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August 23, 2013

Technical Director
Financial Accounting Standards Board
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File Reference No. PCC-13-01B

Via Email to director@fasb.org

We are pleased to comment on the Financial Accounting Standards Board's (FASB) Proposed Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350), Accounting for Goodwill – a proposal of the Private Company Council*.

We appreciate the efforts being made by the FASB and the Private Company Council (PCC) to develop alternatives to U.S. generally accepted accounting principles for certain nonpublic entities. We believe there is high demand for these alternatives among private company financial reporting stakeholders.

We believe the proposed accounting alternative would reduce the overall costs and complexity associated with current accounting requirements for goodwill, while still yielding sufficient relevant decision-useful information to users of private company financial statements. We recommend expanding the scope of this accounting alternative to not-for-profit entities, which would also benefit from the reduced costs and complexity of this accounting alternative.

We understand the Board and PCC have decided not to address the assessment of preferability for private companies in the Private Company Decision-Making Framework as noted in the Summary of Board Decisions for the July 16, 2013 FASB meeting. ASC Topic 250, *Accounting Changes and Error Corrections*, paragraph 250-10-45-12 states "An entity may change an accounting principle only if it justifies the use of an allowable alternative accounting principle on the basis that it is preferable." It is unclear how the FASB intends for preparers to address preferability as it relates to adopting one of the PCC alternatives either initially or at some later date, given that the PCC proposals were proposed to provide relief to private companies by providing accounting alternatives that are expected to reduce the costs and complexities associated with the accounting for certain accounting matters. ASC 250-10-45-13 states "The issuance of a Codification update that requires the use of a new accounting principle, interprets an existing principle, expresses a preference for and accounting principle, or rejects a specific principle may require and an entity to change an accounting principle. The issuance of such an update constitutes sufficient support for making such a change." We do not believe the issuance, and subsequent adoption of a private company accounting alternative, such as those contained in this proposed Update, would meet one of the aforementioned criteria.

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We strongly believe the Board should address this matter when issuing the final ASU on this topic. One option to address this matter could include proposing an amendment to ASC 250 that would provide that the issuance of private company alternatives, initiated by the PCC and subsequently issued as Codification updates by the FASB, are excluded from the scope of ASC 250 for purposes of preferability.

We will also be commenting separately on the FASB's "Definition of a Public Business Entity-An Amendment to the Master Glossary" Exposure Draft.

Question 1: Please describe the entity of individual responding to this request. For example:

- a. **Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.**
- b. **If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).**
- c. **If you are a public accountant, please describe the size of your firm (in terms of the number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities or both.**
- d. **If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private and public entities.**

Crowe Horwath LLP is one of the largest public accounting and consulting firms in the U.S. serving both private and public companies. We have approximately 2,600 personnel and over 250 partners. We are one of the nine U.S. firms currently inspected annually by the Public Company Accounting Oversight Board, and are an independent member of Crowe Horwath International which includes more than 150 independent accounting and management consulting firms with offices in more than 100 countries around the world. Our audit practice focuses on both private and public companies.

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 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?

We believe that the Board should consider expanding the scope of this accounting alternative to not-for-profit entities, which would also benefit from the reduced costs and complexity of this accounting alternative. The changes considered for not-for-profit entities should be conceptually consistent with the approach adopted for private companies. The alternative should also be elective for not-for-profit entities. We believe that existing U.S. GAAP provides appropriate accounting guidance for publicly traded companies. Users of public company financial statements have different needs than some private companies and existing U.S. GAAP represents an appropriate accounting model that is superior to the PCC alternative model, accordingly, we recommend retaining the existing requirements for publicly traded companies.

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?

Testing goodwill for impairment at the entity-wide level is consistent with the objective of reducing the cost and complexity of accounting for goodwill for private entities. We anticipate that the timing and magnitude of goodwill impairments would be impacted by this approach. It is likely that the magnitude of

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impairments will be reduced because of the amortization that will be recorded over the life of goodwill. We believe the combination of amortization and potential for impairment charges over time will provide the users of private company financial statements with sufficient decision useful information.

