Robert J. Dickson
Dickson Consulting
14415 Bishar Lane
Charlotte, NC 28277

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Technical Director
File Reference No. 2020-1100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update: Intangibles—Goodwill and Other (Topic 350); Accounting Alternative for Evaluating Triggering Events

This a response to the accounting standards updates that proposes an accounting alternative for evaluating goodwill impairment triggering events, primarily for interim reporting by private and non-profit entities.

I am a semi-retired financial executive with decades of experience working for a major public accounting firm and as a financial officer of publicly traded and non-public companies. These companies ranged in revenue size from pre-revenue to $1.2 billion in revenue. I am now an independent consultant. These comments are my own and do not reflect the opinions of any other individual or company.

I understand that some private and non-profit entities may be overly burden by evaluating the impact of a triggering event on an interim period, particularly if related to an event such as Covid-19. However, I recommend that the proposed accounting standards update be changed to reflect the concepts in my responses to the FASB's questions that were presented in the exposure draft. The FASB's questions and my responses follow:

<u>Question 1:</u> Do you support introducing an accounting alternative to allow certain entities to evaluate goodwill impairment triggering events only as of the annual reporting date? Why or why not?

I support introducing an accounting alternative only if an amendment is made for additional disclosure for triggering events for a likely impairment during the year. See response to Question 6.

<u>Question 2:</u> Should the scope of the amendments in this proposed Update include private companies and not-for-profit entities that only report goodwill that subsequently is accounted for in accordance with Subtopic 350-20 (or any line item that would be affected by a goodwill impairment) on an annual basis? Is the scope of the proposed guidance clear? If not, why?

No, the scope is not clear. An overall application of this broad amendment to private companies, even only to those within the scope of the amendment, may provide some entities too much flexibility, at the expense of stakeholders. See response to Question 9. Application for a limited time-period would enable evaluation of whether-or-not the guidance is clear.

<u>Question 3:</u> As part of its broader recognition and measurement project on the accounting for goodwill, should the Board consider permitting an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis to evaluate goodwill impairment triggering events as of the interim reporting date rather than monitoring for triggering events throughout the interim period?

Yes, the Board should consider permitting an entity that reports goodwill that subsequently is accounted for on an interim basis to evaluate goodwill impairment triggering events as of the interim reporting date rather than monitoring for triggering events throughout the interim period?

Alternatively, should an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis be permitted to evaluate goodwill impairment triggering events as of their annual reporting date only? If yes, would you support this guidance for public and nonpublic entities? Why or why not?

No, an entity, public or nonpublic, that reports financial results on a quarterly basis should evaluate, disclose, and record, when appropriate, goodwill impairment triggering events on a quarterly basis and should not be permitted to evaluate goodwill impairment triggering events as of their annual reporting date only?

<u>Question 4:</u> Should the proposed amendments be limited to goodwill accounted for under Subtopic 350-20? Would you support expanding the proposed amendments to other assets that are subject to triggering event evaluations, for example, long-lived assets and other intangibles? Please explain your answer.

No, I would not support expanding the proposed amendments to other assets that are subject to triggering event evaluations, for example, long-lived assets and other intangibles. Goodwill is an asset that is somewhat more nebulous than other long-lived assets that are related specifically to a business operation. Accordingly, it should be more determinable to evaluate the impact of a triggering event on other long-lived assets.

<u>Question 5:</u> Would the proposed amendments be operable? Why or why not?

No, the limitation of the scope to entities that meet the definition of private companies and not-for-profit entities and that triggering events on an annual basis only, creates a difference in comparability between the entities that elect the alternative and all other entities, both private and public, particularly if quarterly financial results are compared. In the case that a triggering event is widespread in nature, such as an economic or industry specific event, and not specific to an entity itself, the difference in reporting may be broader between entities with different reporting periods.

<u>Question 6:</u> Would the existing disclosure requirements in Topic 235 and Subtopic 350-20 be sufficient to provide financial statement users with decision-useful information? If not, what other disclosures would be necessary?

The amendments in this proposed Update would not require disclosures of information about any triggering events that occurred during the year. This could occur when those events are subsequently (either wholly or partially) overcome before year-end, thereby reducing or eliminating an impairment. In those situations, no disclosures would be required under the proposed amendments. While stakeholders are primarily concerned with events that impact the year end results presented in financial statements, they also would benefit from knowing of any triggering event that occurred during the year. Knowledge of such triggering events would help stakeholders understand and evaluate the risk of the reported triggering event or a similar triggering event occurring in the future. Therefore, it is recommended that any triggering event that occurred during the year be disclosed in subsequent interim or annual financial statements. The disclosure should include a description of the triggering event, an estimate of the financial impact of the triggering event and comments on how the triggering event was resolved.

<u>Question 7:</u> Should the proposed amendments be effective for annual reporting periods beginning after December 15, 2019, on a prospective basis? Should an entity be permitted to early adopt the proposed amendments as of the beginning of any reporting period for which the entity has not yet issued financial statements or made financial statements available for issuance? If not, why?

Yes, but see response to Question 9.

<u>Question 8:</u> Should the proposed amendments include an unconditional one-time transition election allowing an entity within the scope of the guidance to prospectively adopt the

proposed amendments after the effective date without applying the guidance on preferability in Topic 250? If not, why?

No, such entities should also apply the guidance on preferability. An entities decision should be based on what is preferable to stakeholders.

***Question 9:** Should the proposed amendments be available on an ongoing basis, or, conversely, should they be applicable for a limited time-period (for example, available for reporting periods ending before December 31, 2023)? Please explain your answer.*

Yes, limiting the time-period would permit full consideration of the impact of the proposed amendments on financial reporting and stakeholders' reactions.

***Question 10:** If a change in an entity's reporting requirements causes it to no longer meet the scope of the proposed amendments, should the entity discontinue application of the alternative on a prospective basis?*

Yes, so the same standards apply as similar companies.

If that entity meets the scope in a future period, should it be permitted to re-adopt the alternative?

Yes

If so, should the transition upon re-adoption be on a prospective basis?

Yes, so the same standards apply as similar companies.

Should the entity be required to apply the guidance on preferability in Topic 250 once it has determined it is re-eligible?

Yes. See response to Question 8.

I hope that this response is helpful. I would be pleased to discuss my comments with the FASB or its staff.

Sincerely,

Robert J. Dickson

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