October 25, 2019

Technical Director
File Reference No. 2019-720
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Delivered Electronically


T-Mobile US, Inc. is pleased to have the opportunity to comment on the Financial Accounting Standard Board’s Invitation to Comment issued on July 9, 2019 related to Identifiable Intangible Assets and Subsequent Accounting for Goodwill (the “ITC”). The ITC is of particular interest to us as we periodically acquire businesses related to which we record and subsequently account for identifiable intangible assets and goodwill.

We would support a goodwill amortization model with a default amortization period and a trigger-based impairment testing approach, provided that the Board is able to achieve convergence with the IASB on this approach.

As it relates to subsuming additional intangible assets into goodwill, we believe the simplicity and cost savings of the approach are compelling, however, this approach could diminish the decision-usefulness of financial reporting information.

We encourage the Board to consider a model in which finite-lived intangible assets are subsumed in goodwill (for conceptual consistency with an amortization model), combined with qualitative disclosure describing significant components of goodwill to mitigate any diminished decision-usefulness resulting from this approach.

If you have any questions concerning our comments, please contact Dan Drobac at 425-383-4957 or Adam Nelsen at 425-383-5950.
Sincerely,

Peter Osvaldik  
SVP, Finance & CAO  
T-Mobile US, Inc.

Sincerely,

Dan Drobac  
VP, Controller  
T-Mobile US, Inc.

Sincerely,

Adam Nelsen  
Director, Accounting Policy  
T-Mobile US, Inc.

Sincerely,

Andy Kangiser  
Accounting Policy Manager  
T-Mobile US, Inc.
Feedback on Specific Questions:

Question 1: What is goodwill, or in your experience what does goodwill mainly represent?

Goodwill is consideration paid in excess of the acquisition-date fair value of an acquiree’s individually identified and separately recognized net assets. Conceptually, goodwill represents future economic benefits associated with an acquired business that come in a variety of forms which may include: synergies that may be realized after combining with the acquirer’s business, a premium paid due to the acquirer’s belief in the future cash flow potential of the business, acquired workforce and processes, and other assets that do not meet the legal or separability criteria.

Question 2: Do the benefits of the information provided by the current goodwill impairment model justify the cost of providing that information? Please explain why or why not in the context of costs and benefits.

We believe that the current goodwill impairment model provides some benefit to users, particularly as a lagging indicator of an acquiree’s performance and its expected future potential relative to management’s initial assumptions and the price paid at acquisition. This is especially the case when the acquiree’s performance is not otherwise observable through other financial measures or sources of information. However, the benefits of the model are limited by its one-directional nature, and the costs borne to comply with the current model can be substantial.

Question 3: On a cost-benefit basis, relative to the current impairment-only model, do you support (or oppose) goodwill amortization with impairment testing? Please explain why in your response.

We support the amortization of goodwill with a trigger-based impairment test, provided that the Board is able to achieve convergence with the IASB on this approach. Because we report under both US GAAP and IFRS, misalignment between the standards significantly increases our compliance costs.

Assuming convergence with IFRS, we believe that an amortization model with a trigger-based impairment test could improve the usefulness of financial reporting information to users by increasing comparability between filers and facilitating more timely recognition of the cost associated with acquiring a business.

In addition, relative to the current model, an amortization approach with a trigger-based impairment test could decrease compliance costs relative to the existing impairment-only model, depending on the attributes of the amortization model.

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).
We would support amortization over a default period with justification of a shorter amortization period permitted (i.e., a combination of attributes (a.), (b.), and (d.)). For example, a default period of 15 years would align US GAAP treatment with tax requirements and reduce complexities resulting from maintaining multiple amortization schedules for goodwill recognition.

We would object to a floor because it could unduly and arbitrarily delay recognition of losses associated with overpayment and/or underperformance, though this risk would be mitigated by a trigger-based impairment assessment. We would also object to amortization based on the useful life of the primary identifiable asset acquired because the theoretical value of the goodwill (i.e., expected synergies and the value of assets that are not individually identified and separately recognized) may have little or nothing to do with that asset.

Amortization based on the weighted-average useful lives of identifiable asset(s) acquired would also assume that expected synergies are spread proportionately among identifiable intangible assets, which may not be true. In addition, this approach would require further clarity from the Board around how indefinite-lived intangibles should be reflected in the calculation of the weighted-average useful life.

