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January 19, 2021

Via email to director@fasb.org

Ms. Hillary Salo, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Intangibles-Goodwill and Other (Topic 350) Accounting Alternative for Evaluating Triggering Events (File Reference No. 2020-1100)

Dear Ms. Salo:

We are pleased to provide comments on the Board's proposal to provide a private company accounting alternative for evaluating goodwill triggering events.

While we support the Board's intent to simplify the application of the goodwill triggering events assessment for private companies, we believe that this should be considered as part of the Board's broader goodwill project because the proposal would represent a significant change to the existing impairment model. We acknowledge the proposed approach reflects the view that the balance sheet date is of primary relevance for users and would support exploring it further for both interim and annual reporting for all companies as part of the larger goodwill project. If this approach was ultimately extended to all entities, it would have the benefit of minimizing accounting alternatives, rather than creating them.

However, if the Board proceeds with this proposed Accounting Standards Update, we have provided some recommendations that we believe would improve the proposed changes as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Jon Linville at (214) 243-2940 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

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?

While we believe the proposed accounting alternative would simplify the accounting for entities within its scope, we believe that it would be better to evaluate potential changes to the triggering events assessment as part of the Board's broader goodwill project. We note that this would represent a significant change to the impairment model as it would allow a portion of private companies to essentially apply an other-than-temporary impairment model for assessing the recoverability of goodwill: that is, are conditions at period-end sufficient to disregard potential impairment indicators during the period? We acknowledge the proposed approach reflects the view that the balance sheet date is of primary relevance for users. We would support further exploration of this approach for all companies as part of the larger goodwill project. If this approach was ultimately extended to all companies, it would have the benefit of minimizing accounting alternatives instead of creating them.

We note that the introduction of this accounting alternative would reduce comparability among private companies (as well as public companies) based primarily on the timing of financial reporting requirements. We generally do not believe that the application of accounting standards should be predicated upon the frequency of reporting.

However, if the Board proceeds with a final Accounting Standard Update, we recommend that the Board consider requiring entities that adopt this accounting alternative to also adopt the accounting alternative for amortizing goodwill. We note that this would be consistent with the accounting policy election in ASC 350-20-35-65 which allows entities to elect to test goodwill for impairment at the entity level only if they elect to amortize goodwill.

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?

We believe that limiting the scope of this guidance to private companies and not-for-profit entities that only report goodwill (or any item affected by goodwill impairment) on an annual basis is appropriate. Further, we believe that the scope of this proposed guidance is generally clear. However, it may be helpful for the Board to provide further clarification regarding whether "interim financial information" is intended to include reported covenants, ratios or other metrics computed from financial statement line items or just the actual financial statement line item balances that are affected by goodwill impairment.

Additionally, it may be helpful if the Board were to clarify that "reporting" such information means to report to external users. For example, if a private company provides financial information to its owner/operator, such as an individual or a family, would that company be eligible for the alternative?

Additionally, as "line item" could be interpreted to mean only financial statement line items (and could exclude the actual covenants, ratios or other metrics that would be affected by goodwill impairments), we recommend changing the language from "line item" to "item".

For example, the following proposed paragraphs 350-20-15-4A through 15-4B could be modified as follows (added language underlined, deleted language ~~stricken through~~):

> 350-20-15-4A A private company or not-for-profit entity may make an accounting policy election to apply the accounting alternative for a goodwill impairment triggering event evaluation to goodwill subsequently accounted for in accordance with Subtopic 350-20 if it only reports goodwill (or reports ~~accounts~~ financial information that would be affected by a goodwill impairment such as retained earnings and net income) on an annual basis. This accounting alternative may be applied only by entities and to the transactions and activities within the scope of the alternative.
>
> 350-20-15-4B An entity that provides its external users with interim financial information that presents goodwill or any ~~line~~ item that would be affected by a goodwill impairment (including covenants, ratios, or other metrics computed from financial statement line items affected by goodwill impairments) and that is prepared in accordance with generally accepted accounting principles (GAAP) is outside the scope of paragraph 350-20-15-4A.

