Technical Director
File Reference No. EITF 100A
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RE: File Reference No. EITF 100A

To Whom It May Concern:

Thank you for the opportunity to respond to the proposed Update on Intangibles—Goodwill and Other (Topic 350) issued by the Board. I have provided my comments to your questions below:

Question 1: Do you agree that the equity premise should be the only permissible methodology for Step 1 of the goodwill impairment test? If not, why not?

Yes, the equity premise should be the only permissible methodology for calculating the carrying amount for Step 1 of the goodwill impairment test. However, the Update should also make clear that the equity premise is the only permissible methodology to use for the calculation of "the fair value of a reporting unit" to compare to the carrying amount for Step 1. Such explicit guidance will help to ensure that the carrying amount of a reporting unit is compared to the fair value of the reporting unit on an "apples to apples" basis.

One way to clarify that the carrying amount must be compared to the fair value of the reporting unit on an "apples to apples" basis, is to amend paragraph 350-20-35-22 as follows:

35-22 The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. The fair value for the unit as a whole shall be measured by the unit's equity value, applying the same equity premise required for the measurement of the unit's carrying amount. Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis for the measurement, if available. However, the market price of an individual equity security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit as whole.

Question 2: Do you agree with the qualitative factors that have been provided for reporting units with zero or negative carrying amounts to consider in determining

whether it is more likely than not that a goodwill impairment exists? If not, why not? Are there additional factors that also should be included?

Yes, the qualitative factors are sufficient, provided that the Update clarifies that the examples of qualitative factors given are not the only examples that need to be considered. This suggestion could be addressed by modifying the sentence in 350-20-35-30 that precedes items "a" through "g" to read as follows: "Some examples of such events or circumstances include the following: ..." An alternate suggestion is to modify the sentence as follows: "Examples of such events or circumstances include, but are not limited to, the following: ..."

Question 3: Do you need more guidance on how to determine if it is more likely than not that goodwill is impaired at transition? If so, please describe what may be helpful with that determination.

Yes, the Board should consider providing more specific guidance on the calculation of the carrying amount and the estimate of the fair value of a reporting unit based on the equity premise, such as an illustration of the comparison in an appendix.

Question 4: For reporting entities that have used an enterprise premise to calculate the carrying amount of a reporting entity for Step 1 of the goodwill impairment test, do you believe that applying the amendments in this proposed Update would result in different conclusions about the need to perform Step 2? If so, please describe such scenarios.

If "the fair value of a reporting unit" is more clearly defined to represent the equity value of the reporting unit, as described above, and the measurements of fair value are performed in accordance with generally accepted valuation practices, then the proposed Update should not result in different conclusions for Step 1 than would be the case if the enterprise premise were used to calculate the carrying amount of a reporting unit.

Question 5: Do you agree with the proposed effective dates for public and non-public entities? Are they operational? If not, why not?

Yes, the proposed effective dates are reasonable.

I appreciate the opportunity to present my suggestions for the proposed Update to Topic 350. Thank you.

Sincerely,

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