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Ms. Susan M. Cosper
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Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5166
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24 April 2012

Re: Proposed Accounting Standards Update, *Testing Indefinite-Lived Intangible Assets for Impairment* (File Reference No. 2012-100)

Dear Ms. Cosper,

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Testing Indefinite-Lived Intangible Assets for Impairment* (the proposed Update).

We support the Board's efforts to reduce the cost and complexity of performing the impairment test for an indefinite-lived intangible asset required under Topic 350, *Intangibles — Goodwill and Other*. Allowing the use of the proposed qualitative screen would simplify annual impairment testing for indefinite-lived intangible assets and potentially reduce costs for companies that appropriately apply the qualitative assessment.

In practice, some companies historically have incurred significant costs when performing the annual impairment test. Under current guidance, the cost and complexity of performing an impairment calculation remain the same, even when an evaluation of qualitative factors that affect the significant inputs to a fair value measurement indicate that there is little risk that an indefinite-lived intangible asset is impaired. We believe that allowing the use of a qualitative assessment would reduce the cost and complexity in these situations. Further, we believe that allowing a qualitative assessment for indefinite-lived intangible assets would make impairment testing of all long-lived assets more consistent since qualitative assessments can be used to test both goodwill and other long-lived assets.

As we stated in our letter commenting on ASU 2011-08, *Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, we believe that implementation guidance would help companies develop and document their qualitative assessments. Since making a positive assertion about the fair value of an indefinite-lived intangible asset would be based on an array of qualitative factors, it could be difficult to weigh the effects of both positive and negative evidence. The Board believes that companies would assess the reliability of the evidence evaluated during the qualitative assessment. Providing additional implementation guidance could help companies evaluate the reliability of both positive and negative evidence and assess any uncertainties. For example, we believe guidance that illustrates how companies might verify that positive and negative industry and market-related events and circumstances do not have a significant effect on the significant inputs used to determine fair value would be beneficial.

The Appendix to this letter provides our responses to the Questions for Respondents included in the proposed Update.

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

Very truly yours,

Ernst & Young LLP

Responses to the Questions for Respondents in the Proposed Accounting Standards Update, *Testing Indefinite-Lived Intangible Assets for Impairment*

This Appendix includes our responses to questions addressed to all respondents or specifically to auditors. We have not responded to questions addressed to preparers or users.

Question 1: Please describe the entity or individual responding to this request. For example:

a. Please indicate whether you primarily are a preparer, user, or auditor of financial statements or, if other, please specify.

b. If you are a preparer of financial statements, please indicate whether your entity is public or nonpublic and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric). In addition, include a description of the type of indefinite-lived intangible assets held by your entity.

c. If you are an auditor, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, nonpublic entities, or both.

d. If you are a user of financial statements, please indicate in what capacity (for example, investor, analyst, or rating agency) and where in the capital structure you are most focused (for example, debt or equity).

Ernst & Young LLP is one of the largest professional services organizations in the country, and audits both private and public companies, whose financial information is prepared in accordance with US GAAP.

Questions 2 and 3: Not applicable for auditors.

Question 4: For auditors, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why. Does your response differ based on whether the entity is public or nonpublic?

We believe that the proposed amendments may reduce costs and complexity when applied based on appropriate circumstances. For example, companies that historically have had indefinite-lived intangible assets that have passed the impairment test by significant margins would presumably be able to use a qualitative assessment to efficiently conclude, absent significant negative evidence affecting the significant inputs to a fair value measurement, that an indefinite-lived intangible asset is not impaired. However, if a company elected to perform the qualitative screen and concluded that the fair value of an indefinite-lived intangible asset is more likely than not less than its carrying amount, it would still need to calculate the fair value of the indefinite-lived intangible asset to measure any potential impairment charge. For these companies, the result could be an increase in the cost associated with performing the impairment test.

Similarly, we believe that the proposed Update may reduce audit-related costs in certain instances, particularly when companies have indefinite-lived intangible assets whose fair values historically have exceeded their carrying amounts by significant margins. However, the subjective nature of the qualitative assessment could pose challenges to auditors when testing and corroborating management's assertion that an indefinite-lived intangible asset is not impaired. For example, if the mix of positive and negative evidence used to qualitatively assess an indefinite-lived intangible asset for impairment is subject to significant uncertainties, auditors could have to perform additional procedures — and therefore increase costs — to corroborate management's qualitative assertion.

Our response does not differ based on whether a company is public or nonpublic. We believe that public and nonpublic companies incur similar costs and have similar concerns about complexity when calculating the fair value of an indefinite-lived intangible asset.

Question 5: Not applicable for auditors.

Question 6: Do you agree that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in assessing whether significant inputs to the fair value measurement have changed significantly to indicate that it is more likely than not that an indefinite-lived intangible asset is impaired? If not, what additional examples of events and circumstances do you suggest?

Yes, we agree that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in assessing whether significant inputs to the fair value measurement have changed significantly.

Question 7: Do you agree that nonpublic entities should be exempt from disclosing quantitative information about significant unobservable inputs used in measuring the fair value of an indefinite-lived intangible asset as required in paragraph 820-10-50-2(bbb), as amended by Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*? If not, please explain why.

We commend the Board's efforts to provide relief to nonpublic entities from costly and complex disclosure requirements, including the requirement to disclose quantitative information about significant unobservable inputs used in measuring the fair value of an indefinite-lived intangible asset as required in paragraph 820-10-50-2(bbb). However, we question why public companies would not receive a similar exemption, as was the case for the requirement to disclose the same information about a reporting unit when testing goodwill for impairment (ASU 2011-08). During the comment period on that ASU, users of public entity financial statements indicated that they are generally aware of significant impairment losses and the underlying reasons before the US GAAP financial statements are finalized because the recognition of a significant impairment loss typically follows other negative evidence in the entity's performance.

The concept that users of public entity financial statements are already aware of the reasons leading to a significant impairment before the financial statements being available is consistent with the reason noted in paragraph BC19 of the Basis for Conclusions of this proposed Update for providing nonpublic entities with relief from this disclosure requirement. We therefore believe public entities should also receive this exemption. We encourage the Board to review the responses from users of public entity financial statements to understand how useful the disclosure of this information would be.

Question 8: Do you agree with the proposed effective date provisions? If not, please explain why.

Yes, we agree with the proposed effective date provisions, including early adoption.