Finally, we would not support a requirement for the amortization period to be based on management's reasonable estimate because we believe that the subjectivity could drive a decrease in comparability and an increase in audit risk, monitoring requirements, and associated costs. Nevertheless, we would not object to permitting entities to use this method to justify an amortization period shorter than the default period.

**Question 5:** Do your views on amortization versus impairment of goodwill depend on the amortization method and/or period? Please indicate yes or no and explain.

Yes. We believe that an amortization approach with trigger-based impairment testing is generally preferable to an impairment-only model, provided that the Board achieves convergence with the IASB. However, we believe that imposition of certain attributes in the amortization method (e.g., a floor) and/or an unreasonably extended amortization term could reduce the decision-usefulness of this approach to users relative to the current model.

**Question 6:** Regarding the goodwill amortization period, would equity investors receive decision-useful information when an entity justifies an amortization period other than a default period? If so, does the benefit of this information justify the cost (whether operational or other types of costs)? Please explain.

We recognize that, in some cases, the pattern of goodwill consumption may be clear to management (for example, if the expected synergies clearly relate to individually identified assets of the acquiree). In those cases, justification of an amortization period other than a default could provide decision-useful information. In such scenarios, we would support a requirement for management to provide thoughtful disclosure related to the significant judgments and assumptions underlying the justified period.

However, the benefits could be limited as the justified period would likely be subject to a high degree of subjectivity and uncertainty such that others with the same information could reasonably arrive at a materially-different result. In addition, we believe that such an approach would introduce substantial audit and regulatory risk, scrutiny, and compliance costs associated with supporting a highly-subjective estimate.

**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? Please explain.
Yes. The amendments in Update 2017-04 reduce the cost to perform the goodwill impairment test without compromising the usefulness of financial reporting information to users. This is because allocation of a reporting unit’s fair value to its individual assets and liabilities requires significant time and effort, which Step 2 of the impairment test required in order to derive the implied value of the reporting unit’s goodwill. While removing Step 2 may cause a greater write-off of goodwill in an impairment scenario, we do not believe that this is necessarily less accurate than the write-off calculated under Step 2 because there is inherent uncertainty in estimating the fair values of individual assets and liabilities.

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? Please explain and describe any improvements you would recommend to the qualitative screen.

We believe that the amendments in Update 2011-08 reduce the cost to perform the goodwill impairment test without a reduction in the decision usefulness of financial reporting information. Nevertheless, we would encourage the Board to reconsider the scope and requirements of the qualitative screen as they relate to reporting units that have a low risk of impairment based on management’s knowledge of the business and its surrounding economic context.

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? Please explain why in your response.

We would support removal of the minimum testing frequency if coupled with an amortization approach, as the risk of goodwill overstatement would decrease, depending on the attributes of the amortization model. Nevertheless, we would encourage the Board to reconsider the scope and requirements of the current model regardless of whether it moves forward with an amortization model, particularly as they relate to reporting units that have low risk of impairment. This is because the costs associated with performing and documenting the qualitative screen have become increasingly significant and this exercise is not meaningful for reporting units that have remote risk of impairment.

Question 10: Relative to the current impairment model, how much do you support (or oppose) providing an option to test goodwill at the entity level (or at a level other than the reporting unit)? Please explain why in your response.

Given the complexity, subjectivity, and costs associated with identifying reporting units and testing goodwill impairment at that level, we believe that it would be within reason for the Board to consider an option to perform this test at a different level, such as at the operating segment level. Although a default option to test goodwill at the entity level would significantly reduce costs for preparers, we believe it would limit the utility of financial reporting information as users would lose visibility to the performance of certain acquisitions that is provided in the goodwill impairment test and corresponding disclosures.

Question 11: What other changes to the impairment test could the Board consider? Please be as specific as possible.

We do not have additional recommendations for the Board at this time.

