



American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 5, 2010

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: October 6, 2010 Exposure Draft of a Proposed Accounting Standards Update (ASU), Intangibles—Goodwill and Other (Topic 350): *How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test* [File Reference No. EITF100A]

Dear Sir or Madam:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

In general, TIC supports the issuance of the ED as a final standard. However, TIC believes this practice issue is only a minor component of the deeper practice issues that small businesses face in implementing standards that address the initial and subsequent accounting for business combinations and intangible assets. This ED is an important first step in what TIC hopes will be a continuing effort to address the broader issues for private entities.

SPECIFIC COMMENTS

Question 1: *Do you agree that the equity premise should be the only permissible methodology for Step 1 of the goodwill impairment test? If not, why not?*

We agree that the equity premise should be the only permissible methodology for Step 1 of the goodwill impairment test because it reduces complexity and diversity in an area that many users, preparers and even auditors of financial statements have little understanding. It will also serve to enhance comparability since the two methods do not always yield the same results.

Question 2: *Do you agree with the qualitative factors that have been provided for reporting units with zero or negative carrying amounts to consider in determining whether it is more likely than not that a goodwill impairment exists? If not, why not? Are there additional factors that also should be included?*

TIC agrees that the factors presented in FASB Accounting Standards Codification paragraph 350-20-35-30 are appropriate indicators of potential goodwill impairment for reporting units with zero or negative carrying value. We also recommend that the following qualitative factors be added to the above paragraph:

1. A reporting unit experiences weaker performance than was anticipated at its acquisition date, or significantly weaker performance than was budgeted (as would be applicable to more mature units);
2. The industry in which the reporting unit operates is, as a general rule, experiencing impairments (such as recent adverse experience with financial institutions and real estate ventures), even if the unit being evaluated is performing at or above expectations.

Question 3: *Do you need more guidance on how to determine if it is more likely than not that goodwill is impaired at transition? If so, please describe what may be helpful with that determination.*

While the guidance in the document is sound, the use of several examples, which consider different industries, would be beneficial in ensuring that a more uniform application of the guidance will be achieved.

Question 4: *For reporting entities that have used an enterprise premise to calculate the carrying amount of a reporting entity for Step 1 of the goodwill impairment test, do you believe that applying the amendments in this proposed Update would result in different conclusions about the need to perform Step 2? If so, please describe such scenarios.*


Yes, TIC believes the guidance could result in a different conclusion regarding the need to consider performance of step 2. For example, if a unit had goodwill of \$2 million and total assets of \$12 million and subordinated debt of \$7 million and total liabilities of \$12.5 million, and had an estimated fair value of \$5 million with no negative factors noted, a step 2 evaluation would not be required under the equity premise, since carrying value would be negative. However, a step 2 evaluation would be required under the enterprise premise since the carrying value of \$6.5 million would exceed the estimated fair value of \$5 million.

Question 5: *Do you agree with the proposed effective dates for public and nonpublic entities? Are they operational? If not, why not?*

TIC supports the proposed one-year deferral for nonpublic entities beyond the effective date for public entities. TIC also appreciates the option for nonpublic entities to early-adopt the proposed amendments beginning with the effective date for public entities.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip J. Santarelli", with a long horizontal line extending to the right.

Philip J. Santarelli, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees