August 7, 2013

Ms. Susan M. Cosper, CPA
Technical Director
File Reference No. PCC-13-01A
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Accounting for Identifiable Intangible Assets in a Business Combination a proposal of the Private Company Council

Dear Ms. Cosper:

We appreciate the opportunity to offer comments on the above referenced Proposed Accounting Standards Update ("ASU"). The efforts of the FASB Private Company Council ("PCC") are of significant importance to the preparers, users and auditors of private company financial statements. We are pleased that the PCC has taken up the issue of accounting for intangibles acquired in a business combination. This historically has been a difficult and costly issue to deal with and these proposed changes will be a significant improvement in financial reporting for private companies with little loss of decision useful information for users of these financial statements.

ParenteBeard LLC is a large regional accounting firm headquartered in Philadelphia, Pennsylvania, with operations throughout the Mid-Atlantic Region. We are currently ranked in the top 25 of U.S. accounting firms, with approximately 1,000 team members including approximately 120 partners. Our practice is diverse; we have large concentrations in health care, higher education, manufacturing and distribution and construction. Our practice is primarily privately owned businesses and not for profit organizations, but we do have a public company practice and are a PCAOB triennially inspected firm.

We support the overall approach within the ASU. Our comments are limited to responses to the Board’s questions.

Question 1: Please describe the entity or individual responding to this request. For example:

a. Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.

b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

c. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.
d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

We are a public accounting firm. Please see opening comments for statistical information.

**Question 2:** Should any types of entities be excluded from the scope of this proposed Update? Should any types of transactions or accounts be excluded, or are there any other types of transactions or accounts that should be included in the scope?

We believe there should be some consideration to scoping out financial institutions. In particular, the concept of core deposit intangibles is well established when accounting for acquisitions of banks. It is not clear whether such intangibles would be considered contract based. If they are not considered to be contract based and thus scoped out, we believe this would be a mistake and lead to some confusion among users and regulators. If the determination is that core deposit intangibles should be continued to be recognized separately from goodwill, then we suggest that these should be added to the examples in the application guidance.

Otherwise, we do not believe any other type of entities should be excluded.

**Question 3:** Should the Board expand the scope of the accounting alternative to other entities, such as publicly traded companies or not-for-profit entities? If the scope is expanded to other entities, what changes, if any, should the Board consider for the recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

We believe not for profit organizations should be included in the scope of this guidance. These organizations face many of the challenges of private companies in applying the costly analysis required to determine a fair value for non-contract based intangibles. We also believe that user needs would be well served by the qualitative disclosure related to these separable intangibles that are to be included with goodwill.

With respect to public companies, we believe more research and analysis is necessary, to determine the usefulness of the current information to investors.

**Question 4:** Would the proposed amendments reduce overall costs and complexity compared with existing guidance? If not, please explain why.

Yes, the process of identifying and then valuing intangibles as currently required is a source of cost and frustration for preparers. It is a significant area of conflict with auditors, as many private company preparers have the difficulty noted. Most are resistant to spending the money for a good analysis and have a difficult time understanding, for example, why a customer list would be different from a labor force; most buyers would consider all of these sorts of assets as the overall "blue sky" associated with a target.
Question 5: Do you agree that the accounting alternative for the recognition and measurement of intangible assets acquired in a business combination would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide more relevant information to users?

This accounting alternative will provide useful information to the users.

Question 6: Do you agree that for contractual intangible assets, recognition and measurement should be limited to the noncancelable term of the contract? If so, do you agree with the proposed definition of a noncancelable contractual term? Do you agree that market participant expectations about the potential renewal or cancellation of the contract should not be factored into the measurement? Do you foresee any increase in cost and complexity or other difficulties in applying this alternative recognition and measurement principle? If yes, would additional implementation guidance address those difficulties?

We agree with this valuation concept. It is a practical expedient and will lead to more grounded and less speculative valuations. We believe this concept will actually lead to less expensive valuations and still provide useful information for the users.

Question 7: Do you agree that intangible assets arising from other legal rights should continue to be measured at fair value considering all market participant expectations, consistent with Topic 820? If not, what accounting alternative for measurement do you recommend?

Yes, we believe this is the commonly accepted approach to such valuations and that in many cases the cost of renewal of the legal right is deminimus and as such not a relevant consideration when the valuations are created. As such the current method would continue.