Question 12: The possible approaches to subsequent accounting for goodwill include (a) an impairment-only model, (b) an amortization model combined with an impairment test, or (c) an amortization-only model. In addition, the impairment test employed in alternative (a) or (b) could be simplified or retained as is. Please indicate whether you support the following alternatives by answering “yes” or “no” to the questions in the table below. Please explain your response.
<table>
<thead>
<tr>
<th><strong>Impairment only</strong></th>
<th><strong>Do You Support the Indicated Model?</strong>&lt;br&gt;Yes/No</th>
<th><strong>Do You Support Requiring an Impairment Assessment Only upon a Triggering Event?</strong>&lt;br&gt;Yes/No</th>
<th><strong>Do You Support Allowing Testing at the Entity Level or a Level Other Than the Reporting Unit?</strong>&lt;br&gt;Yes/No</th>
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<td>Yes, however, the benefits are limited if the Board is unable to achieve convergence on an amortization approach with the IASB. Please refer to Question 3 above for an explanation of this response.</td>
<td>Yes. Please refer to Question 9 above for an explanation of this response.</td>
<td>Yes, at a level other than the reporting unit. Please refer to Question 10 above for an explanation of this response.</td>
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<th><strong>Amortization with impairment</strong></th>
<th><strong>Do You Support the Indicated Model?</strong>&lt;br&gt;Yes/No</th>
<th><strong>Do You Support Requiring an Impairment Assessment Only upon a Triggering Event?</strong>&lt;br&gt;Yes/No</th>
<th><strong>Do You Support Allowing Testing at the Entity Level or a Level Other Than the Reporting Unit?</strong>&lt;br&gt;Yes/No</th>
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<tr>
<td>Yes, however, the benefits are limited if the Board is unable to achieve convergence with the IASB on this approach. Please refer to Question 3 above for an explanation of this response.</td>
<td>Yes. An amortization approach would reduce the risk that the carrying value of goodwill is overstated, but it does not entirely eliminate that risk. As such, we believe that replacement of the annual testing requirement with a trigger-based-only test would be appropriate.</td>
<td>Yes. Please refer to Question 10 above for an explanation of this response.</td>
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<th><strong>Amortization only</strong></th>
<th><strong>Do You Support the Indicated Model?</strong>&lt;br&gt;Yes/No</th>
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<tr>
<td>No.</td>
<td>N/A</td>
<td>N/A</td>
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**Question 13:** Please describe what, if any, cost savings would be achieved if certain recognized intangible assets (for example, noncompete agreements or certain customer-related intangible assets) were subsumed into goodwill and amortized. Please be as specific as possible. For example, include specific purchase price allocation or subsequent accounting cost savings. Please list any additional intangible items the Board should consider subsuming into goodwill.

Assuming the Board pursued this approach, we foresee cost savings related to preparation (e.g., analyzing why an identified intangible meets the contractual-legal criterion or the separability criterion), valuation (e.g., fees paid to specialists to value the assets), and associated audit costs with respect to the accounting upon acquisition. Further, assuming the Board promulgates an amortization approach based on a default period, we would expect significant cost savings related to subsequent accounting because we would no longer need to track and separately amortize subsumed assets or consider how they impact the amortization period. We further highlight that the cost savings associated with subsuming noncompete agreements and certain customer-related intangible assets would be minimal, however, the cost savings associated with subsuming all finite-lived intangible assets would be substantial.

**Question 14:** Please describe what, if any, decision-useful information would be lost if certain recognized intangible assets (for example, noncompete agreements or certain customer-related intangible assets, or other items) were subsumed into goodwill and amortized. Please be as specific as possible. For example, include specific analyses you perform that no longer would be possible.
We believe that subsuming additional intangible assets into goodwill would decrease the precision with which the purchase price of acquisitions is allocated to the related period of benefit. This is because those assets would then be amortized over a single goodwill amortization period, which may not align with the period over which the benefits of those assets are consumed. Further, if the Board pursues a goodwill amortization approach, we would object to subsuming indefinite-lived intangible assets into goodwill because an amortization model would be inconsistent with their pattern of consumption.

Question 15: How reliable is the measurement of certain recognized intangible assets (for example, noncompete agreements or certain customer-related intangible assets)?

Measurement reliability varies considerably depending on the nature of the asset. For example, the value of certain of our intangible assets, such as spectrum licenses, is observable by reference to competitive bidding processes (although this market data is not always active). Other intangible assets do not have a value directly observable in the market, but are reasonably estimable by reference to attributable cash flows or costs to replace or develop them. Even for those that have none of the foregoing points of reference, we believe that there exist conventional valuation methods that, while less reliable, provide a reasonable basis for measurement and comparability.

