October 4, 2019

Technical Director
Financial Accounting Standards Board
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RE: File Reference No. 2019-720, Invitation to Comment - Identifiable Intangible Assets and Subsequent Accounting for Goodwill

The Williams Companies, Inc. (Williams) appreciates the opportunity to provide our comments to the Financial Accounting Standards Board (Board) on the topic of identifiable intangible assets and subsequent accounting for goodwill. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

We are appreciative of the Board’s outreach on these topics and are supportive of the Board moving forward to address potential changes in financial reporting with respect to the accounting for identifiable intangible assets and goodwill. Our comments are provided as follows:

Section 1: Whether to Change the Subsequent Accounting for Goodwill

Our experience and general view are that the costs associated with the current model for goodwill do not justify the benefits. While the removal of Step 2 from the impairment test has certainly eased some of the burden of goodwill impairment evaluations, there is still substantial effort required by preparers in measuring the fair value of reporting units, as well as audit costs associated with the independent external audit of these estimates prepared by management. There is significant judgement and effort associated with these computations, some of which necessitate third party valuation assistance by the preparer and engagement of firm valuation specialists by the independent auditor. The corroborating measure of a market approach (such as market capitalization reconciliation of the entity’s enterprise value to the sum of the reporting units and other components’ fair value) adds additional judgement and complexity. When goodwill impairments have been recognized at Williams, we have removed these
charges in arriving at a non-GAAP measure of results. Based on feedback from our investors, they follow a consistent approach.

We are supportive of an approach that, at a minimum, allows for the option of some form of amortization model coupled with an impairment evaluation. Conceptually, we believe this is appropriate as the value/initial benefit ascribed to goodwill (much like a customer relationship) is likely to diminish over time. It is also likely that the reporting unit to which the goodwill is initially assigned tends to lose its identity through subsequent business realignments, combinations with other operations and integration with other acquisitions, further diluting the initial valuation.

As to an approach to amortization of goodwill, we are supportive of an accounting model that combines some measure of amortization period with impairment testing only upon a triggering event. This would align more with the model in ASC 360, which incorporates the continued evaluation for realization of an asset, even when coupled with the associated depreciation model. With the current model, this approach is already in place if/when events occur that would call into question whether the fair value of the reporting unit exceeds the associated carrying value. The benefit of some level of amortization can be significant to reducing the likelihood of an impairment and the associated accounting/auditing costs. For companies that record goodwill through a business combination that is followed by a period of declining performance in either the business and/or the associated market, our experience is this necessitates an ongoing goodwill impairment evaluation to determine changes in fair value. This situation is burdensome to preparers, their Sr. management and auditors. Periodic amortization would take some pressure away from a perpetual fair value assessment in favor of focusing upon triggering events, such as business performance issues.

Regarding the goodwill amortization period, we believe the best conceptual approach would be to assign a period reflective of management’s view of the useful life of the associated goodwill benefits. However, this approach may introduce more cost than benefit from a standpoint of operability and auditability, coupled with the investor view of such amortization. As such, some level of prescribed amortization, such as 10-15 years, would be preferred in order to promote ease of administration, auditing and comparability.

Section 2: Whether to Modify the Recognition of Intangible Assets in a Business Combination

Williams is supportive of retaining the existing guidance regarding the accounting for intangible assets in a business combination. We are not supportive of subsuming intangible assets into the measure of goodwill. For our business, these are primarily comprised of customer-related intangible assets which are individually measurable and for which there is a more defined useful life and associated cash flows.

Section 3: Whether to Add or Change Disclosures about Goodwill and Intangible Assets

We are not supportive of additional disclosure requirements for goodwill, particularly quantitative measures which would likely be very subjective in nature. Regarding informing investors about impairment evaluations, we believe current disclosures under generally accepted accounting principles are sufficient. For intangible assets, we believe the existing disclosure requirements are adequate.
Section 4: Comparability and Scope

Regarding the question about implications on costs and benefits of providing PB Es an option on how to account for goodwill, we believe costs for preparers and auditors would generally decline presuming an approach to amortize goodwill.

Sincerely,

Ted Timmermans  
Vice President, Controller and Chief Accounting Officer  
The Williams Companies, Inc.