

August 23, 2013

SENT VIA EMAIL

Ms. Susan M. Cospers, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: PCC-13-01B, *Intangibles – Goodwill and Other - Accounting for Goodwill (Topic 350)*

Dear Ms. Cospers:

Moss Adams LLP is pleased to comment on the proposed Accounting Standards Update, *Intangibles – Goodwill and Other - Accounting for Goodwill (Topic 350)* (the “proposed ASU”).

Moss Adams LLP is the largest accounting and consulting firm headquartered in the Western United States, with a staff of over 2,000, including more than 260 partners. Founded in 1913, the firm serves public and private middle-market businesses, not-for-profit, and governmental organizations.

We appreciate the efforts of the Private Company Council (PCC) and the Financial Accounting Standards Board (FASB) to simplify generally accepted accounting standards for private companies, and encourage the FASB to consider ways to also simplify accounting and disclosure requirements for public companies.

We support the provisions in the proposed ASU that permit entities within the scope of the guidance to amortize goodwill over a period not to exceed 10 years. We also support a goodwill impairment model that is less costly to prepare and audit, particularly given the limited information provided to financial statement users. As further discussed in Attachment 1, we believe that the PCC should reconsider the interaction between the “triggering event” guidance and the qualitative assessment of goodwill impairment due to the potential for confusion in applying the criteria and delaying for too long the recognition of goodwill impairment.

We are concerned, however, on the lack of consideration given by the PCC to the possibility that a private company within the scope of the proposed ASU may no longer be within the scope of the accounting alternative at a future date. This may arise when a private company becomes a public company, or if future regulatory requirements or the needs of the financial statement users do not permit application of the accounting alternative. We believe the lack of guidance in the proposed ASU with respect to “unwinding” the accounting alternative needs to be addressed by the PCC and the Board. All of the proposals currently issued by the PCC are subject to the same concern, and this issue may reduce the number of entities that would otherwise apply the guidance in the proposed ASU. We strongly encourage the FASB and the PCC to quickly clarify how an entity should unwind its application of the accounting alternative when it is either no longer in the scope of the guidance or is required by a financial statement user to no longer apply the accounting alternative.

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Our responses and related comments to the specific questions included within the proposed ASU are contained in Attachment 1 to this letter.

Moss Adams appreciates the opportunity to comment on the proposed ASU. We would be pleased to discuss our comments with the PCC members, the Board members, or the FASB staff at your convenience. If you would like to discuss our comments or have any questions, please contact John Donohue in our Professional Practice Group at 206-302-6800.

Yours truly,

Moss Adams LLP

Enclosure

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ATTACHMENT 1

The following are responses to the questions in the proposed ASU:

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

Please see the description of Moss Adams in our cover letter.

Question 2: Should any types of entities in the proposed scope be excluded? Should any types of transactions or accounts be excluded, or are there any other types of transactions or accounts that should be included in the scope?

We generally agree with the scope of the proposed guidance. We observe that, similar to the FASB's project in 2011 that introduced a qualitative assessment of goodwill, many of the same arguments to simplify goodwill impairment testing also apply to the impairment testing of indefinite-lived intangible assets. Accordingly, the PCC should consider whether the proposed accounting alternative should also apply to indefinite-lived intangible assets.

Also, with the recent issuance of the exposure document on the definition of a public entity, the Board and the PCC should align the scope of the accounting alternative with the final definition of a public entity determined by the Board.

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 Board should further consider expanding the scope of the accounting alternative, particularly for not-for-profit entities. Many not-for-profit entities have similar concerns as non-public companies with respect to the costs of reporting financial information to their users that may not be relevant to those users. To maximize efficiency, the Board and the Financial Accounting Foundation should consider a post-implementation review of Financial Accounting Standard (FAS) No. 142 and Accounting Standards Update (ASU) No. 2011-08, and use the information from this review to further consider expanding the accounting alternative.

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

We believe the proposed amendments would reduce overall cost and complexity of accounting for goodwill compared to the existing guidance. Both management and external auditors are required to expend a significant amount of time to comply with the current guidance, and the accounting alternative would reduce the amount of time necessary in years where no triggering event exists.

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Question 5: Do you agree that the accounting alternative for goodwill would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide relevant information to users?

Consistent with the feedback already received by both the PCC and the FASB in this project and the FASB's ASU No. 2011-08 project, we believe that goodwill impairment is generally a trailing indicator of financial difficulty at a reporting entity and is not generally considered decision-useful by users. Accordingly, the accounting alternative should provide similarly useful information to users as existing U.S. GAAP, at a lower cost to preparers.

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 have received feedback from some of our clients and professionals that they believe the amortization of goodwill accurately reflects the cost of an acquisition and avoids the potential replacement of purchased goodwill with internally-generated goodwill in periods subsequent to the acquisition. However, the Board and the PCC should also consider if the direct write-off of goodwill would be appropriate, as we also receive feedback that goodwill is generally not of interest to users of private company financial statements. As the amortization of goodwill ultimately reduces the balance to zero, a direct write-off method would eliminate a non-cash expense that artificially lowers net income while ultimately achieving the same net result.

