

November 9, 2010

Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856

RE: File Reference No. EITF100A

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update, *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 (a consensus of the FASB Emerging Issues Task Force).* The Committee is a voluntary group of CPAs from public practice, industry, and education. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

The Board has been diligent in working to remove "bright lines" from US standards and substitute principles to guide preparers and auditors in providing financial information that is most relevant to users. The designation of a threshold short of which one would consider qualitative factors and beyond which one would not, seems somewhat arbitrary. The broad objective is to have preparers and their auditors make judgment about the need to perform Step 2. Whether a company has negative equity or just barely positive equity should not be the determining factor. It sets up another bright line test. While we understand the goal of the Task Force was only to address concerns associated with reporting units that have negative carrying amounts, rather than to re-deliberate the existing two-step goodwill impairment test in Topic 350, we urge the Board to reconsider the need to have a quantitative test for Step 1 and merely require all entities to consider whether the presence of one or more "adverse qualitative factors" would require the performance of Step 2.

Our responses to questions contained in the Proposal are provided below.

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 disagree. As discussed above we believe the Board should reconsider the model. However, if the Board proceeds only to address this narrow issue, we do not believe that there is a sound conceptual basis for eliminating the enterprise method to assess whether the carrying amount of a reporting unit exceeds its fair value. We believe that an entity should be allowed to choose, as an accounting policy decision, the equity method or enterprise method for Step 1. We believe proceeding directly to Step 2 could be costly, especially for private enterprises, where there are no other indicators that goodwill is impaired. Many businesses are capitalized with varying degrees of debt. Since the capital structure, including debt, is often considered in determining the fair value of a reporting unit, we do not think it is appropriate to prohibit use of the enterprise method to determine the carrying amount of the reporting unit. In our view, if the fair value is based on debt and equity, the Step 1 test also could be based on enterprise value. This approach seems consistent with views expressed in a speech last December by the SEC staff at the AICPA National Conference on SEC and PCAOB Developments.



We do agree, however, that there are situations under the equity method where the Step 2 test is not performed despite factors indicating that goodwill is impaired. In situations where goodwill is zero or negative under the equity method we agree that the proposed guidance should be followed.

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?

We agree with the qualitative factors that have been provided. We do not believe it is necessary to provide additional factors as it is clear the list is not exhaustive.

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.

No.

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.

For entities that have used the enterprise value there could be situations that will lead to different conclusions concerning the need to perform Step 2. This is especially true if the reporting unit has zero or negative equity.

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

We agree with the proposed effective dates. However, we recommend that early adoption be permitted. We see no reason for arbitrarily deferring recognition of goodwill impairments that are the subject of the proposal until 2011.

We appreciate the opportunity to offer our comments.

Sincerely,

Reva Steinberg, CPAChair, Accounting Principles Committee

Jeffery Watson, CPAVice-chair, Accounting Principles Committee



APPENDIX A ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2010-2011

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)
Robert A. Dombrowski, CPA

John A. Hepp, CPA Alvin W. Herbert, Jr., CPA

Alvin W. Herbert, Jr., CPA Scott G. Lehman, CPA

Matthew G. Mitzen, CPA Reva B. Steinberg, CPA

Jeffery P. Watson, CPA

Medium: (more than 40 professionals)

Gilda M. Belmonte, CPA

Marvin A. Gordon, CPA Ronald R. Knakmuhs, CPA

Jennifer L. Williamson, CPA

Small: (less than 40 professionals)

Barbara Dennison, CPA Kathleen A. Musial, CPA

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Industry:

Christopher M. Denver, CPA

Kenneth J. Frederickson, CPA Farah. Hollenbeck, CPA James B. Lindsey, CPA Michael J. Maffei, CPA Jacob R. Mrugacz, CPA Karen R. Page, CPA

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