



The Capital Group Companies, Inc.  
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**VIA ELECTRONIC DELIVERY**

August 23, 2013

Technical Director  
File Reference No. PCC-13-01A  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 2013-13-01A

Dear Technical Director:

The Capital Group Companies, Inc. (referred to herein as “Capital” or “we”) is a privately held investment management company. We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*, a proposal of the Private Company Council (“the proposed ASU”). These comments are informed by our experiences as preparers of audited financial statements of Capital and its affiliated companies. These comments reflect the signer’s own views and not necessarily those of Capital or other Capital associates.

**Scope**

As the users of our financial statements are not generally focused on intangible assets as part of their decision making process, we believe this alternative accounting would be beneficial to us as a privately held company. This would allow private companies to simplify their approach to accounting for the recognition, measurement, and disclosure of intangible assets by reducing the cost and effort required in valuing certain identifiable intangible assets.

### **Consideration**

Capital believes the proposed ASU should require private companies that elect to adopt the alternative accounting for intangibles to also adopt the alternative accounting for goodwill (proposed ASU *Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill*, a proposal of the Private Company Council issued July 1, 2013). By electing the accounting alternative, intangibles that do not meet the revised criteria would not be recognized. Rather, goodwill would be recognized as a residual asset under the proposed guidance, and then amortized over a straight-line basis over the useful life of the primary asset acquired in a business combination.

Capital believes that under the current ASU for business combinations and accounting for intangibles, companies have more flexibility to identify intangible assets, which would minimize amounts booked to goodwill. However, requiring adoption of both ASU's will reduce the cost and complexity of estimating the fair value of certain identifiable intangible assets while also allowing the residual goodwill to be amortized, further reducing cost and complexity of valuing goodwill and potential impairment, and therefore reduce the cost and complexity of preparing financial statements.

Capital believes the required disclosure of the nature of the identifiable intangible assets would continue to provide the desired information without the undue cost and complexity associated with valuing them.

We do not support the replacement of the term "publicly traded company" with "public business entity" as defined in Question 15 of the proposed ASU. Specifically, we do not believe an entity that files or furnishes financial statements to the Securities and Exchange Commission for reasons other than in preparation for the offering, or continuing sale, of equity or debt securities rises to the standard of a publicly traded company. Often financial information is shared on a confidential basis and is not made publicly available. Applying one set of U.S. GAAP to a subsidiary and potentially a different set of U.S. GAAP for the parent entity would add complexity and lead to confusion to the users. As a result, we do not support the proposed definition of "public business entity" without modification of the reference to filings with the

Securities and Exchange Commission and inclusion in that sentence that such filings are in preparation for the public offering of equity or debt securities, or similar limitations.

**Summary**

In order to provide the most meaningful and cost-effective financial information to our users, Capital supports this proposed accounting alternative for identifiable intangible assets.

Thank you for considering these comments. Please feel free to contact me should you have any questions or wish to discuss my thoughts on the current proposal.

Sincerely,

Bruce Meikle  
Senior Vice President and Principal Financial Officer  
The Capital Group Companies, Inc.