

August 23, 2013

Technical Director – File Reference No. PCC-13-01A  
Financial Accounting Standards Board  
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Technical Director:

We appreciate the opportunity to comment on the Financial Accounting Standards Board (FASB) Proposed Accounting Standards Update (ASU), *Business Combinations (Topic 805) - Accounting for Identifiable Intangible Assets in a Business Combination*. BerryDunn is a regional firm that audits approximately 500 private companies and not-for-profit organizations within a variety of industries. We also audit a small number of SEC registrants.

Overall, we are in support of the proposed ASU. The proposed ASU strives to reduce the cost and complexity associated with the valuation of certain identifiable intangible assets in a business combination which is generally not meaningful to users of financial statements of privately-held companies.

A primary focus of users of financial statements of privately-held companies is prospective cash flow. Separate accounting for certain intangible assets that provides little direct correlation to current or reasonable foreseeable cash flows offers little, if any, value to such private company stakeholders. Intangible assets that arise from contractual rights with noncancelable terms or other legal rights tend to have discrete cash flows that are more readily identifiable. Accordingly, an accounting alternative that strives to limit the separate recognition of intangibles to only those that generate discrete cash flows appears to be a cost effective means to provide decision-useful information to private company financial statement users.

In addition to our overall view on the proposed ASU, we have selected specific questions posed in the Exposure Draft to address as follows:

*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 the Board should expand the scope of the accounting alternative to both publicly traded companies and not-for-profit entities. The provisions of the amendments will benefit both publicly traded companies and not-for-profit entities by reducing the costs and complexity of recognizing and measuring certain identifiable intangible assets separately from goodwill in a business combination

while still providing decision-useful information. As such, in order to provide consistency and comparability between companies, the amendments should not be elective.

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

We believe the proposed amendments would reduce overall costs and complexity due to the reduction in effort associated with the valuation and measurement of certain identifiable intangible assets.

*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?*

We agree the accounting alternative would provide relevant and decision-useful information to the users of private company financial statements. Intangible assets that meet the contractual-legal criterion have more easily determinable useful lives and cash flows which are easier to estimate. Disclosure of the nature of identifiable intangible assets that generally would not be recognized separately from goodwill provides transparency and decision-useful information to the users of the financial statements. Provided the entity is also required to apply the accounting for goodwill described in question 14, the effect of amortizing such intangible assets separately from goodwill will be less material the greater the significance of the intangible assets to the value of the acquisition.

*Question 6: Do you agree that for contractual intangible assets, recognition and measurements 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 costs and complexity or other difficulties in applying this alternative recognition and measurement principle? If yes, would additional implementation guidance address those difficulties?*

We do not agree that market participant expectations about the potential renewal or cancellation of the contract should not be factored into the measurement. We believe the identifiable intangible assets that arise from noncancelable contractual terms should be measured using fair value measurement principles of Topic 820 in order to provide consistency and comparability to the users of the financial statements and limit alternatives for the preparers of financial statements.

*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?*

We believe all assets acquired and liabilities assumed in a business combination which meet the criteria for separate recognition should be measured at their acquisition-date fair values, consistent with the fair value measurement guidance in Topic 820.

*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.*

We agree qualitative disclosures of the nature of identifiable intangible assets not recognized separately should be required. Even if not separately recognized from goodwill, information about such assets can help a user understand the value inherent in a particular acquisition. We recommend this disclosure be a component of the current requirement to disclose the reasons for the recognition of significant goodwill in a business combination transaction.

*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?*

We agree that the amendments should not require any other additional disclosures and that entities should be required to comply with disclosures in relevant Topics as applicable. Users are typically not any more interested in information about the amortization of such assets than they are about the depreciation of property and equipment, so disclosure requirements that are more specific than property and equipment depreciation disclosure requirements would not be decision-useful. Information about impairment charges would be useful in helping understand how an entity's cash flows have changed or may change in the future.

*Question 10: Do you agree that the proposed Update should be applied on a prospective basis? Should retrospective application be permitted?*

We agree that the proposed Update should be applied on a prospective basis. Retrospective application should be permitted, enabling entities to apply a cost-benefit approach to deciding the appropriate balance between incremental effort and more useful information for users.

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

We believe the amendments in the proposal should be effective for fiscal years beginning after December 31, 2013 with early application permitted.

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

We believe little marginal effort would be needed to implement and audit the proposed amendments, and a material amount of cost and effort would be saved as a result of the amendments.

*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.)*

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As noted in our response to question 3, we do not believe the amendments in this proposed ASU should be elective. In order to provide consistency and comparability to the users of financial statements, the amendments in this proposed update should supersede current guidance. Concurrently with adoption of the accounting described in this proposed ASU, we believe the PCC's proposed accounting for the subsequent measurement of goodwill (in Topic 350) should be required.

We appreciate the opportunity to submit these comments for your consideration, and look forward to FASB's consideration of feedback on the proposed ASU and decisions regarding the next steps.

Sincerely,

*Berry Dunn McNeil & Parker, LLC*

BerryDunn