Question 8: Do you agree that an entity should disclose the nature of identifiable intangible assets that are not recognized separately as a result of applying the amendments in this proposed Update? If not, please explain why.

This disclosure would be useful on a general basis, but we do not see much value in attempting to separately enumerate each of these sorts of intangibles, because as noted above most of them exist in any business and are part of the inherent value just as know how or employees are.

Question 9: For identifiable intangible assets that are recognized separately as a result of applying the amendments in this proposed Update, do you agree that the amendments should not require any other additional recurring disclosures and that entities should be required to comply with disclosure requirements in relevant Topics, as applicable (for example, Topic 350, Intangibles—Goodwill and Other, and Topic 805)? If not, what additional disclosures should be required and please explain why.

Current disclosure requirements are sufficient. We expect these types of intangibles will be amortized and the current tabular disclosure should be continued.
Question 10: Do you agree that the proposed Update should be applied on a prospective basis? Should retrospective application be permitted?

We believe consideration should be given to retrospective application as an option, especially when this ASU is viewed in connection with the proposed ASU to modify the accounting of goodwill, providing for amortization and a trigger mechanism for considering impairment.

Entities should be able to easily identify the intangibles that could be reclassified into goodwill and easily apply the new guidance. Many such entities may want to avail themselves of this option to reduce the complexity of analyzing various types of intangibles for impairment; that is grouping with goodwill, will provide a short cut.

Question 11: When should the alternative accounting method be effective? Should early application be permitted?

The alternative accounting method should be effective as soon as possible and early application should be permitted.

Question 12: For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

We believe both preparers and auditors of private company financial statements will welcome this new alternative approach and find implementation to be fairly straightforward, not requiring undue effort.

Question 13: For users, would the proposed amendments result in less relevant information in your analyses of private companies?

Our experience with users of private company financial statements is that most intangibles are considered as part of goodwill anyway. As such there will be no lessening of relevant information for users. Especially when combined with the new approach for goodwill.

Question 14: If an entity elects the accounting alternative in this proposed Update, should that entity also be required to apply the PCC's proposed accounting alternative for the subsequent measurement of goodwill (in Topic 350)? Alternatively, if an entity elects the accounting alternative in Topic 350 for goodwill, should that entity also be required to adopt the accounting alternative in this proposed Update? (No decisions have been reached by the Board and the PCC about this question.)

As an auditor, we would prefer this to be the requirement. Adding more value to goodwill which is subject to the annual impairment test is likely to create more problems when comparing fair value to carrying value of a reporting unit. We think that these standards should be linked.
Question 15: The scope of this proposed Update uses the term publicly traded company from an existing definition in the Master Glossary. In a separate project about the definition of a nonpublic entity, the Board is deliberating which types of business entities would be considered public and would not be included within the scope of the Private Company Decision-Making Framework. The Board and PCC expect that the final definition of a public business entity resulting from that project would be added to the Master Glossary and would amend the scope of this proposed Update. The Board has tentatively decided that a public business entity would be defined as a business entity meeting any one of the following criteria:

a. It is required to file or furnish financial statements with the Securities and Exchange Commission.

b. It is required to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities.

c. It has issued (or is a conduit bond obligor) for unrestricted securities that can be traded on an exchange or an over-the-counter market.

d. Its securities are unrestricted, and it is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement.

Do you agree with the Board’s tentative decisions reached about the definition of a public business entity? If not, please explain why.

We agree with the criteria, but believe the final definition could benefit from some examples. In particular we note some confusion in practice with applying the conduit debt obligor definition.

In conclusion, we congratulate the Board, the Staff and the PCC in proposing this ASU related to accounting for business combinations. Despite the fact that FAS 141R has been in place for nearly five years, it continues to be the most difficult to apply and therefore an error prone transaction that we see in our practice. We continue to find the need to train and retrain on this standard. Clients do not understand it and are resistant to the cost required to properly apply the standard to an individual transaction. We welcome this ASU and also would encourage the Board to continue to reconsider the need for improvements to accounting for business combinations and in connection with this to continue to evaluate the application of FAS 157 to non-financial assets and liabilities.

Sincerely yours,

[Signature]

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