Dear Mr. Kuhaneck:

Eli Lilly and Company ("Lilly") appreciates the opportunity to comment on the Financial Accounting Standards Board’s ("FASB") Invitation to Comment, Identifiable Intangible Assets and Subsequent Accounting for Goodwill (the "ITC"). Lilly is a multinational pharmaceutical company with global operations.

We are opting to comment specifically on those questions presented in Section 1 of the ITC, Whether to Change the Subsequent Accounting for Goodwill. We are in alignment with the FASB's initiative to identify and implement changes that serve to reduce the cost and complexity of the subsequent accounting for goodwill and we believe the simplifications will not diminish the quality of information presented in a company’s financial statements.

Following are our responses to certain of the questions in the ITC:

Question 2: Do the benefits of the information provided by the current goodwill impairment model justify the cost of providing that information? / Question 7: Do the amendments in Update 2017-04 (eliminating Step 2 of the goodwill impairment test) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2017-04 reduce the usefulness of financial reporting information for users? / Question 8: Do the amendments in Update 2011-08 (qualitative screen) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2011-08 reduce the usefulness of financial reporting information for users?

We believe the costs of providing information under the current goodwill impairment model, inclusive of the simplification efforts afforded under Updates 2011-08 and 2017-04, outweigh
the benefits of that information. Under the current goodwill impairment model, a required annual impairment review necessitates an inordinate amount of time to validate and document that an impairment has not been triggered, inclusive of potential costs for independent external valuations, developing cash flow forecasts and determining discount rates. While we acknowledge the simplification effort to relieve the annual quantitative analysis via a qualitative test, there is still validation and documentation that requires both internal cost (labor) and external cost (audit fees) while yielding little-to-no benefit in cases where a goodwill impairment is obviously remote. We do feel the simplification effort to remove “step 2” of the qualitative test was a progressive and positive change and find the FASB’s efforts to further simplify the subsequent accounting for goodwill to be progressive improvements.

**Question 3:** On a cost-benefit basis, relative to the current impairment-only model, do you support (or oppose) goodwill amortization with impairment testing? / **Question 9:** Relative to the current impairment model, how much do you support (or oppose) removing the requirement to assess goodwill (qualitatively or quantitatively) for impairment at least annually?

We support goodwill amortization for public business entities (“PBEs”) and removing the requirement to assess goodwill for impairment annually.

We believe these changes would:

- greatly relieve the annual cost burden to PBEs for whom impairments are atypical;
- reduce the likeliness and magnitude of goodwill impairment to all users as the net book value of goodwill systematically declines over time; and
- allow for a better matching the cost of “utilizing” the goodwill to the periods of benefit.

We further support retaining impairment testing of goodwill, but only in response to a triggering event (as opposed to an annual requirement). This will retain the principle of recording the cost associated with an impairment in the same period a substantial decrease in goodwill is first observed.

We believe the combination of periodic amortization and event-triggered impairments would greatly reduce monetary and time burdens on PBEs for their subsequent accounting for goodwill, while potentially increasing the usefulness of information provided to financial statement users as a result of matching the cost of goodwill to the periods of benefit.
Question 4: If the Board were to decide to amortize goodwill, which amortization period characteristics would you support? Please include all that apply in your response and explain why you did not select certain characteristics.

a. A default period
b. A cap (or maximum) on the amortization period
c. A floor (or minimum) on the amortization period
d. Justification of an alternative amortization period other than a default period
e. Amortization based on the useful life of the primary identifiable asset acquired
f. Amortization based on the weighted-average useful lives of identifiable asset(s) acquired
g. Management’s reasonable estimate (based on expected synergies or cash flows as a result of the business combination, the useful life of acquired processes, or other management judgments).

Our belief is that goodwill is representative of enterprise value, which encompasses such attributes as an acquired workforce, customer base, company reputation and know-how. As such, we are in support of a default period of ten years, in alignment with the election afforded private companies. While a longer period (e.g. 15 years) can be argued, particularly as it would align with current U.S. federal tax law for amortization of goodwill in an acquisition structured as a stock purchase, we agree with the Private Company Council’s (“PCC’s”) reasoning in Update 2014-02’s Basis for Conclusions that a longer amortization period would increase the risk of impairment which, in our view, is a much more important factor compared to mitigating a book-to-tax difference for certain types of acquisitions.

Given that a default period may not be the most appropriate in all situations, we would support an allowance for an exception to the default period in very limited situations, but with a floor and/or cap on the amortization period. However, we feel having a floor and/or cap on the amortization period introduces the need for estimates which would only serve to increase the cost to PBCs through internal valuation and costs incurred by the auditors in validating the assumptions used. Further, such estimates may vary from company to company within the same industry which will reduce comparability and decision usefulness of the financial statements to the users of the financial statements. Should the Board ultimately favor a cap and/or floor on the amortization period, we would support the decision but urge that the Board consider language stressing that any deviation from a default amortization period must be an exception.
Question 11: What other changes to the impairment test could the Board consider?

Assuming the Board elects to incorporate an amortization model for the subsequent accounting for goodwill, we would ask the Board to incorporate impairment test guidance consistent with other amortized intangible assets, whereby the undiscounted cash flow approach is used per ASC 360-10.

Question 12: Please indicate whether you support the following alternatives by answering “yes” or “no” to the questions in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Do you support the indicated model (Yes/No)?</th>
<th>Do you support requiring an impairment assessment only upon a triggering event? (Yes/No)</th>
<th>Do you support allowing testing at the entity level or a level other than the reporting unit? (Yes/No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment only</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Amortization with impairment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Amortization only</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Question 28: Do you have any comments related to the Other Topics for Consideration Section or other general comments?

Assuming the Board elects to incorporate an amortization model for the subsequent accounting for goodwill, we suggest entities be permitted to apply the amendments with their choice of the following methods: (a) prospectively; or (b) retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. We note there are entities that have goodwill balances that are multi-layered as a result of previous acquisitions, with those layers further adjusted as a result of subsequent dispositions; therefore, identifying individual remaining layers, their respective balances post-dispositions and their balance upon the effective date (factoring in varied acquisition dates) could be overly burdensome from a cost perspective should a retrospective method be required, with little or no added value to the financial statement user. Thus, an option to apply the amendments prospectively or retrospectively is strongly encouraged.
We appreciate the opportunity to express our view and concerns regarding the subsequent accounting for goodwill. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 651-2310.

Sincerely,

ELI LILLY AND COMPANY

/s/Donald A. Zakrowski

Donald A. Zakrowski
Vice President, Finance and
Chief Accounting Officer