



Aug. 23, 2013

Technical Director
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File Reference No. PCC-13-01B
File Reference No. PCC-13-03
FASB
401 Merritt 7
PO Box 5116
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Submitted via email to director@fasb.org

Re: Proposed ASU on Accounting for Identifiable Intangible Assets in a Business Combination
Proposed ASU on Accounting for Goodwill
Proposed ASU on Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps

Dear Technical Director:

The Virginia Society of CPAs' (VSCPA) Accounting & Auditing Advisory Committee has reviewed and discussed the three proposals of the Private Company Council (PCC) dated July 1, 2013:

- Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination
- Intangibles — Goodwill and Other (Topic 350): Accounting for Goodwill
- Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps

We applaud the PCC for providing practical guidance so quickly, and we support the issuance of all three proposed ASUs. We have five suggestions for you to consider:

1. Each of the three proposals excludes not-for-profit entities from its scope. The proposals on identifiable intangible assets and goodwill state: "On the basis of the feedback it receives through the comments on the proposed Update and through outreach, the Board will consider whether the scope of the accounting alternative should be expanded to include [not-for-profit entities]." The proposal on swaps does not have such an explicit statement but asks: "Should the Board consider expanding the scope of either the combined instruments approach or the simplified hedge accounting approach (or both) to other entities, such as ... not-for-profit entities?"

We believe guidance in the three proposals would be relevant to small and midsize not-for-profit entities. However, we recognize that not-for-profit entities have some special considerations that must be carefully considered and believe the PCC should not delay providing the proposed guidance while it considers whether not-for-profit entities should be included in its scope.

2. The proposal on accounting for goodwill requires amortizing goodwill acquired in a business combination over no more than 10 years. We believe changing the maximum amortization period to 15 years would in many instances enable small and midsize nonpublic entities to amortize the goodwill acquired over the same period for both financial statement and income tax reporting purposes. That would eliminate a potential temporary difference. Ten years is no more or less relevant than 15 years.
3. The proposal on accounting for goodwill notes in paragraph 350-20-35-74 that an impairment loss results in a new carrying amount that is amortized over the remaining amortization period. The proposal also requires in paragraph 350-20-50-6 disclosure of the initial amount of goodwill, accumulated amortization and accumulated impairment loss. We believe separate disclosure of accumulated amortization and accumulated

impairment loss does not provide relevant information to users of the financial statements of small and midsize nonpublic entities. Instead, accumulated amortization should include any impairment loss recognized.

4. The proposal on accounting for certain interest rate swaps concludes that the settlement value of the plain vanilla swap is not its fair value. We disagree. The Codification defines *fair value* as, “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” In the plain vanilla swap addressed by the proposal, there are only two parties — the reporting entity and the lender, the swap cannot be transferred to another party, and it can only be settled at the settlement value provided by the lender. The settlement value is therefore the fair value.
5. The proposal on accounting for certain interest rate swaps states, “Application of the combined instruments approach is an accounting policy election that shall apply to all swaps, provided that all of the conditions of applying the combined instruments approach specified in paragraph 815-50-15-2 are met.” We interpret that to mean that the combined instruments approach could be elected for all swaps that have the prescribed characteristics. We believe the guidance should clearly state that, for example through the following revision to the proposed paragraph 815-50-25-2:

Application of the combined instruments approach is an accounting policy election that shall apply to all swaps, ~~provided that~~ for which all of the conditions of applying the combined instruments approach specified in paragraph 815-50-15-2 are met.

Thank you for the opportunity to comment on these proposals. We would be pleased to provide any additional information that may be helpful to you or to assist with any revisions. Please direct any requests, questions, or concerns to VSCPA Government Affairs Director Emily Walker at ewalker@vscca.com or (804) 612-9428.

Sincerely,



Michael Wagner, CPA, CGFM
Chair

2013–14 VSCPA Accounting & Auditing Advisory Committee

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