August 16, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. PCC-13-01B; Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

We are happy to have the opportunity to respond to the above-referenced exposure draft (ED) of the Private Company Council.

Question 1: Please describe the entity or individual responding to this request. For example:
   1. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.
   2. 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).
   3. 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.
   4. 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.

The Texas Society of CPAs is a nonprofit professional association with over 27,000 members. All members of the TSCPA Professional Standards Committee are Certified Public Accountants. The PSC includes members who, as public accountants, assist in the preparation of financial statements for private company clients. Committee membership also includes members who are employed by private companies, nonprofit organizations, and governmental entities, and many of these members are responsible for preparing financial statements for their employers. Members in public practice include
sole practitioners, partners in small and large firms, and individuals involved in financial consulting. All members of the PSC are involved in the preparation or use of financial statements, whether for clients, an employer, or as an expert witness/consultant.

Question 2: Should any types of entities in the proposed scope be excluded? 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 the types of entities noted in the proposed scope are appropriate as are the transactions and accounts which are referenced in the ED.

Question 3: Should the Board consider expanding 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 to the accounting alternative for the subsequent measurement of goodwill? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

We are not opposed to expanding the scope of the accounting alternative to other entities, such as publicly traded companies or not-for-profit entities. If the scope of this proposed amendment was to be expanded to other entities, we believe the amortization period should be increased to "not exceed 15 years" and the accounting alternative should continue to be elective.

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

We believe there is a good chance that the proposed amendments would reduce overall costs and complexity compared with existing guidance. However, there is always some increased cost related to adopting and implementing new guidance, which may limit the cost and complexity efficiencies in the early stages of implementation.

Question 5: Do you agree that the accounting alternative for goodwill would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide relevant information to users?

We believe the accounting alternative proposed in the ED represents an improvement in both the relevance and usefulness of private company financial statements. We also believe that the amortization period related to the guidance on goodwill should be a period “not to exceed 15 years.” Such guidance would eliminate book and tax differences in private company financial reporting and simplify the reporting of goodwill and the related amortization.

Question 6: Do you agree with the PCC’s decision to amortize goodwill on a straight-line basis over the life of the primary asset acquired in a business combination, not to exceed 10 years? If not, please tell us what alternative approach or useful life you would prefer.

We agree with the decision to amortize goodwill on a straight-line basis over the life of the primary asset acquired in a business combination. However, we recommend increasing the ceiling to a period
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“not to exceed 15 years” in order to provide small businesses the opportunity to effectively match amortization of goodwill for financial statements with their tax records, thus eliminating any book/tax differences.

Question 7: Do you agree that goodwill accounted for under this alternative should be tested for impairment at the entity-wide level? If not, should an entity be either required or given an option to test goodwill at the reporting unit level? What issues, if any, arise from amortizing goodwill at the individual acquired goodwill level while testing for goodwill impairment at the entity-wide level?

We do not agree that goodwill accounted for under this alternative should be tested for impairment at the entity-wide level. Such an approach could potentially result in misstated financial statements caused by applying the tests on a consolidated entity that has multiple reporting units that are having both good and bad reporting periods. Rather, we feel that the tests should be applied at the reporting unit level.

Question 8: Do you agree that goodwill accounted for under this alternative should be tested for impairment only upon the occurrence of a triggering event that would indicate that the fair value of the entity may be below its carrying amount? If not, when should goodwill be tested for impairment? Should there be an annual requirement to test goodwill?

We agree that goodwill accounted for under this alternative should be tested for impairment only upon the occurrence of a triggering event that would indicate that the fair value of the entity may be below its carrying amount.

Question 9: In the proposed amendments, an entity would consider the same examples of events and circumstances for the assessment of triggering events as those considered for the qualitative assessment. However, the PCC intends the nature and extent of those two assessments to be different. The assessment of triggering events would be similar to the current practice of how an entity evaluates goodwill impairment between annual tests. In contrast, the optional qualitative assessment would be part of an entity’s goodwill impairment test, requiring a positive assertion, consistent with current practice, about its conclusion reached and the events and circumstances taken into consideration. Should the assessment of triggering events be performed consistently with how entities currently assess for goodwill impairment between annual tests? If not, how should an entity assess for triggering events? Do you agree that there should be a difference in how an entity would perform its assessment of triggering events and how it would perform the qualitative assessment?

We agree that the assessment of triggering events should be performed on a basis consistent with how an entity currently assesses goodwill impairment between annual tests. We also believe that there should be a difference in how an entity would perform its assessment of triggering events and how it would perform the qualitative assessment.

Question 10: Do you agree with the alternative one-step method of calculating goodwill impairment loss as the excess of the carrying amount of the entity over its fair value? Why or why not?
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We basically agree, except that we think this should be applied on the reporting unit basis, not the entity basis.

**Question 11:** Do you agree with the disclosure requirements of the proposed Update, which largely are consistent with the current disclosure requirements in Topic 350? Do you agree that an entity within the scope of the proposed amendments should provide a roll forward schedule of the aggregate goodwill amount between periods? If not, what disclosures should be required or not required, and please explain why.

We believe the disclosure and roll-forward requirements are appropriate.

**Question 12:** Do you agree that the proposed Update should be applied on a prospective basis for all existing goodwill and for all new goodwill generated in business combinations after the effective date? Should retrospective application be permitted?

We agree that the proposed Update should be applied on a prospective basis for all existing goodwill and for all new goodwill generated in business combinations after the effective date. However, we are opposed to permitting retrospective application.

**Question 13:** Do you agree that goodwill existing as of the effective date should be amortized on a straight-line basis prospectively over its remaining useful life not to exceed 10 years (as determined on the basis of the useful life of the primary asset of the reporting unit to which goodwill is assigned) or 10 years if the remaining useful life cannot be reliably estimated? Why or why not?

We believe that goodwill existing as of the effective date should be amortized on a straight-line basis prospectively over its remaining useful life as determined on the basis of the useful life of the primary asset of the reporting unit to which goodwill is assigned. However, we believe that the amortization period should be set as “not to exceed 15 years” rather than 10 years.

**Question 14:** When should the alternative accounting method be effective? Should early application be permitted?

We believe the alternative accounting method should be effective for years ending on or after December 15, 2014. We also favor permitting early application.

**Question 15:** For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

We feel the proposed amendments should require less effort to implement and audit. However, the extent of the realized reduction in effort is difficult to predict due to the numerous variables involved.

**Question 16:** For users, would the proposed amendments result in less relevant information in your analyses of private companies?
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Since the members of the PSC come from a preparer or auditor perspective, we find it difficult to speculate about the reaction of users.

**Question 17:** If an entity elects the accounting alternative in the amendments in this proposed Update, do you think that entity also should be required to apply the PCC's proposed accounting alternative for recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination (in Topic 805)? Alternatively, if an entity elects the accounting alternative in Topic 805, should that entity also be required to adopt the proposed accounting alternative? (No decisions have been reached by the Board and the PCC about this question.)

In our opinion, an entity should be allowed to adopt these proposals independently of one another.

**Question 18:** 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 are in agreement with the Board’s tentative decisions regarding the definition of a public business entity.

We appreciate the opportunity to provide our input to the standard-setting process.

Sincerely,

Sandra K. Brown, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants