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January 20, 2021

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Sent via email to: director@fasb.org, File Reference No. 2020-1100

RE: Exposure Draft, *Intangibles—Goodwill and Other (Topic 350)* (File Reference 2020-1100)

Dear Technical Director:

CliftonLarsonAllen LLP appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB's or the Board's) Exposure Draft on Proposed Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*.

Our clients comprise private companies and not-for-profit entities and we support the Board's objective to provide an accounting alternative that would reduce the complexity for those clients when performing the goodwill triggering event evaluation. However, we believe that very few of our clients would be able to take advantage of the relief in this exposure draft due to the fact that they are almost always required to present U.S. generally accepted accounting principles (GAAP) statements to their lenders on an interim basis. While this Exposure Draft is narrow in scope, we do appreciate the Board's efforts in response to the current COVID-19 pandemic.

We have provided our responses to the questions for respondents included in the Exposure Draft in the attachment to this letter.

Sincerely,

CliftonLarsonAllen LLP

Exposure Draft: *Intangibles—Goodwill and Other (Topic 350)* (File Reference No. 2020-1100)

CliftonLarsonAllen LLP is pleased to provide the following responses to the specific questions for respondents in the Exposure Draft. In summary, we support the Board's objective to provide an accounting alternative to reduce the complexity for certain private companies and not-for-profit entities when performing the goodwill triggering event evaluation.

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?

We support introducing an accounting alternative to allow certain entities to evaluate goodwill impairment as of the annual reporting date. Many private companies and not-for-profit entities lack the resources to monitor and evaluate goodwill impairment triggering events throughout the fiscal year and the proposed amendments will help to alleviate this hardship. We encourage the Board to consider allowing 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. Our basis for this is described in our responses to Question 2 and Question 3.

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 scope of the proposed guidance is clear, though we believe that the limitation of the scope to entities that meet the definition of private companies and not-for-profit entities and that report on an annual basis only creates a difference in comparability between entities that elect this alternative and all other entities.

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?

We support allowing an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis to be permitted to evaluate goodwill impairment triggering events as of their annual reporting date only.

In our response to Question 1 we noted that many private companies and not-for-profit entities not only lack the resources to monitor and evaluate goodwill impairment triggering events throughout the fiscal year, we believe the users to whom the financial statements are provided to on an interim basis are not reviewing the goodwill balance on an interim basis. In fact, in most cases our clients only adjust goodwill for amortization on an annual basis.

As stated in BC17, users of private company financial information are generally lenders that focus on liquidity and tangible net worth as opposed to noncash charges such as goodwill impairment. Therefore, the timing of when the goodwill impairment triggering event evaluation is performed, as long as it is completed as of the annual reporting date, may be irrelevant for users of entities within the scope of this alternative.

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.

We would support expanding the proposed amendments to other assets that are subject to triggering event evaluation, such as long-lived assets and other intangibles. As indicated in our response to Question 3, users of private company financial information are generally lenders that focus on liquidity and tangible net worth as opposed to noncash charges. The cost to monitor and evaluate triggering events would exceed the benefit of earlier recognition.

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

The proposed amendments would be 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?

The existing disclosure requirements in Topic 235 and Subtopic 350-20 are sufficient to provided financial statement users with decision-useful information

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 proposed amendments should be effective for annual reporting periods beginning after December 15, 2019, on a prospective basis, and an entity should 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.

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?

The proposed amendments should include an unconditional one-time transition election allowing an entity within the scope of this guidance to prospectively adopt the proposed amendments after the effective date without applying the guidance on preferability in Topic 250.

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 proposed amendments should be available on an ongoing basis. This issue arose due to the COVID-19 pandemic, but other triggering events may occur in the future and the alternative provided by this proposed amendment should be applicable for an unlimited time period.

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.

If a change in an entity's reporting requirements cause it to no longer meet the scope of the proposed amendments, the entity should discontinue application of the alternative on a prospective basis. If that entity meets the scope in a future period, the entity should be permitted to re-adopt the alternative without being required to apply the guidance on preferability in Topic 250. This will require similar entities to follow the same standard.