Mr. Russell G. Golden  
Director, Technical Application and Implementation Activities  
Financial Accounting Standards Board  
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LETTER OF COMMENT NO. 2

**File Reference: Proposed FSP FAS 142-f**

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on proposed FASB Staff Position No. FAS 142-f, "Determination of the Useful Life of Intangible Assets."

We support the issuance of the proposed FSP, which amends the factors entities should consider when determining the useful life of recognized intangible assets under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The proposed FSP represents an improvement in financial reporting because its provisions will result in a useful life determination that better reflects the period over which a renewable intangible asset is expected to contribute directly or indirectly to future cash flows. However, as discussed in detail below, the proposed FSP's transition provisions would create a mixed accounting model for similar intangible assets. Therefore, the transition provisions should be revised to apply prospectively to *all* renewable intangible assets and not just those acquired after the effective date. This letter also includes our additional recommendations and editorial suggestions.

**Transition Provisions and Effective Date**

Paragraph 15 of the proposed FSP states that the amended guidance for determination of the useful life of a recognized intangible asset shall only be applied to intangible assets *acquired* after the effective date. As illustrated in the example below, the transition provisions could cause an entity with similar intangible assets, which are expected to be used in a comparable manner for a similar period of time, to have substantially different useful lives. In addition, the transition provisions would likely reduce comparability of financial statements between entities in the same industry. Because of these concerns, we recommend that the proposed FSP be applied prospectively to **all** renewable intangible assets. In other words, the scope of the proposed FSP would not be limited to assets acquired after the effective date, and accordingly, all entities with renewable intangible assets would be required to reassess the useful lives upon adoption.

We recognize that amending the transition provisions would substantially increase the number of intangible assets within the proposed FSP's scope. Therefore, we recommend the FSP's effective date be extended to fiscal years beginning on or after December 15, 2008, to provide preparers more time to analyze the useful lives of their renewable intangible assets.

*Example*

Before the effective date of the proposed FSP, an entity that owns and operates television stations acquired an existing television station and a related network affiliation agreement in a business combination. The network affiliation agreement was recognized as an intangible asset apart from goodwill. The network affiliation agreement, upon acquisition, is subject to renewal/extension every five years, and the entity intends to renew it indefinitely. Because of uncertainty about whether, upon renewal/extension, the agreement would be subject to "material modification," the entity originally assigned a 20-year life to the intangible asset.

After adoption of the proposed FSP, the same entity acquires another television station along with a related network affiliation agreement. Assuming all other facts are the same, the omission in the proposed FSP of the "material modification" factor would lead the entity to assign an indefinite useful life to this network affiliation agreement. In accordance with the current transition provisions, the entity will now have two similar intangible assets that are accounted for differently. That is, the asset acquired before the effective date of the proposed FSP would be required to have a finite useful life, whereas the asset acquired after adoption of the proposed FSP would have an indefinite life.

**Comments on the Disclosure Requirements**

- Paragraph 13 of the proposed FSP requires the same disclosures for each major class of recognized intangible asset. However, we recommend that the FASB clarify whether customer-related intangible assets are within the scope of the proposed FSP and if so, explain the application of paragraph 13. For example, noncontractual customer relationships would not have a contractual period (term) or a history of contractual renewal, both of which appear to be necessary to comply with the disclosure requirements of paragraph 13 of the proposed FSP. Entities may have difficulties applying these disclosure requirements without additional guidance.
- It is unclear how the disclosure requirement in paragraph 13(a) of the proposed FSP will benefit users of the financial statements in certain situations. For example, to offer cable television services in a town, cable companies are often required to obtain a municipal franchise agreement. For these entities, it is reasonable to expect that the weighted average contract period for the municipal franchise agreements will generally remain consistent over time because of the large volume of agreements. Additionally, the same situation would likely exist with contractual customer relationships.
- We understand that in the development of EITF Issue No. 03-9, "Determination of the Useful Life of Renewable Intangible Assets Under FASB Statement No. 142," and proposed FSP FAS 142-d, the EITF and FASB, respectively, had difficulty in determining the types of renewal costs that would be considered incremental and direct. Without further guidance entities also will likely have difficulty in making this assessment. Therefore, the FASB should consider either (1) clarifying the types of renewal costs that should be considered incremental and direct or (2) eliminating this disclosure requirement.

### **Example in the Proposed FSP**

- The FASB should consider revising the facts in the example in paragraph 11 of the proposed FSP. While we agree with the basic concept portrayed in the example, the facts presented are not consistent with what is typically seen in practice. Specifically, entities generally hold broadcasting licenses for periods much greater than 10 years as the licenses are inherently valuable because of their scarce nature. In addition, because a marketplace participant would likely assume renewal of a broadcast license, the asset would likely have a salvage value, which is not addressed in the example. We recommend that to avoid confusion, the example be modified to illustrate an acquisition of a license to use technology or a similar intangible asset.

### **Editorial Suggestions**

- Paragraphs 7–11 do not address subsequent measurement guidance. Therefore, the FASB should consider revising the subheading that precedes paragraph 7 as follows:

#### ~~Subsequent Measurement~~— Determining the Useful Life

- The FASB currently is considering various models for accounting for not-for-profit mergers and acquisitions. To avoid a future amendment to paragraph 16 of the proposed FSP, the FASB should consider replacing the phrase “the application of the purchase method to” with “accounting for.”
- In paragraph (c)(2) on page 9, the FASB should replace the word “expended” with “incurred” to conform with the wording in paragraph 13(d) of the proposed FSP.

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Deloitte & Touche LLP appreciates the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Stuart Moss at (203) 761-3042.

Yours truly,

Deloitte & Touche LLP

cc: James Johnson  
Robert Uhl