The proposed guidance on how to account for goodwill when there is a disposal of a portion of the entity in paragraph 350-20-40-11 requires a fair value assessment of the portions of the entity not sold that adds cost and complexity to the exceptions being proposed. This fair value approach is also different from the guidance provided on the allocation of goodwill impairment charges which provides for the use of a reasonable and rational basis. If such a basis cannot be determined, impairment shall be allocated on a relative carrying value basis. We believe that the concept of "relative fair value" should be changed to an allocation based on relative carrying value. If book value needs to be allocated, we recommend that the allocation method be consistent with that used to allocate impairment charges. The relative carrying value approach for derecognition of goodwill, would still require an entity to evaluate the remaining goodwill for impairment.

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?

We believe that it is appropriate to consider the same examples of events and circumstances for the assessment of triggering events and for the qualitative assessment. Though, we also suggest that the proposed amendments could be improved by the inclusion of implementation guidance illustrating the distinction between identifying events and circumstances for indications of impairment and evaluating the impact of those events and circumstances on the fair value of the entity for purposes of the qualitative assessment.

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?

We agree with the alternative one-step method of calculating goodwill impairment. The current requirement to calculate a goodwill impairment loss after determining the current fair value of assets and liabilities, including intangible assets not previously valued, significantly increases the cost and complexity of the goodwill impairment calculation. Using a one-step method will greatly reduce the cost and complexity of calculating the amount of goodwill impairment. The one-step method would be consistent when the proposed ASC 805 alternative is elected, because it focuses on the enterprise value. We recommend providing implementation guidance on the appropriate order to follow when evaluating impairment for property, plant and equipment, intangible assets and goodwill.

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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?

We agree that the proposed Update should be applied on a prospective basis. As the main purpose for this proposed Update is to simplify the accounting for business combinations, retrospective accounting for an entity already that has already applied the accounting rules currently in effect, would create additional effort and cost has already been expended on previous business combinations. We do not believe that comparability is a significant issue with the proposed Update that would warrant requiring retrospective application.

While we do not believe retrospective application adds decision useful information to the financial statements, we do not object to it being permitted.

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?

We agree that goodwill at the effective date should be amortized prospectively. While any maximum period for amortization may be considered arbitrary and will not perfectly fit the economics of transactions, we believe that relating the amortization to the life of the primary asset with a maximum of 10 years is reasonable and operational. Financial statement preparers also have the option of not electing the alternative.

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

We believe that the timing objective can be achieved with an effective date for years ending after December 15, 2014, with early application permitted. The effective date should be aligned with the alternatives presented in 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*.

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

We believe the efforts to implement and audit the proposed amendments will be minimal.

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.)

An entity that elects the accounting alternative in Topic 350 for goodwill should not be required to adopt the accounting alternative in Topic 805. We believe that an entity will apply acquisition accounting first, either applying existing U.S. GAAP or electing the alternative.

An entity that elects the accounting alternative in Topic 805 should be required to elect the accounting alternative for Topic 350. In many instances the accounting alternative in Topic 805 will result in a larger residual (more goodwill that otherwise would have been included in intangibles and in many cases

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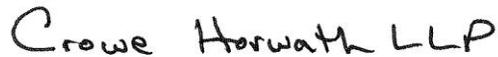
amortized) and therefore aligning that outcome with amortization of goodwill provides preparers with an alternative that reduces the cost and complexity of the accounting while also recognizing that the potential for more value included in goodwill by use of the alternative should be accounted for over time. We also believe that if the alternative for Topic 805 is elected and the alternative in Topic 350 is not elected, there is an inherent inconsistency in the approach to goodwill impairment because Step 2 in Topic 350 requires valuing all assets and liabilities at the testing date and comparing the residual to the book value of goodwill. The intangible assets and methodology used are different between Topic 805 and the proposed Topic 805 alternative which creates the inherent measurement inconsistency.

Alternatively, we believe that an entity that does not elect the accounting alternative in Topic 805 should be permitted to elect the accounting alternative for goodwill in Topic 350. We believe this is appropriate because the acquisition accounting and resulting goodwill reflect a representation of the fair value of all intangibles at the acquisition date and the resulting goodwill. Also, an entity should still be allowed to reduce the cost and complexity of the subsequent accounting for goodwill by choosing the alternative in Topic 350.

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Should you have any questions, please contact Scott G. Lehman at (630)574-1605 or scott.lehman@crowehorwath.com.

Sincerely,

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, slightly slanted style.

Crowe Horwath LLP