VSCPA
Virginia Society of CPAs

January 18, 2021

Financial Accounting Standards Board
Technical Director
File Reference No: 2020-1100

Submitted via email to: director@fasb.org

Re: Proposed Accounting Standards Update – Intangibles – Goodwill and Other (Topic 350): Accounting Alternatives for Evaluating Triggering Events

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Exposure Draft (ED), *Goodwill and Other (Topic 350): Accounting Alternatives for Evaluating Triggering Events,* issued by the Financial Accounting Standards Board (FASB). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge the FASB has issued this ED in an effort to increase stakeholder awareness on this particular topic as a part of its ongoing Codification Improvements project. The Committee appreciates the work the FASB has undertaken on this effort and the opportunity to respond to the ED.

The Committee offers the following comments related to the the ED:

- **Question 1: 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?**

  The Committee supports the introduction of an accounting alternative to allow certain entities to evaluate goodwill impairment triggering events only as of the annual reporting date. Interim impairment reporting may not always provide meaningful information to financial statement users as circumstances could change in subsequent interim periods. Impairment testing is a costly procedure and interim impairment testing may not provide enough benefit to justify the cost in certain organizations and as long as those organizations are still testing for impairment annually, the committee feels that organizations can make the determination as to the benefit of interim impairment testing.

- **Question 2: 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?**

  The Committee believes that additional guidance would be prudent for companies to evaluate whether or not to present annually or on an interim basis. Furthermore, we agree with the NYSSCPA in asking that the guidance specifically consider the impact on internal management reports and bank covenant compliance reports.

- **Question 3: 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**

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subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis to evaluate goodwill impairment 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?

The Committee believes that the goodwill impairment testing may be done at the reporting period date or at various periods during the interim period and that an organization can decide what suits them. Further we believe that the impairment testing should follow the reporting structure of the organization such that if the organization is required to report on an interim basis then the goodwill testing should be performed on an interim basis as well.

- **Question 4: 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.**

  The Committee supports expanding the proposed amendments to other assets that are subject to triggering event evaluations, particularly noting that the triggering events for these assets are similar to the triggering events for goodwill.

- **Question 5: Would the proposed amendments be operable? Why or why not?**

  Yes, the Committee believes the proposed amendments are operable.

- **Question 6: 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?**

  Yes, the Committee believes that the disclosure requirements in existence are sufficient and that additional disclosures are not necessary.

- **Question 7: 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?**

  The Committee agrees both with the proposed effective date and the permission to adopt early.

- **Question 8: 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?**

  Yes, the Committee agrees with this idea.

- **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.**

  The Committee believes that the proposed amendments should be available on an ongoing basis. The benefits of the election to eligible organizations are not expected to exist only for a specific period of time.

- **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? If that entity meets the scope in a future period, should it be permitted to re-adopt the alternative? If so, should the transition upon re-adoption be on a prospective basis? Should the entity be required to apply the guidance on preferability in Topic 250 once it has determined it is re-eligible? Please explain your answer.**

  The Committee believes that should an entity no longer fall within the scope of the proposed amendments, that entity should discontinue applying the alternative on a prospective basis only. And if that entity once again falls within the scope of the proposed amendments, that entity should re-adopt on a prospective basis. Looking back to prior periods for retrospective adoption would not be practical for most entities and could provide confusion for financial statement users. Further, we again agree with the NYSSCPAthe entity should apply guidance on preferability in Topic 250 unless the only reason an entity discontinuing the alternative and then re-adopting is due to that entity ceasing to be private and then again becoming a private entity.

Again, the Committee appreciates the opportunity to respond to this ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.
Sincerely,

Natalya Yashina, CPA
2020–2021 Chair
VSCPA Accounting & Auditing Advisory Committee

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