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August 23, 2013

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

via e-mail to director@fasb.org

Re: File Reference No. PCC-13-01B

Thank you for allowing us to provide our views on the Private Company Council's (PCC) July 1, 2013 Proposed Accounting Standards Update to *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill* (the "Update").

The proposed amendment would reduce the effort required by current guidance to test goodwill for impairment. As the PCC's outreach efforts have indicated that users of private entity financial statements tend to disregard amounts related to goodwill, it appears that the changes allowed by the accounting alternative in the proposed Update would reduce costs to companies without materially affecting decision-usefulness.

Following are our responses to each of the questions posed.

Question 1: *Please describe the entity or individual responding to this proposed Update.*

Response: We are a professional service organization specializing in accounting, auditing, tax, and business consulting services. We have offices in Manhattan and Long Island and are ranked among the Top 100 largest firms in the U.S. by both INSIDE Public Accounting and Accounting Today. Our client base includes both public and private entities, as well as not-for-profit organizations.

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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?*

Response: We do not see a reason to exclude any types of entities, transactions, or accounts. We note no other types of transactions or accounts that should be included in the scope.

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?*

Response: We suggest expanding the scope of the accounting alternative to not-for-profit entities, as we believe the cost and effort necessary to perform the annual impairment test outweighs the benefits to users of those financial statements. Allowing such entities to elect to amortize the amount over a set period and perform an impairment test only if a triggering event occurs would reduce cost while having minimal impact on the decision-usefulness of the financial statements. We have no objection to making the accounting alternative elective for not-for-profit entities.

We do not recommend expanding the scope to public entities.

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

Response: We believe the proposed amendments would reduce overall costs and complexity given the elimination of step two from the impairment test, and the change to evaluating impairment at the entity-wide level.

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?*

Response: We agree that the accounting alternative would provide relevant and decision-useful information to users of private company financial statements.

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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?*

Response: We do not object to the 10 year maximum amortization period.

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?*

Response: We agree with modifying step one to be at the entity level rather than the reporting unit level for two reasons. First, obtaining a reporting unit valuation of a private company subsidiary is often difficult and highly subjective, and second, it is not unusual for private companies to blend the operations of acquired entities into the main business, making valuation at the reporting unit level infeasible.

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?*

Response: We agree that testing goodwill under the alternative should be done only upon a triggering event and not annually, so it does not contradict the PCC's intention of improving the cost-benefit equation.

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?*

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Response: We agree that the nature of the two tests should be different, as otherwise companies would be performing an annual qualitative impairment test.

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?*

Response: We agree with eliminating the second step of the current quantitative portion of the impairment test, as this step introduced a level of subjectivity that reduces the decision usefulness to readers of private company financial statements.

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 rollforward schedule of the aggregate goodwill amount between periods? If not, what disclosures should be required or not required, and please explain why.*

Response: We agree with the disclosure requirements proposed.

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?*

Response: We agree that the proposed Update should be applied on a prospective basis. We have no objection to allowing retrospective application as the revisions would be relatively simple to implement and should not cause confusion for users of the financial statements.

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?*

Response: We do not object to the 10 year maximum amortization period.

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

Response: We believe the effective date should be as early as practicable as the time required for preparers to become familiar with the requirements and gather the information should be minimal. We have no objection to early adoption.

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

Response: The proposed accounting alternative should reduce somewhat the effort required to evaluate goodwill for impairment, as such evaluation would be required only upon a triggering event rather than annually.

There would be minimal effect on the time required by auditors as they still would have to evaluate management's assertions regarding whether a triggering event occurred, and then would have to evaluate the inputs, calculations, and conclusions of any impairment test if such event does occur. However, the presumed reduction in the frequency of impairment tests would provide some reduction in effort.

Question 16: *For users, would the proposed amendments result in less relevant information in your analyses of private companies?*

Response: We do not believe the proposed amendments would result in less relevant information as goodwill is often disregarded when analyzing private companies.

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.)*

Response: We do not believe that adoption of the accounting alternative here necessitates adoption of the accounting alternative in PCC-03-01A, which is the PCC's proposed accounting alternative related to identifiable assets acquired in a business combination (Topic 805).

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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.

Response: We will defer our comments on this question to the response we will submit to the FASB's proposed ASU *Definition of a Public Business Entity*.

Thank you for kind consideration.

Sincerely,

GRASSI & Co., CPAs, P.C.



Louis C. Grassi, CPA, CFE
Managing Partner