

Tel: 312-856-9100 Fax: 312-856-1379 www.bdo.com 233 N. Michigan Ave., Suite 2500 Chicago, II, 60601

November 5, 2010

Via email to director@fasb.org

Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856

RE: Proposed Accounting Standards Update, "How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test" (File Reference No. EITF100A)

We are pleased to provide comments on the Proposed Accounting Standards Update to modify how Step 1 of the goodwill impairment test is performed ("the Proposal"). We understand the Task Force made a threshold decision at the beginning of its deliberations to develop a narrow fix to the mechanical problem associated with reporting units that have a negative carrying amount, rather than reevaluating the concepts behind the existing two-step goodwill impairment test in Topic 350. However, the Task Force's Proposal to eliminate the enterprise premise for Step 1 represents a significant conceptual conclusion.

As a factual matter, many commercial businesses are capitalized with varying degrees of debt. As such, we recommend allowing entities to choose the equity or enterprise premise as an accounting policy election on an individual reporting unit basis. We note that the mechanical problem associated with negative equity situations would be moot for entities that voluntarily applied the enterprise premise. Maintaining its availability would also be consistent with views the SEC staff publicly expressed on this topic last December.

While the equity premise may be appropriate in some circumstances, its limitations are apparent in the present issue the EITF is addressing. Therefore, for companies that continue to use the equity premise, we agree with the proposed changes to Step 1 for negative equity situations.

Further, we believe the proposed changes to Step 1 under the equity premise should be adopted irrespective of whether the Task Force accepts our recommendation to permit the enterprise premise. As drafted, the Proposal would resolve the mechanical shielding of goodwill impairments. And, if the Task Force continues to permit the enterprise premise, the proposed revisions to Step 1 would eliminate the perceived benefit of continuing to use the equity premise when it is selected solely to achieve a desired accounting outcome compared to the enterprise premise.

Our responses to questions contained in the Proposal are provided below, which include our suggested improvements.

Responses to Questions



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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?

We disagree. As described above, this element of the Proposal appears inconsistent with Issue 10-A's narrow scope, as we understand it. Moreover, we do not believe a sound conceptual argument exists for ruling out the enterprise premise.

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?

As noted previously, we would prefer the Task Force to continue allow entities to apply the enterprise premise.

Nevertheless, we agree with the Task Force's observation that the qualitative factors are simply indicators of potential goodwill impairment, rather than an exhaustive list. We believe they are well understood in practice, and that additional guidance is unnecessary.

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.

No.

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.

It seems likely reporting enterprises that historically applied an enterprise premise will have already recognized the impairments that might otherwise be recognized under the Proposal. We have not performed any empirical research in this regard.

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

We believe the Proposal should be effective for private and public entities for periods beginning after December 15, 2010. Private entities are currently subject to interim goodwill impairment tests on an exception basis, and as such, we do not see a rationale for a one-year deferral relative to public entities. Further, we recommend allowing early adoption for goodwill impairment tests occurring in annual or interim periods ending on or after the date any final consensus is ratified by the Board. We see no reason to arbitrarily defer the recognition of the goodwill impairments that are the subject of Issue 10-A until 2011.



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We note the assertion in paragraph BC 8 that privately-held entities may not become aware of the proposed amendments before the effective date due to the timing of annual continuing education cycles. While we do not necessarily believe this to be the case, if it is true, it would appear the issue extends well beyond goodwill impairment testing and should be addressed in a more visible forum.

Separately, the Proposal indicates that any impairment charges recorded in the period of adoption will be recorded as a cumulative-effect adjustment to the beginning balance of retained earnings. We disagree with this approach. We understand some constituents may not attach a high degree of relevance to impairment charges recorded at initial adoption, believing the "real" economic loss occurred in a prior period. However, we note many impairment charges are based on subjective judgments about the timing and severity of the underlying triggering event. Further, the transition provisions previously contained in Statement 142 indicated impairment losses recognized upon adoption of that standard were recorded in earnings. We believe selectively deciding which accounting changes should impact earnings vs. those that shouldn't sets a difficult precedent for future standard-setting.

Lastly, for entities that have previously applied the equity premise to one or more reporting units, we recommend providing an option at the reporting unit level to prospectively adopt the enterprise premise upon transition.

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We would be pleased to discuss our comments with the FASB staff. Please direct questions to Lee Graul, National Director of Accounting, at (312) 616-4667 or Adam Brown, Partner in the National Accounting Department, at (214) 665-0673.

Very truly yours,

BDO USA, LLP

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¹ Statement 142, paragraph 56.

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