

January 16, 2008



LETTER OF COMMENT NO. 3

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference Proposed FSP FAS 142-f

Dear Mr. Golden:

The Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) is pleased to offer comments on the FASB's Exposure Draft of a proposed FASB Staff Position FAS 142-f, *Determination of the Useful Life of Intangible Assets*. AcSEC supports amending the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. AcSEC supports the approach under which entities will begin by considering their own historical experience in renewing or extending similar arrangements and will only have to consider the assumptions of market participants in the absence of such experience. Given difficulties faced by companies in determining market participants' assumptions for intangible assets, AcSEC believes this approach is more operational than requiring companies to start with market participants' assumptions and adjust them for entity-specific factors.

The remainder of this letter discusses AcSEC's specific comments.

Determining the Useful Life When an Entity Lacks Historical Experience – Ability to Adjust Market Participants' Assumptions Upward

Paragraph 7 of the proposed FSP provides that when determining the useful life of a recognized intangible asset, an entity that lacks historical experience in renewing or extending similar arrangements should consider the assumptions of market participants adjusted for the entity-specific factors. Paragraph 11 provides an example in which market participants' assumptions are adjusted downward. AcSEC recommends that the FASB clarify whether there could be an upward adjustment of market participants' assumptions and, if so, include an example of such an adjustment.

Disclosures

AcSEC questions the utility of additional disclosure requirements specified in paragraph 13 of the proposed FSP to users of financial statements and recommends removing them. Furthermore, AcSEC believes that disclosure requirements contained in the existing literature, including AICPA Statement of Position (SOP) 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, already require sufficient disclosure of information about risks related to an entity's ability to generate cash flows from renewable or extendable intangible assets.

If the FASB decides to retain the expanded disclosure requirements, AcSEC recommends making the following changes:

- Change transition provisions specified in paragraph 15 with respect to disclosure requirements by making disclosures applicable to all intangible assets, not just the ones acquired, renewed, or extended after the effective date of the FSP. AcSEC believes that this change will eliminate the need for companies to separately keep track of two sets of assets – the ones that are subject to the expanded disclosures in this FSP and the ones that are not. Furthermore, AcSEC believes if disclosures provided for intangible assets subject to this FSP are different from disclosures provided for the rest of the intangible assets, such disclosures would be confusing and not helpful to users of financial statements.
- With respect to Item (b) in paragraph 13 – clarify the intent of this requirement and what kind of information is being sought by it. AcSEC believes that without further clarification, companies are likely to provide standard boilerplate disclosures such as “the company has always been successful in renewing similar assets.”
- With respect to Item (c) in paragraph 13 – revise it to make it applicable to all contracts, not just the ones “with initial contractual periods or renewal periods ending within the next fiscal year.”

Effective Date and Transition

Transition: AcSEC believes that the transition guidance in the proposed FSP may result in some unintended consequences. Specifically, under paragraph 15, guidance in the proposed FSP for determining the useful life would be applied to intangible assets acquired after the proposed FSP becomes effective but not to those intangibles that were acquired before the FSP's effective date. As a result, an entity may end up with significantly different useful lives assigned to similar intangible assets even though the entity intends to use these intangibles in a similar manner. For example, under the old guidance an entity may have assigned finite useful lives to certain intangible assets, but following the issuance of the FSP similar assets will be assigned indefinite lives. To avoid such inconsistencies, AcSEC recommends that the FASB consider alternative transition provisions.

AcSEC recommends prospective adoption of the proposed FSP for all intangible assets, which would require companies to reevaluate useful lives of existing intangible assets at the effective date.

Effective Date: AcSEC supports the proposed effective date of fiscal years beginning after June 15, 2008. However, if the FASB rejects AcSEC's proposal to make the FSP applicable to all intangible assets, including previously acquired assets, AcSEC recommends required adoption upon issuance.

Examples

Given that the proposed FSP will amend criteria that should be considered when determining useful lives, AcSEC recommends that the FASB revisit and revise, as necessary, examples included in Appendix A of FASB Statement No. 142. Furthermore, Example 6 indicates that international airline route authorities are indefinite-lived intangible assets. At the time when FASB Statement No. 142 was issued routes between the United Kingdom (UK) and the United States were subject to restrictive bilateral agreements. However, recently the U.S. and the European Union (EU) signed an open skies agreement which will become effective on March 30, 2008, and will allow EU airlines to fly from anywhere in the bloc to any point in the U.S., and vice versa for U.S. airlines. Given this change in the regulatory environment, AcSEC believes that route authority between the UK and the U.S. cited in Example 6 may not be the best example of an indefinite-lived intangible asset.

We appreciate the opportunity to comment on the proposed FSP. We are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

Benjamin Neuhausen
Chairman
AcSEC

L. Charles Evans
Chairman
Intangibles FSP Comment Letter Task Force