Question 16: To gauge the market activity, are you aware of instances in which any recognized intangible assets are sold outside a business acquisition? If so, how often does this occur? Please explain.

Yes. Our primary intangible assets are spectrum licenses, which are subject to auction-based competitive bidding processes administered by the FCC and are sold between entities in a negotiated exchange. We do not routinely buy or sell other intangible assets ourselves, although tradenames, intellectual property and customer lists are commonly licensed.

Question 17: Of the possible approaches presented, which would you support on a cost-benefit basis? Please rank the approaches (1 representing your most preferable approach) and explain why you may not have selected certain approaches.

a. Approach 1: Extend the Private Company Alternative to Subsume Certain CRIs and all NCAs into Goodwill
b. Approach 2: Apply a Principles-Based Criterion for Intangible Assets
c. Approach 3: Subsume All Intangible Assets into Goodwill
d. Approach 4: Do Not Amend the Existing Guidance.

We would rank the foregoing approaches as follows:

2. Approach 1: Extend the Private Company Alternative to Subsume Certain CRIs and all NCAs into Goodwill
3. Approach 2: Apply a Principles-Based Criterion for Intangible Assets
4. Approach 3: Subsume All Intangible Assets into Goodwill

We oppose subsuming all intangible assets into goodwill largely because doing so would potentially subsume indefinite-lived intangible assets which could have significantly different patterns of value generation to an entity (including those with a long period of utility and a potential disposition via a sale at more than the purchase price). For example, for our industry, spectrum licenses obtained through business acquisitions are scarce resources, subject to highly-competitive bidding processes, and are core to our ongoing operations. As such, acquisitions of these assets, including those obtained through business acquisitions, communicate to users that we are strategically investing to improve our
performance. Further, if subsumed licenses are subsequently sold additional process will be required to separate the value of the licenses from the aggregated goodwill balance. This is quite distinct from, for example, an acquired customer list. We believe grouping such distinct assets would diminish information usefulness (whether in a model of goodwill amortization or non-amortization).

As an alternative, we would support a model in which all finite-lived intangibles are subsumed within goodwill and indefinite lived intangibles, such as spectrum licenses, are not. We acknowledge that, if coupled with an amortization approach, this model may decrease the precision with which the cost of finite-lived intangibles is allocated to the related period of benefit. Qualitative disclosure describing the components of goodwill (e.g., intellectual property and customer relationships) may, however, provide sufficient information to the users of the financial statements to make informed decisions.

We have ranked the other approaches in a manner consistent with the belief that subsuming additional intangible assets into goodwill would decrease the precision with which the purchase price of the acquisition is allocated to the related period of benefit.

**Question 18:** As it relates to Approach 2 (a principles-based criterion), please comment on the operability of recognizing intangible assets based, in part, on assessing whether they meet the asset definition.

We believe that a principles-based approach of the type described above would increase complexity and reduce comparability among preparers. This is because the definition of an “asset” is broad such that determining whether an intangible meets that definition would require judgment and because it may result in having to model and support probability assertions, which can be complex and subjective.

**Question 19:** Approaches 1–3 assume that subsuming additional items into goodwill would necessitate the amortization of goodwill. Do you agree or disagree? Please explain why.

We disagree because some of the assets subsumed may be indefinite lived intangible assets (for example in, in our industry, spectrum licenses obtained through business acquisitions). However, if the Board pursued an approach whereby only finite-lived intangibles were subsumed into goodwill, we would agree.

**Question 20:** What is your assessment of the incremental costs and benefits of disclosing the facts and circumstances that led to impairment testing that have not led to a goodwill impairment loss?

We believe that incremental costs would be incurred while the benefits would be nominal in many cases due to potential duplication with other sources of information, such as Management's Discussion and Analysis. In addition, we believe that the risks and costs of providing the forward-looking information upon which our impairment triggers or assessments may be based could be substantial due to its inherent uncertainty and the potential for scrutiny, especially in our SEC filings. Note that forward-looking statements included in the forepart of a Form 10-K benefit from certain safe harbor provisions while financial statement footnotes do not.

**Question 21:** What other, operable ideas about new or enhanced disclosures would you suggest the Board consider related to goodwill?

