



August 22, 2013

Technical Director
File Reference No. PCC-13-01B
Financial Accounting Standards Board
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The Connecticut State Society of Certified Public Accountants, representing approximately than 6,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the **Proposed Accounting Standards Update *Intangibles—Goodwill and Other***.

The CTCPA's Financial Accounting Standards Committee deliberated the invitation to comment and prepared the attached response. These comments represent the views of the committee. If you would like additional information, please contact me at 860.212-1788 or glotzcpa1@gmail.com.

Respectfully,

Paul H. Glotzer, Chair
Accounting and Reporting Standards Committee

Before getting to specific questions, we'd like to make a few general comments. First, we agree in general with the concepts expressed in the exposure draft (ED). We believe that amortization of goodwill is a reasonable approach. Goodwill associated with an acquisition does not last forever. At some point you can't distinguish goodwill that was acquired from goodwill built by the surviving entity. Therefore it should be written off over time or when impaired, should that occur first.

Second, we are concerned about the definition of "primary asset" as being the principal identifiable long-lived asset. Not all entities that are acquired have long-lived assets. For example a retail establishment may be leasing its building rather than owning it. Companies that provide services rather than products may not have a "principal identifiable long-lived tangible or intangible asset." That situation should be addressed.

The committee decided to answer some of the questions and not others. Unanswered questions are omitted.

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

This response has been drafted by the Connecticut Society of Certified public Accountants Accounting and Reporting Standards Committee. Our membership is primarily CPAs in public practice with small business clients. The second largest group of committee members are educators.

Question 3: Should the Board consider expanding 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 to the accounting alternative for the subsequent measurement of goodwill? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

The committee believes that the accounting alternative should be expanded to other entities such as publicly traded companies and not-for-profit entities. Goodwill is viewed the same way by users whether or not the company is public or private, for profit or not-for-profit. If the board decides to expand the scope the committee believes it should continue to be an elective.

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

Yes!!

Question 6: Do you agree with the PCC's decision to amortize goodwill on a straight-line basis over the life of the primary asset acquired in a business combination, not to exceed 10 years? If not, please tell us what alternative approach or useful life you would prefer?

We agree with the concept of amortizing goodwill on a straight-line basis however as noted in our general comments, we have some concern about the concept of the primary asset being a long-lived asset.

The period not exceeding 10 years appears arbitrary to us. We recognize that paragraph BC16 of the ED indicates “the PCC believes the assets and liabilities to which goodwill can be attributed would be fully used up or satisfied by the tenth year.” That being the case we would like to see it changed to 15 years to avoid book/tax differences. If preparers believe a shorter time frame is appropriate, they may apply the 10 year life. We would like to reserve the ability to use 15 years. We realize that U.S. GAAP should not have income tax accounting as a foundation from which to create standards. In this case the proposal’s purpose is to simplify accounting for nonpublic entities, make it 15 years; another arbitrary number, and it will be even simpler.

Question 8: Do you agree that goodwill accounted for under this alternative should be tested for impairment only upon the occurrence of a triggering event that would indicate that the fair value of the entity may be below its carrying amount? If not, when should goodwill be tested for impairment? Should there be an annual requirement to test goodwill?

Question 9: Should the assessment of triggering events be performed consistently with how entities currently assess for goodwill impairment between annual tests?

We are in favor of testing for impairment only upon the occurrence of a triggering event and believe the assessment of triggering events should be performed consistently with how entities currently assess for goodwill impairment between annual tests.

Question 11: Do you agree with the disclosure requirements of the proposed Update, which largely are consistent with the current disclosure requirements in Topic 350? Do you agree that an entity within the scope of the proposed amendments should provide a rollforward schedule of the aggregate goodwill amount between periods? If not, what disclosures should be required or not required, and please explain why.

We generally agree with the disclosure requirements of the proposed Update but have concerns about the rollforward schedule. Rollforward schedules for other standards have not been required for nonpublic entities and we are concerned that by requiring it here it may become more widespread. We think that as long as the information is presented, the standard should not dictate in the format for that presentation.

Question 12: Do you agree that the proposed Update should be applied on a prospective basis for all existing goodwill and for all new goodwill generated in business combinations after the effective date? Should retrospective application be permitted?

We agree that the proposed Update should be applied on a prospective basis for all existing goodwill and new goodwill generated in a business combination. Since we believe that information about goodwill is often ignored, we see no point to going back to change the accounting retrospectively. However, if a user should request it, it should be permitted. We think that it’s unlikely that it would happen but it shouldn’t be prohibited.

Question 13: Do you agree that goodwill existing as of the effective date should be amortized on a straight-line basis prospectively over its remaining useful life not to exceed 10 years (as determined on the basis of the useful life of the primary asset of the reporting unit to which

goodwill is assigned) or 10 years if the remaining useful life cannot be reliably estimated? Why or why not?

We have some concern about this since it is possible that preparers won't know what the primary asset was that caused the goodwill to be acquired in the first place. It could have been acquired many years prior to the effective date of the proposed Update and that information might not be available. As stated earlier, we have some concern over the concept of primary asset.

Question 14: When should the alternative accounting method be effective? Should early application be permitted?

To be consistent with effective dates for nonpublic entities that have been applied to other standards we would like to see the effective date be for the first year end after December 15, 2014 and for interim and annual periods thereafter. Early application should be permitted so that entities that want to apply it sooner may do so.

Question 18: Do you agree with the Board's tentative decisions reached about the definition of a public business entity? If not, please explain why.

We will comment on the proposed definition of a public business entity when we respond to that ED.