

August 23, 2013

Technical Director, File Reference No. PCC-13-01A
Financial Accounting Standards Board
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Sent via e-mail to director@fasb.org

Sensiba San Filippo LLP is pleased to have the opportunity to respond to the FASB's Exposure Draft on Proposed Accounting Standards Update - Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination, issued July 1, 2013.

Below is our response to the questions in your exposure draft.

Question 1: Please describe the individual or organization responding to this request.

Response: *Sensiba San Filippo (www.ssfilp.com) is a public accounting firm serving middle-market companies in the San Francisco Bay Area, the majority of which are privately held corporations. We have 14 partners and approximately 90 employees. We perform a full range of assurance and tax services as well as periodic bookkeeping services subject to the compilation standards.*

Question 2: Should any types of entities be excluded from the scope of this proposed Update? 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 believe that proposed scope is appropriate.*

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?

Response: *We believe that the proposed scope is appropriate. If the scope is expanded to include not-for-profit entities, we believe disclosure should be made where non-contractual intangibles have been combined with goodwill and such intangibles had donor restrictions.*

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

Response: *Yes, we believe the amendments would reduce the overall cost and complexity as compared with existing guidance as companies would not have to perform a detailed valuation in order to properly separate intangibles saving the cost of an independent valuation or the complexity of the companies trying to perform the valuation themselves. As fewer intangibles would be recognized separately in a business combination, the subjectivity of valuing individual non-contractual intangible assets would be eliminated.*

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?

Response: *We believe that the accounting alternative will provide more relevant and decision-useful information to users. Recording contractual intangible assets separately from those without prescribed lives will allow for more precise amortization. As intangible assets that are aggregated would be disclosed, no relevant information would be omitted.*

Question 6: Do you agree that for contractual intangible assets, recognition and measurement should be limited to the non-cancelable term of the contract? If so, do you agree with the proposed definition of a non-cancelable 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 cost and complexity or other difficulties in applying this alternative recognition and measurement principle? If yes, would additional implementation guidance address those difficulties?

Response: *We agree that the proposal should be limited to the non-cancelable term of a contract due to its certainty, with one exception. When there is an expectation that a renewal will take place due to economic hardship in the case of non-renewal, then the renewal period should be considered.*

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?

Response: *We agree that intangible assets arising from other legal rights should continue to be measured at fair value as often times they have discrete cash flows associated with them, such as patent rights.*

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.

Response: *We agree that the nature of identifiable assets that are not recognized separately should be disclosed as they may have relevance to certain users. We believe that enough information should be disclosed to create a “red flag” to those interested users so that they can access management for any additional details they may need to make useful decisions.*

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.

Response: *We agree that the amendments should not require any other additional recurring disclosures, other than information on contractual renewals or cancellations for those intangibles subject to separate recognition.*

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

Response: *We agree with prospective application as it will reduce cost and save time at implementation. We believe that retrospective application should be permitted in the event a recent acquisition was made and the company feels it is worth the cost/benefit to make the change.*

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

Response: *SSF recommends that the Accounting Standard Update would allow at least a period of one year between the date of issuance and the effective date of the standard. This would provide both private company preparers and financial statement users’ adequate time to understand the implications of these changes given that there will not be access to public company financial statements for reference examples of disclosures and adoption presentation. Early application should be permitted due to the simplicity of implementation and immediate cost saving potential.*

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

Response: *We believe that the effort to implement and audit the proposed amendments would be significantly less than the efforts under the current standards.*

Question 13: For users, would the proposed amendments result in less relevant information in your analyses of private companies?

Response: *N/A*

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.)

Response: *We believe that the proposed amendments are too closely related not to be implemented together.*

Question 15: 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: *As our firm does not audit any public entities, we will refrain from answering this question.*

SENSIBA SAN FILIPPO

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

PCC-13-01A
Comment Letter No. 40

Thank you for your consideration of our comments. You may contact Karen Burns at 925-271-8700 or kburns@ssflp.com for any clarification or questions you may have regarding the above comments.

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