## FASB PCC 13-01A Business **Combinations**

Date of Entry: 8/8/2013

## **Respondent information**

Type of entity or individual:

**Contact information:** 

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1a.	Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.
Valuation	provider
1b.	If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in term of annual revenue, the number of employees, or other relevant metric).
Private	
<b>1</b> c.	If you are a public accountant, 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, private entities, or both.
1d.	If you are a user of financial statements, please indicate in what capacity (for example lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.
2.	Should any types of entities be excluded from the scope of this proposed Update?  Should any types of transactions or accounts be excluded, or are there any other type of transactions or accounts that should be included in the scope?
No nuhl	ic and private entities should have same guidance

3.

Should the Board expand the scope of the accounting alternative to other entities, such as publicly traded companies or not-for-profit entities? If the scope is expanded to other entities, what changes, if any, should the Board consider for the recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

All entities should have the same guidance- not a separate GAAP for public companies vs private companies.

4. Would the proposed amendments reduce overall costs and complexity compared with existing guidance? If not, please explain why.

No. Being relieved of focusing on noncontractual assets such as customer relationships, auditors and valuators will focus on the other assets and liabilities that need recognition. While time will be saved on the valuation of customer relationship, it will be consumed on the valuation of fixed assets, fair values of liabilities, backlog, inventory, deferred revenue, non-competes, and patent/patent application portfolios. The proposed amendment will require further guidance, again increasing the complexity of how to interpret the new amendment. The existing guidance now has best practices in place and many specialists, clients and auditors are now skilled in the valuation of intangibles that you indicate are too costly and complex to value.

For example, patented and unpatented technology portfolios might now have to be bifurcated into those assets that are the result of the patents alone and the corresponding unpatented or unprotected trade secrets which are subsumed into goodwill and may need to be valued for inclusion into goodwill.

5.

Do you agree that the accounting alternative for the recognition and measurement of intangible assets acquired in a business combination would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide more relevant information to users?

Providing less information to the users of financial statements seems counter to the efforts of the FASB to provide better data and insights- e.g. operating lease accounting. Having two sets of GAAP will reduce comparability as public companies are often used in the valuation of privately held companies.

The movement is on to have fair value balance sheets available to users of financial statements. Costliness should not be the primary driver for issuing standards.

6.

Do you agree that for contractual intangible assets, recognition and measurement should be limited to the noncancelable term of the contract? If so, do you agree with the proposed definition of a noncancelable contractual term? Do you agree that market participant expectations about the potential renewal or cancellation of the contract should not be factored into the measurement? Do you foresee any increase in cost and complexity, or other difficulties in applying this alternative recognition and measurement principle? If yes, would additional implementation guidance address those difficulties?

Isolating noncancelable contracts from other forms of contracts/relationships will cause friction between the client and auditors and may require legal interpretations.

The existing ASC 805 should remain in place.

Auditors should be allowed greater leeway to assist their clients in the quantification of the value of these assets and not be conflicted out. The aggregate purchase price has already been determined, so helping a client in the parceling it to the existing defined asset classifications should not create conflict- especially for private companies. Introducing outside specialists is often very costly to the private client and could be avoided by relying on existing audit firm. Standards for reasonableness of the estimates could be relaxed rather than voiding the requirement to book intangible assets because it is too complex.

7. Do you agree that intangible assets arising from other legal rights should continue to be measured at fair value considering all market participant expectations, consistent with Topic 820? If not, what accounting alternative for measurement do you recommend?

No, Topic 820 is excessively long and complex and could be abbreviated for private companies as it relates to fixed and intangible assets Existing definitions of fair market value are sufficient and generally consistnet with fair value. Topic 820 should be applicable only to monetary assets, the original genesis, where an exit value and market participant concepts make sense.

8. Do you agree that an entity should disclose the nature of identifiable intangible assets that are not recognized separately as a result of applying the amendments in this proposed Update? If not, please explain why.

This introduces new complexities - how much is enough information?

9. For identifiable intangible assets that are recognized separately as a result of applying the amendments in this proposed Update, do you agree that the amendments should not require any other additional recurring disclosures and that entities should be required to comply with disclosure requirements in relevant Topics, as applicable (for example, Topic 350, Intangibles—Goodwill and Other, and Topic 805)? If not, what additional disclosures should be required and please explain why.

No comment

10. Do you agree that the proposed Update should be applied on a prospective basis? Should retrospective application be permitted?

This proposal needs further discussion and input from knowledgeable valuation experts and audit staff. The introduction of ASC 805 in 2001 was intended to provide additional information to users of financial statements. Is that original intent now void?

11. When should the alternative accounting method be effective? Should early application be permitted?

no comment

12. For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

Best practices have now been established on the valuation methodology of intangible assets. This work effort is no longer too costly or complex for most private companies.

13. For users, would the proposed amendments result in less relevant information in your analyses of private companies?

Yes, it seems like these are exceptions to the rules. The exceptions and differences will continually need to be explained. If the application of the alternative is elective, there will be public companies, private companies following the alternative, private companies following the existing pronouncement and private companies that opt out of GAAP compliance altogether.

14.

If an entity elects the accounting alternative in this proposed Update, should that entity also be required to apply the PCC's proposed accounting alternative for the subsequent measurement of goodwill (in Topic 350)? Alternatively, if an entity elects the accounting alternative in Topic 350 for goodwill, should that entity also be required to adopt the accounting alternative in this proposed Update? (No decisions have been reached by the Board and the PCC about this question.)

Goodwill, as now calculated, should be amortized over a fixed period of 15 years - consistent with the IRS. This would apply to public and private companies, and would be the single most effecient and consistent improvement that would reduce cost and complexity. The PCC proposed amendment to Topic 350 impairment testing should be implemented for both public and private companies.

15.

Do you agree with the Board's tentative decisions reached about the definition of a public business entity? If not, please explain why.

No need to differentiate.

Additional comments - updt.

Please provide any additional comments on the proposed Update:

These comments are submitted as an individual and do not represent the opinion of the Compnay or management.

Additional comments - process.

Please provide any comments on the electronic feedback process:

This is a very effective way to solicit and gather comments. The work of the PCC is to be commended!