June 5, 2011

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

File Reference No.2011-180

Dear Sir or Madam:

Mayer Hoffman McCann P.C. appreciates the opportunity to provide our thoughts on the Proposed Accounting Standard Update (ASU), Testing Goodwill for Impairment.

Mayer Hoffman McCann (MHM) is a national CPA firm focused on serving the accounting and auditing needs of the middle market companies. MHM's client base is comprised mainly of private companies as well as smaller public companies.

MHM Response to FASB Questions

MHM supports the FASB's desire to reduce complexity and cost for both private and public reporting entities, however we do not believe the proposed ASU will achieve this goal. The proposed ASU would utilize a "More Likely Than Not" (MLTN) approach to determine whether or not to perform step one of the goodwill impairment test as described in ASC 350-20-35-4 thru 35-8. The proposed approach would not require companies to complete the existing goodwill impairment test currently outlined in ASC 350-20-35, provided there is a greater than 50% chance that the carrying value of the reporting unit is not less than its fair value. The MLTN measurement criterion is a qualitative based assessment. As such, this criterion would introduce greater subjectivity to the impairment testing process. The MLTN measurement concept while not new to the accounting lexicon is a qualitative based approach subject to interpretation and bias.

The proposed ASU lists several factors which would require assessment in paragraph 350-20-35-3C A-D which should be considered in performing the qualitative analysis. The proposed ASU alerts interested parties that the listing provided in the proposal is not all inclusive, and that weight of evidence must be considered, when determining the need to perform step one of the goodwill impairment analysis. The FASB acknowledges that the factors leading to goodwill impairment is not exhaustive. The development of a subjective (qualitative) analysis could discount the fact that an impairment charge may not be the result of one factor but a combination of multiple factors which affect the value of a reporting unit. We believe that paragraph 350-20-35-3G which introduces the concept of evaluation "on the basis of the weight of evidence" will add further subjectivity to the process. In addition, while the FASB's states in the proposed ASU that it is not its intent to create a "rebuttable presumption" that an entity should not perform step one of the goodwill impairment, there is nothing in the standard to ensure that this does not become accepted practice.
MHM does not believe that the proposed guidance is clear or would be consistently utilized in practice, which could lead to delays in the recognition of an impairment charge. The proposed guidance introduces a qualitative method with a lower threshold than a qualitative method that is in the current standard. We believe the proposed approach makes the impairment process more subject to bias. MHM recommends that FASB should improve the guidance on the use of ASC 350-20-35-29 which currently permits an entity to carry forward the impairment test from one period to another based on a qualitative analysis of certain conditions. The proposal addresses the fact that this option is available to entities however it is not widely used. MHM believes this could be overcome if the FASB would provide improved guidance on the three conditions (350-20-35-29A-C) necessary for use of this option as well as the terminology used to describe those conditions ("Significantly", "Substantial" and "Remote").

MHM agrees with the FASB’s position that the proposed amendment should be applicable to both public and private entities since the circumstances and economics which led to the recognition of an impairment charge are not specific to the equity structure of an entity. MHM believes that the user needs of the general purpose financial statements should reflect management’s stewardship of resources regardless of reporting structure.

Other Considerations and Factors

- MHM would encourage the FASB to be cognizant of International Financial Reporting Standards (IFRS) as it develops proposed guidance for US GAAP. We acknowledge that both the FASB and IASB are at a critical juncture in the development of a single set of high quality global accounting standards, and that tremendous effort has gone into the joint work plan of both boards. We believe that any proposed accounting guidance should work towards convergence.

- The financial reporting process requires transparency and relevance in the application of accounting standards. Both the FASB and IASB have made significant improvements to the fair value measurement standards which are used in the analysis of goodwill impairment. Reporting entities are required to provide in their general purpose financial statements detail information regarding the development of those measurements to stakeholders. Robust disclosure of these factors aid users of the financial statements in understanding when impairment occurs but should also alert users to "close calls" in the impairment analysis.

- In reviewing the background information basis for conclusions of the proposed ASU, MHM is pleased to see that the FASB has considered the needs and resources of private companies. MHM believes it is important to thoroughly evaluate private company needs and the role that the Private Company Financial Reporting Committee (PCFRC) serves in supporting the needs of private companies. The current standard requirements for goodwill impairment testing has been effective for nearly a decade (periods after December 15, 2001), for much of this period the general conditions of the US economy have been robust, and suppressed economic conditions were not wide spread until the financial crisis began in the fourth quarter of 2008. We acknowledge that the suppressed economic conditions of the past two and a half years and the added volatility in the marketplace have resulted in increased frequency of recognizing goodwill impairments. Given the continued volatility in markets, and the continued growth of cross border capital flows, MHM believes it is important that the global standards are harmonized. MHM encourages the PCFRC and the Financial Accounting Foundation to reconsider and support the IASB IFRS for SMEs
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(International Financial Reporting Standard for Small and Medium-Sized Entities) for use by private companies. Private companies in the United States would benefit from the simplified subsequent accounting for goodwill and would result in the US converging with almost 100 other countries (trading partners) in using the SME standard.

- The proposed ASU focuses on reducing the cost and complexity of compliance with the current accounting standard. MHM would encourage the FASB to utilize the Valuation Resource Group (VRG) in providing outreach and education to the preparer community in understanding the appropriate approach to utilize (Income, Market, Cost or weighted model) obtaining appropriate data sources, and basic examples which would illustrate step one of the goodwill impairment analysis. Reporting entities should be aware of the technology and data available in the market place to assist them in reducing their compliance cost. Service providers (accountants and valuation specialist) have an obligation to ensure that entities are aware of the information and resources to minimize the compliance cost to their clients.

- We would encourage the FASB to include indefinite lived intangibles other than goodwill in any further proposals. MHM would also support that the carry forward of a detailed determination of the fair value of a reporting unit.

We appreciate the opportunity to provide comments on the proposed ASU, and would welcome the opportunity to respond to any questions the board may have regarding our response, please contact Keith Peterka at (610.862.2744).

Respectfully Submitted,

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