Additionally, paragraph BC25 could be modified as follows (added language underlined, deleted language ~~stricken through~~):

> BC25. If an entity provides interim financial information that includes goodwill to its users that is prepared in accordance with GAAP, that entity would be precluded from applying the proposed accounting alternative. The Board believes that it would be misleading to allow entities that provide interim financial information of this type to delay evaluating goodwill for impairment until the end of the annual reporting period. The Board believes that interim financial information (for example, a balance sheet, an income statement, ~~and~~ specified balances used to compute financial statement ratios, or covenants, ratios, or other metrics computed from financial statement line items affected by goodwill impairments) that does not include an evaluation of interim triggering events has not been prepared in accordance with GAAP and it would be misleading to represent it as such.

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 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? 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?

As part of its broader goodwill project, we believe it would be reasonable for the Board to consider permitting an entity (public or nonpublic) that reports goodwill on an interim basis to only evaluate goodwill impairment triggering events as of the interim balance sheet date rather than monitoring for triggering events throughout the interim period. We note that for entities that report goodwill on an interim basis (e.g., quarterly), the time between reporting periods is generally short enough to mitigate the risk of not evaluating an impairment trigger between reported balance sheet dates. In addition, we believe that requiring a triggering events assessment only at the reported balance sheet dates still provides decision-useful information to the financial statement users.

We do not believe it would be appropriate for an entity that reports goodwill on an interim basis to delay its evaluation of potential triggering events until the annual reporting date as this may ignore information that is useful to decision-makers that use interim financial information.

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.

If the Board proceeds with a final Accounting Standards Update, we believe that the proposed amendments should be limited to goodwill. However, as part of its broader goodwill project, it may be appropriate for the Board to evaluate whether a similar model for evaluating impairment triggers should be applied to intangible assets. In general, we do not believe the proposed model should be expanded to long-lived assets; however, we believe the Board could consider expanding the proposed amendments to include triggering event assessments for indefinite-lived intangible assets under ASC 350-30. We note that indefinite-lived intangible assets are often tied to the core business of the entity. As a result, conditions that would trigger an impairment assessment for goodwill would likely also trigger an impairment assessment for indefinite-lived intangible assets and vice versa, and the same types of information (for example, internal forecasts) that would be needed to determine the fair value of goodwill would also be utilized to value indefinite-lived intangibles.

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

We believe the proposed amendments would be operable; however, as noted in Question 2 above, we have recommended certain clarifications to the scope of the proposed guidance that we believe would improve operability.

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?

We believe the existing disclosure requirements, coupled with the requirement in proposed paragraph 350-20-50-3 to disclose an entity's election of the accounting alternative for a goodwill impairment triggering event evaluation, provide sufficient information to financial statement users.

While we believe that disclosure of interim triggering events (even if not required to be assessed) would potentially provide useful information to decision makers, we believe that a requirement to provide such disclosures would reduce the relief proposed by the accounting alternative (as discussed in paragraph BC48) and may cause confusion as such triggering event may no longer exist at the reporting date.

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?

We believe that proposed effective dates and transition method are appropriate. We also believe that it is reasonable to allow early adoption by entities that have not yet issued financial statements or made financial statements available for issuance.

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?

Similar to other private company alternatives, we believe it is reasonable to allow entities to adopt the proposed amendment without justifying preferability. We would also recommend allowing a one-time election to align an entity's annual testing date with its financial statement date without requiring a preferability assessment.

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.

If the Board proceeds with a final Accounting Standards Update, we believe the proposed amendments should be available on an ongoing basis. Although we note that the current economic environment (primarily as a result of COVID-19) highlighted the issue, we believe that the rationale for allowing an entity to assess impairment triggers only at the reporting date would be equally applicable at any future period. However, we also believe that the Board should consider this further as part of its broader goodwill project.

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.

We believe that changes to an entity's reporting requirements in the future that cause the entity to no longer meet (or to once again meet) the scope of the proposed amendments should be accounted for prospectively (except for the requirements for a private company that wishes to become a public business entity to prepare public company compliant financial statements). Additionally, we do not believe an entity that is re-eligible to adopt the guidance should be required to apply the guidance on preferability in Topic 250. We note that the private company alternatives are meant to provide relief to private companies and that a requirement to justify preferability may be challenging. However, we believe an entity that re-adopts this guidance should disclose its change in accounting policy in accordance with ASC 250-10-50-1 (other than the requirement to explain why the newly adopted accounting principle is preferable).