Dear Technical Director,

Thank you for the opportunity to respond to the Invitation to Comment – *Identifiable Intangible Assets and Subsequent Accounting for Goodwill* (File Reference No. 2019-720). Ball Corporation (“Ball”, “the company”, “we” or “our”) is a U.S. based Fortune 500, multi-national manufacturer of metal packaging products and of aerospace and other technologies and services with sales in 2018 of $11.6 billion and total assets of $16.5 billion, and is publicly traded on the New York Stock Exchange (NYSE: BLL).

The company supports the Financial Accounting Standards Board’s (“FASB” or the “Board”) efforts to revisit the accounting for intangible assets and goodwill by public business entities to find a solution that is cost-effective while maintaining the decision usefulness of the information provided to users of financial statements.

We strongly believe the benefits of the current requirements for accounting for goodwill do not justify the cost to prepare and audit the information for the following reasons:

- **Impairment charges are a lagging indicator:** Impairment charges are lagging indicators of the entities performance. Other key metrics in the financial statements (i.e. declining in operation profits or cash flows) and disclosures provide more useful information to investors on a timely basis, well in advance of when a company would record an impairment charge. In other words, triggering a goodwill impairment charge or disclosures of a potential impairment is typically not the result of a sudden action or event and instead result from longer trends within an industry that develop over a significant time horizon that investors are already aware of from looking at performance, cash flow and liquidity measures found elsewhere in the financial statements.

- **Impairment charges are commonly excluded from non-GAAP performance measures:** Impairment charges are typically removed from the investor’s analyses, as well as from management’s internal evaluations (e.g. incentive compensation calculations). Thus, these charges are not generally considered to be key data points for the users of the financial statements.

- **Testing requires excessive resources:** Performing the annual impairment testing under the current guidance often requires the involvement of both internal and external professionals. The time...
spent by our finance and accounting leaders, external auditors and valuation specialists to complete the goodwill impairment testing on an annual basis is sizeable and takes away time and money that can be spent on other earnings-generating areas of the business or returned to shareholders.

- **Fair Value estimation uncertainty is extremely high.** The goodwill impairment test is based on fair value, with companies using market based and/or income based methodologies to determine fair value. These methodologies include assumptions (i.e. long term growth rates, discount rates, market multiples, etc.) that are highly sensitive, require a significant amount of judgement, and result in a significant range of values that are reasonable. Certain of these assumptions include estimates that are a decade into the future and beyond, which creates significant challenges for preparers.

- **Heightened Risk of Failed Audits** As a result of the complexity associated with establishing key assumptions and high estimation uncertainty, there is a heightened risk that independent financial statement auditors have a failed audit when inspected by the Public Company Accounting Oversight Board (PCAOB), irrespective of the financial statement risk of impairment associated with a goodwill balance. This is partly due to the fact that the PCAOB’s focus is on insufficient audit procedures, as opposed to financial statement errors, as well as the challenges that auditors face to obtain sufficient audit evidence for assumptions that have an extremely high degree of estimation uncertainty. This results in auditors and preparers investing a disproportionate amount of time and money compiling information and performing procedures relative to the amount of financial statement risk. The risk of a failed audit is significant for companies and investors, since it can restrict access to capital markets until the independent financial statement auditor has completed remediation procedures. This should be relevant to the FASB since it adds to the cost equation of the rule making which should be evaluated in the context of the associated benefits.

Therefore, we believe the following approaches, in order of preference, would eliminate many of the costs noted above while maintaining decision useful information to investors. 1) Trigger-based impairment testing only, and 2) Amortization (with trigger-based impairment testing)

**Approach #1. Trigger-based impairment testing only.** While the recent amendments issued by the FASB have aimed to simplify the goodwill impairment test, we believe this should be further simplified by removing the requirement for the assessment to be completed annually. Instead, the assessment would only be required once a triggering event has been identified that would indicate a potential impairment of goodwill. Therefore, if there are no indicators of impairment for the reporting unit, no testing would be necessary. This would reduce the undue costs required from companies on an annual basis when impairment is unlikely. Under this approach, the assessment of whether triggering events exist should not require the same level of analysis and rigor as provided under the existing optional qualitative assessment (i.e. “step 0”). In practice, most companies do not perform a step 0 test since there is a perception that the extent of analysis and work is similar to that required when performing the existing step 1 impairment test. We believe approach #1 would result in significant cost savings for public companies compared to the current requirements. Under approach #1, we would not amortize goodwill.

**Approach #2: Amortization (with trigger-based impairment testing):** If the Board concludes that amortization of goodwill is the preferred approach, we recommend the implementation of a prescribed
amortization period. Any other approach besides a default period would require increased management judgement which creates unnecessary complexities. This would result in the need for more supporting analyses, higher audit scrutiny, and less consistency across companies. We believe the appropriate default period should align with the PCC alternative of a 10-year amortization period, or aligning the amortization period for book to tax of 15 years. This would create consistency between public and private companies, which could be seen as favorable for private companies looking to go public. Further, the trigger-based impairment analysis would still be required to assist in users of the financial statements receiving timely and useful information related to potential impairments of goodwill.

Additionally, we believe the cost of separately identifying intangibles outweighs the benefits of doing so. The valuation of intangibles acquired in a business combination (which in our experience are mostly customer relationships) is highly subjective and it is difficult to derive economic value separate from the business itself. In essence, this is similar to goodwill. Thus, we believe the Board should allow companies to elect to subsume all intangible assets into goodwill, similar to what is available for private companies today. By allowing for this to be an election, companies that are in an industry where performance is highly correlated to the intangible assets could still capture the true value obtained in a business combination. Additionally, the life of customer relationships would approximate the life of a 10 or 15 year amortization period for goodwill.

We appreciate your consideration of our above suggestions and we are pleased that the Board is taking steps to reduce the undue costs the current accounting requirements present in relation to subsequent accounting for goodwill. We encourage you to contact us if you have any further questions.

Sincerely,

Nate C. Carey
Vice President and Controller