We do not have any recommendations regarding new or enhanced disclosures at this time. In general, we would not support additional disclosure requirements related to goodwill in light of associated costs and potential duplication with information conveyed in other sources.

**Question 22:** What is your assessment of the incremental costs and benefits of disclosing quantitative and qualitative information about the agreements underpinning material intangible items in (a) the period of
the acquisition and (b) any changes to those agreements for several years post-acquisition? Please explain.

We would not support incremental disclosure requirements related to agreements underpinning material intangible items because such agreements are often highly-tailored, competitively sensitive and confidential such that we do not believe disclosure at a contractually-permissible level of detail would faithfully depict the economics of those agreements.

Question 23: Are there other changes (deletions and/or additions) to the current disclosure requirements for goodwill or intangible items that the Board should consider? Please be as specific as possible and explain why.

We do not have any recommendations for the Board to consider at this time.

Question 24: Under current GAAP, to what extent does noncomparability in the accounting for goodwill and certain recognized intangible assets between PBEs and private business entities and not-for-profit entities reduce the usefulness of financial reporting information? Please explain your response.

We believe that comparability among these types of entities is important (e.g., between one PBE and another PBE). However, we do not believe that comparability issues between these types of entities necessarily reduces the usefulness of financial reporting information because the information needs of their respective users (e.g., lending institutions vs. market participants) are not the same.

Question 25: Please describe the implications on costs and benefits of providing PBEs with an option on how to account for goodwill and intangible assets and the option for the method and frequency of impairment testing (described previously in Sections 1 and 2).

We believe that increasing discretion in how PBEs account for items or transactions of the same nature generally reduces comparability and, by extension, the usefulness of PBE financial reporting information. While it could theoretically reduce compliance costs, we believe that such cost savings would be at least partially offset by unintended practical costs, such as those borne to analyze and rationalize the accounting method chosen to management, auditors, users, and regulators.

Question 26: To what extent does noncomparability in the accounting for goodwill and certain recognized intangible assets between PBEs reporting under GAAP and PBEs reporting under IFRS reduce the usefulness of financial reporting information? Please explain your response.

We strongly support convergence between US GAAP and IFRS on this issue and in general. From the perspective of investors who deploy capital in both domestic and international markets, we believe that comparability between US GAAP and IFRS is important to facilitate and support their capital allocation decisions. In addition, we report under both standards; as such, misalignment between them significantly increases our compliance costs.

Question 27: Please indicate the sources of comparability that are most important to you regarding goodwill and intangible assets. Please select all that apply and explain why comparability is not important to you in certain cases.

a. Comparability among all entities reporting under GAAP (one requirement for PBEs, private business entities, and not-for-profit entities)

b. Comparability among all PBEs reporting under GAAP

c. Comparability among all private business entities and all not-for-profit entities reporting under GAAP
Comparability among all PBEs reporting under GAAP and PBEs reporting under IFRS.

Comparability between the entities described in (b) and (d) are important to us. We did not select (a) or (c) because we believe that users of PBE, private company, and not-for-profit entity financial statements have different information needs such that comparability between those entities' financial reporting information is not as critical to its decision-usefulness.

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

With respect to the income tax accounting impact of the proposed approach, we believe that a change to the standard to introduce goodwill amortization expense should be accompanied by a change to ASC 740 to allow the recognition of deferred taxes on temporary differences related to non-deductible goodwill amortization (see ASC 740-10-25-3(d)). Absent a change to this standard, goodwill amortization expense would cause a distortion to the effective tax rate reported in the financial statements.

If the Board chooses to move forward with implementing a goodwill amortization approach, we ask that the Board consider a prospective transition approach with respect to amortization expense (i.e., prospective amortization of any goodwill existing at the date of transition over the stipulated amortization period, regardless of how long that goodwill has existed prior to the date of transition). We ask that the Board consider a modified retrospective transition approach with respect to deferred taxes (i.e., a deferred tax asset or liability should be recorded upon adoption of the standard). Doing so would minimize the cost of implementation and prevent distortion of the effective tax rate.

We also encourage the Board to continue engaging with the IASB to achieve convergence on these and other issues.

Question 29: Would you be interested and able to participate in the roundtable?

We would be delighted to participate in a roundtable discussion on this topic.