

FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Via e-mail: director@fasb.org

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FASB Proposed Accounting Standards Update: Intangibles – Goodwill and Other (*Topic 350*): Testing Goodwill for Impairment

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (the "Committee") has reviewed and discussed the above Proposed Accounting Standards Update (the "Update"). We appreciate the opportunity to respond to the Update. Our comments are outlined below. These comments specifically relate to the Questions for Respondents.

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).
- 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).

The Committee is composed mostly of practicing auditors from firms with less than 400 personnel. Multiple firms represented on the Committee audit smaller reporting companies; however, private companies constitute the bulk of the respective practices. The Committee studies, reviews and comments on exposure drafts and research bulletins by various professional standard-setting bodies.

Question 2: For preparers, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why.

N/A, the Committee is composed mostly of practicing auditors.

Question 3: For preparers, do you expect your entity will choose to perform the qualitative assessment proposed in the amendments, or will your entity choose to proceed directly to performing the first step of the two-step impairment test? Please explain.

N/A, the Committee is composed mostly of practicing 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?

The Committee does not believe the proposed amendments will reduce overall costs and complexity on average, for either of the following two reasons:

- The Committee believes the amendments contained in the proposed update are already used by both preparers and auditors alike, particularly in circumstances where it is very obvious there is no impairment and also where it is obvious there is impairment.
- 2. In those cases where step 1 is currently performed, had a qualitative analysis been used instead, the time previously spent on auditing step 1 of the impairment test would be transferred to auditing the qualitative analysis. In certain circumstances, the auditing of the qualitative analysis will have a higher cost than auditing step 1 due to the fact it may be difficult to corroborate the qualitative analysis and document appropriately in accordance with auditing standards.

The response does not differ on whether the entity is public or nonpublic.

Question 5: For users, do you believe that the qualitative approach for testing goodwill for impairment will delay the recognition of goodwill impairment losses or affect how you evaluate goodwill reported in the financial statements? If yes, please explain.

Although the Committee is comprised mostly of auditors, the various Committee members would be considered users through their individual sets of investments. The Committee believes the proposed amendments will not affect the recognition of impairment losses for entities that are on two ends of the spectrum: those where it is very obvious there is no impairment and those where it is obvious there is impairment. In circumstances where the existence of impairment is somewhat borderline, the recognition of goodwill impairment may be delayed in some circumstances. However, for those entities with borderline impairment, either a qualitative or quantitative approach will have elements of judgment which may delay or accelerate an impairment charge.

Question 6: Do you agree that the proposed examples of events and circumstances to be assessed are adequate? If not, what changes do you suggest?

The Committee believes the proposed examples are very general in nature and although they are applicable, they do not provide much guidance. The Committee recognizes the fact that if too much detail is given in examples the examples may unintentionally become a checklist for preparers and auditors.

Question 7: Do you agree that the guidance in the proposed amendments about how an entity should assess relevant events or circumstances is clear? If not, how can the guidance be improved?

The Committee believes the guidance about how an entity should assess relevant events or circumstances is not very descriptive. However, the fact that qualitative factors can be considered and that a more-likely-than-not threshold is to be applied, provides sufficient guidance.

Question 8: Do you agree with the Board's decision to make the proposed amendments applicable to both public entities and nonpublic entities? If not, please explain why.

The Committee agrees with making the proposed amendments applicable to both public and nonpublic entities as historically, the Committee has felt the amount of differences between public and nonpublic accounting should be minimal.

Question 9: Do you agree with the proposed effective date provisions? If not, please explain why.

The Committee agrees with the proposed effective date. The proposed effective date could even be sooner since the provisions of the proposed update are already in use in many circumstances.

The Committee appreciates this opportunity to share its views and comments on the Draft. Members of the Committee are available to discuss any questions you may have regarding this communication.

Sincerely,

Steven Wm. Bierbrunner, CPA Chair FICPA Accounting Principles and Auditing Standards Committee

Committee Members Coordinating this Response: Steven Morrison, CPA Dr. Laura Prevratil, CPA Steven Wm. Bierbrunner, CPA