The Board and PCC should consider that from a conceptual perspective, the decision to amortize goodwill eliminates its unique nature in relation to other assets recognized under U.S. GAAP and creates conceptual differences between goodwill accounted for under the accounting alternative from goodwill accounted for under existing U.S. GAAP. With a different conceptual underpinning than existing U.S. GAAP, if questions arise regarding the application of the accounting alternative, it may be more challenging to apply either the concepts from existing guidance or the Board's basis for conclusions in issuing FAS Nos. 141, 141R and 142.

Question 7: Do you agree that goodwill accounted for under this alternative should be tested for impairment at the entity-wide level? If not, should an entity be either required or given an option to test goodwill at the reporting unit level? What issues, if any, arise from amortizing goodwill at the individual acquired goodwill level while testing for goodwill impairment at the entity wide level?

Testing for goodwill impairment at the entity wide level would reduce the cost and complexity of the impairment calculation and should result in a similar level of useful information to financial statement users. Similar to our comment above, application of the accounting alternative will eliminate the reporting unit concept for entities that apply the proposed guidance, which is a significant difference from existing U.S. GAAP.

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?

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The decision to test amortizing goodwill for impairment only upon the occurrence of a triggering event is consistent with U.S. GAAP for other amortizing assets, which are generally tested for impairment only upon the occurrence of a specific event. Given the PCC's decision to account for goodwill as an amortizing asset, this approach appears reasonable.

Question 9: In the proposed amendments, an entity would consider the same examples of events and circumstances for the assessment of triggering events as those considered for the qualitative assessment. However, the PCC intends the nature and extent of those two assessments to be different. The assessment of triggering events would be similar to the current practice of how an entity evaluates goodwill impairment between annual tests. In contrast, the optional qualitative assessment would be part of an entity's goodwill impairment test, requiring a positive assertion, consistent with current practice, about its conclusion reached and the events and circumstances taken into consideration. Should the assessment of triggering events be performed consistently with how entities currently assess for goodwill impairment between annual tests? If not, how should an entity assess for triggering events? Do you agree that there should be a difference in how an entity would perform its assessment of triggering events and how it would perform the qualitative assessment?

Entities within the scope of the accounting alternative proposed by the PCC are generally not required to prepare GAAP-compliant financial statements other than annually, so many entities do not have actual experience applying the existing guidance on triggering events between annual impairment tests. We are concerned that the proposal's use of a triggering event threshold followed by a qualitative assessment may result in too long of a delay in recognizing goodwill impairment. We are also concerned that using the same events and conditions for both the triggering event threshold and the qualitative assessment will be challenging for preparers to differentiate between in applying these two elements of the impairment model. The PCC should further consider how the qualitative assessment interacts with the triggering event threshold to avoid unnecessary complexity for preparers or prolonged delays in recognizing goodwill impairment.

Question 10: Do you agree with the alternative one-step method of calculating goodwill impairment loss as the excess of the carrying amount of the entity over its fair value? Why or why not?

With its proposal, the PCC is changing many of the fundamental tenants of existing U.S. GAAP in accounting for goodwill, and we agree that a one-step, entity level test is appropriate if the reporting unit concept is to be eliminated under the accounting alternative. This method will be significantly less costly for preparers to apply than the existing goodwill impairment model.

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 agree with the proposal's disclosure requirements.

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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 believe that retrospective application may provide more useful information to financial statement users and that it should be permitted.

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

We are concerned that there may be unintended consequences of this requirement, such as the primary asset of the reporting unit having a very short life over which goodwill must prospectively be amortized. This could result in a significant expense being recognized if the reporting entity had goodwill on the balance sheet that would be considered fully amortized upon adoption of the proposed ASU. The PCC should consider whether one amortization period is sufficient for all goodwill existing at the effective date.

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

The PCC should provide a year from the issuance of the final ASU for the guidance to be effective. Entities within the scope of this guidance appear to have a one-time election on applying the guidance, and a year should provide sufficient time to consider the impact of electing the accounting alternative. Early application of the accounting alternative should be permitted, as the negative consequences of early application would be outweighed by the benefits to preparers.

Question 15: For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

The effort necessary to audit the accounting resulting from the proposed amendments appears to be minimal relative to the existing U.S. GAAP requirements.

Question 17: If an entity elects the accounting alternative in the amendments in the proposed Update, do you think that entity also should be required to apply the PCC's proposed accounting alternative for recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination (in Topic 805)? Alternatively, if an entity elects the accounting alternative in Topic 805, should that entity also be required to adopt the proposed accounting alternative?

We do not believe the two proposals need to be linked.