Virginia Society of Certified Public Accountants

June 6, 2011

Technical Director
Financial Accounting Standards Board
401 Merrit 7
Post Office Box 5116
Norwalk, CT 06856-5116

Submitted via e-mail to director@fasb.org

Re: Proposed Accounting Standards Update—Intangibles—*Goodwill and Other (Topic 350): Testing Goodwill for Impairment* **(File No. 2011-180)**

Dear Technical Director:

The Accounting & Auditing Advisory Committee of the Virginia Society of CPAs (VSCPA) has reviewed and discussed the Proposed Accounting Standards Update—Intangibles—*Goodwill and Other (Topic 350): Testing Goodwill for Impairment* issued by the Financial Accounting Standards Board (FASB) on April 22, 2011. The Committee includes preparers, users and auditors of financial statements. We appreciate the opportunity to respond to this Exposure Draft.

The Committee offers the following comments related to the "Questions for Respondents" section of the proposal:

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

Response: The VSCPA is the leading professional association in Virginia dedicated to enhancing the success of CPAs and their profession by communicating information and vision, promoting professionalism and advocating members' interests. The VSCPA consists of more than 10,000 individual members who actively work in public accounting, private industry and government agencies or in educational institutions.

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?

Response: We agree that the amendments in the proposed Accounting Standards Update (ASU) will reduce the overall costs and complexity by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should perform the impairment test.

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.

Response: The VSCPA includes among its members preparers of financial statements. We expect that most preparers will choose to perform the qualitative assessment proposed in the amendments instead of proceeding directly to performing the first step of the two-step impairment test. We understand that there have been comments and concerns from preparers of nonpublic entity financial statements regarding the cost and complexity of performing the first step of the two-step goodwill impairment test. As such, we are of the opinion that the proposed amendments

4309 Cox Road
Glen Allen, VA 23060
p (804) 270-5344
f (804) 273-1741
vscpa@vscpa.com
www.vscpa.com

will accomplish the purpose of simplifying the process of how an entity is required to test goodwill for impairment.

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?

Response: As stated in our response to Question 3, we feel the proposed amendments will reduce the overall costs and complexity compared with existing guidance for preparers of financial statements. However, for auditors it is somewhat uncertain as to whether or not it will reduce overall costs and complexity due to the challenge in auditing a subjective "qualitative assessment" versus auditing a "quantitative assessment." With regard to public entities, there is some concern as to whether the qualitative assessment will present challenges to entities with multiple reporting units. In those instances, a quantitative assessment approach may provide a more objective basis for an audit conclusion.

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.

Response: Due to the subjective nature of the qualitative approach, we recognize there is the risk that entities will make incorrect determinations as to whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, potentially resulting in delays in the recognition of goodwill impairment losses. However, it is our expectation that company management is attuned to the relative value of its business units and will conduct a quantitative analysis when a qualitative analysis does not clearly overcome the "more-likely-than-not" evaluation threshold.

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?

Response: Overall, we believe the proposed examples of events and circumstances to be assessed are adequate in achieving the goal of providing examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value.

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?

Response: We agree that the guidance in the proposed amendments about how an entity should assess relevant events or circumstances is clear. Going forward, we recommend that FASB periodically reassess the listed indicators, as significant changes in the economic or political landscape may have an impact on the testing for goodwill impairment.

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.

Response: We agree that the proposed amendments should be applicable to both public and nonpublic entities. As noted in a prior response, there is concern as to whether the qualitative assessment will present challenges to public entities with multiple reporting units. In those cases, a quantitative assessment approach could provide a more objective basis for an audit conclusion. While this may be a practical necessity for certain public registrants, this should not preclude all public companies from taking advantage of the practical expedient outlined in this ASU. Further, it is our understanding that an entity would have the option to bypass the qualitative assessment for

any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment process. An entity would then be able to resume performing the qualitative assessment in any subsequent period. We support the flexibility that this would afford companies.

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

Response: We agree with the proposed effective date for fiscal years beginning after December 15, 2011, in addition to early adoption being permitted.

Again, the Committee appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Government Affairs Director Emily Walker at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Jamie Wohlert, CPA
Chair, VSCPA Accounting & Auditing Advisory Committee

VSCPA Accounting & Auditing Advisory Committee:
Audrey R. Davis, CPA
M. James Hartson, Jr., CPA
Daniel L. Haynes, CPA
Staci A. Henshaw, CPA
Stephen D. Holton, CPA
Joshua M. Keen, CPA
Jeffrey T. Trussell, CPA
Michael L. Wagner, CPA
Jamie C. Wohlert, CPA