



Deloitte & Touche LLP

695 East Main Street
Stamford, CT 06901-2141

Tel: +1 203 708 4000
Fax: +1 203 708 4797
www.deloitte.com

January 20, 2021

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

File Reference No. 2020-1100

Re: Proposed Accounting Standards Update (ASU) *Intangibles — Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*

Dear Ms. Salo:

Deloitte & Touche LLP appreciates the opportunity to provide feedback on the FASB's proposed Accounting Standards Update (ASU) *Intangibles — Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. We support the FASB's efforts to address the accounting and financial reporting needs of private companies and not-for-profit (NFP) entities as well as its commitment to reducing the costs and complexity associated with the subsequent accounting for goodwill.

The proposed ASU states in the Summary, "The triggering event analysis and resulting goodwill impairment test, if any, are required to be performed **on the date that a triggering event occurs** without the use of hindsight or known changes to the facts and circumstances after the triggering event date" (emphasis added). However, we note that the guidance in ASC 350-20-35-30 and ASC 350-20-35-66 addressing when to test goodwill for impairment does not contain the emphasized language (i.e., "on the date that a triggering event occurs"). For public business entities and for private companies and NFP entities not adopting the proposed ASU, we believe that the Board should clarify whether trigger-event testing of goodwill is required "on the date that a triggering event occurs." We observe that it may be difficult in some cases to pinpoint the specific date of a triggering event within a reporting period. In addition, performing a goodwill impairment test on a date other than one that occurs on a recurring accounting cutoff date may be costly and complex.

File Reference No. 2020-1100
January 20, 2021
Page 2

The appendix contains our responses to specific questions posed by the FASB in its request for comments on the proposed ASU.

If you have any questions concerning our comments, please contact Michael Morrissey at (203) 761-3630.

Yours truly,

Deloitte & Touche LLP

Cc: Robert Uhl

Appendix
Deloitte & Touche LLP
Responses to Proposed ASU's Questions for Respondents

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 support the introduction of an accounting alternative to allow certain entities to evaluate goodwill impairment triggering events only as of the annual reporting date, we remain concerned about divergence between public business entities (PBEs) and private companies and NFP entities, particularly with respect to recognition and measurement, since such divergence creates cost and complexity for private companies that may eventually become PBEs. We note that many private companies that intended to remain private but ultimately became PBEs. As more time passes and as more private-company standards are issued and adopted, it becomes increasingly difficult for private companies to reverse the effect of any private-company accounting alternatives adopted.

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 it is appropriate for the scope of the amendments in this proposed ASU to include private companies and NFP entities that only report goodwill that subsequently is accounted for in accordance with ASC 350-20 (or any line item that would be affected by a goodwill impairment) on an annual basis.

To ensure that entities understand the scope of the proposed guidance, the Board should consider adding illustrative examples.

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 discussed in our cover letter, in some cases it may be difficult to pinpoint the specific date of a triggering event within a reporting period. In addition, performing a goodwill impairment test on a date other than one that occurs on a recurring accounting cutoff date may be costly and complex. Permitting an entity that reports goodwill that subsequently is accounted for in accordance with ASC 350-20 on an interim basis to evaluate goodwill impairment triggering events as of the interim reporting date, rather than requiring the entity to monitor for triggering events throughout the interim period, would address these concerns and enhance operability of the proposed guidance.

We do not believe at this time that an entity that reports goodwill that subsequently is accounted for in accordance with ASC 350-20 on an interim basis should be permitted to evaluate goodwill impairment triggering events as of the entity's annual reporting date only.

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.*

While the costs and complexities related to the interim testing of goodwill are also present for the testing of other assets subject to triggering-event evaluation, we have concerns about divergence between PBEs and private companies and NFPs, particularly with respect to recognition and measurement. Accordingly, we believe that the proposed amendments should be limited to goodwill.

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

As discussed in our cover letter, operability may be impeded by the differing descriptions in the Summary of the proposed ASU and in ASC 350-20-35-30 and ASC 350-20-35-66 of when trigger event testing of goodwill is required.

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.

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?*

Yes to both questions.

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.

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.*

We do not understand the conceptual basis for allowing the proposed amendments to be available only for a limited period and believe that, if finalized, they should be available on an ongoing basis.

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*

File Reference No. 2020-1100
January 20, 2021
Page 5

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 this issue is relevant for all private-company standards and should be considered more broadly than for this limited proposed standard.