January 22, 2016

Technical Director
File Reference No. 2015-330
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update Business Combinations (Topic 805) Clarifying the Definition of a Business

Premiere Business Appraisals, Inc. welcomes the opportunity to comment on the above captioned exposure draft.

If you wish to discuss further any of the comments made please call my office at (631) 928-6300. Thank you for your time and attention.

Sincerely,
PREMIERE BUSINESS APPRAISALS, INC.

Karl H. Janhsen CPA/ABV, CVA, ABAR
President
Premiere Business Appraisals, Inc.

Comments on

Proposed Accounting Standards Update Business Combinations (Topic 805)

Clarifying the Definition of a Business


Question 1 – Do you agree that to be a business a set of assets and activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs? If not, what alternatives would you suggest?

We agree that at a minimum a business is a set of assets and activities that include an input, and a substantive process to produce outputs.

Question 2 – Paragraphs 805-10-55-5A through 55-5D provide guidance on determining whether a set contains an input and a substantive process that together contribute to the ability to create outputs. Are the criteria appropriate, and would they be operable in practice? If not, why?

We agree with the guidance provided in Paragraphs 805-10-55-5A through 55-5D. In Paragraph 805-10-55-5A the guidance is effective in addressing questions that arise in early stage companies.

Question 3 – Would the proposed guidance be operable without the criteria in paragraphs 805-10-55-5A through 55-5D? Why or why not?

The proposed guidance would not be operable without the guidance provided by Paragraphs 805-10-55-5A through 55-5D. Without this guidance, early stage companies that may not have a business plan in place to acquire a cohesive group of employees. The business may be unable to produce an output and may classify itself as a business for acquisition purposes. In reality it may only have an idea with to plan of execution, therefore not a business.

Question 4 – Paragraph 805-10-55-9 provides that the presence of more than an insignificant amount of goodwill may be an indicator that an acquired process is substantive. Do you think this indicator is appropriate and operable? Why or why not?

We agree that more than in insignificant amount of goodwill may be an indicator that the process is substantive. We agree that the absence of goodwill does not mean a process is not substantive. Processes may be sold at a bargain, or may suffer from inefficiencies that the purchaser believes is an opportunity.

Question 5 – Do you agree with the changes proposed to the definition of outputs? That is do you agree that for purposes of evaluating whether a transferred set is a business, outputs should be focused on goods and services provided to customers? If not, why?
We agree with the definition of outputs as proposed. Businesses are created to service the needs of customers therefore outputs should be focused on goods and services for customers.

**Question 6** – Paragraphs 805-10-55-9A through 55-9C specify that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset, the set is not a business. Is it appropriate to include such a threshold, and would it be operable? If not, why?

It is appropriate to include such a threshold in order to prevent acquisitions of one identifiable asset to be classified as a business, thereby potentially distorting amortization and depreciation expense.

**Question 7** – The threshold in paragraph 805-10-55-9A also applies to a group of similar identifiable assets. Would the group of similar identifiable assets be operable? If not, why?

Similar identifiable assets is more easily discernable in tangible assets and therefore operable. The difficulty in discerning a group of similar identifiable assets is more difficult with intangible assets. This could include a portfolio of trademarks or patents that have similar expiration dates, all owed by the same legal business but all having different economic rewards. We believe intangible assets require greater guidance to assure consistent application of this guidance.

**Question 8** – Will the proposed guidance reduce the cost and complexity of applying the definition of a business? Why or why not?

We believe this guidance should reduce the time to determine whether an acquisition is the purchase of a business and therefore reduce the cost. It provides clear guidance of what should be considered a business.

**Question 9** – How much time would be necessary to adopt the amendments in this Update? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

We believe that many of the questions that arise during an acquisition would fall into the proposed amendments framework, guiding the financial statements producer to the proper classification of the purchase as a business or an asset. Early adoption should not be allowed. There should be a date where these new proposed amendments would apply. This would provide comparability between financial statements from different producers. The amount of time needed to apply the proposed amendments should not be substantially different for a public versus a non-public entity.

**Question 10** – Do you agree that the amendments in the proposed Update should be applied prospectively to any transaction that occurs after the date of adoption, and do you agree there should be no explicit transition disclosure requirements? Why or why not?

We agree the amendments in the proposed Update should be applied prospectively to any transaction that occurs after the date of adoption. This avoids transition confusion, and inconsistency in financial statement presentation for comparable periods between reporting entities. There should be no explicit transition disclosure requirements, once again avoid inconsistency in reporting, resulting in lack of comparability between reporting entities.
Question 11 - Do the examples in paragraphs 805-10-55-51 through 55-88 clearly illustrate the application of the proposed guidance? Why or why not?

The examples in paragraphs 805-10-55-51 through 55-88 do provide real world scenarios with proper guidance of the prosed amendments in the Update.

Question 12 – Do the changes to the Master Glossary create any unintended consequences?

We do not believe that the changes to the Master Glossary create any unintended consequences.