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January 20, 2021

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

Via email to director@fasb.org

Re: File Reference No. 2020-1100

Dear Ms. Salo

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events* (the proposed Update or Proposal). We applaud the Board's efforts to lessen the costs and complexities associated with the existing burdensome requirements of private companies and not-for-profit (NFP) entities to perform an interim triggering event evaluation related to determining whether it is more likely or not that goodwill is impaired.

Although we are generally supportive of the overarching principles contained in the proposed Update, as presented in our detailed responses, we do not believe the proposed Update, as written, will provide a significant amount of relief to private companies and NFP entities. In summary, we observe that that many private companies and NFP entities provide some level of financial information prepared in accordance with generally accepted accounting principles (GAAP) to stakeholders on a quarterly or monthly basis that includes goodwill or a line item that would be impacted by a goodwill impairment. As such, these entities would appear to be precluded from applying the provisions contained in the proposed Update.

We encourage the Board to consider our suggestions and concerns contained in our responses to specific questions in the Proposal as presented in Appendix A.

Please contact Scott G. Lehman at (630) 574-1605 or scott.lehman@crowe.com should you have any questions.

Sincerely,

Crowe LLP

Crowe LLP

Appendix 1

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 an accounting alternative to allow certain entities to evaluate goodwill impairment triggering events only as of the annual reporting date. Consistent with feedback received by the Board[1] it is our understanding that users of private company and not-for-profit financial statements typically do not place a significant value on noncash charges such as goodwill impairment.

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 the scope of the amendments in the proposed Update will not provide a significant amount of relief to the preparers of private company and NFP entity financial statements as it relates to the need to perform an interim triggering event evaluation related to determining whether it is more likely or not that goodwill is impaired. This is because the proposed Update scopes out entities that provide their users with interim financial information that presents goodwill or any line item that would be affected by a goodwill impairment that is prepared in accordance with GAAP[2].

Many private companies, due to provisions typically contained in lending agreements, are required to provide some level of financial information that includes goodwill, or a line item that would be impacted by a goodwill impairment charge, prepared in in accordance with GAAP to their lender on a monthly or quarterly basis. As a result, such private companies would be precluded from applying the proposed alternative, although the feedback received by the Board suggests that lenders do not place a significant value on goodwill and any related impairment charges. In addition, many NFP entities provide some level of financial information that includes goodwill prepared in accordance with GAAP on a more than annual basis. Such entities would also be precluded from the relief afforded by the proposed Update, although typically the users of such financial information are focused more on the entity's service efforts and whether the organization is achieving its mission rather than noncash impairment charges.

One possible alternative for the Board to consider would be to remove paragraph 350-20-15-4B which states "An entity that provides its users with interim financial information that presents goodwill or any line item that would be affected by a goodwill impairment and that is prepared in accordance with generally

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[1] Paragraph BC17 in the Basis for Conclusions states "The Board learned through outreach that 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 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 the alternative."

[2] Paragraph BC25 in the Basis for Conclusions states "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) 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."

accepted accounting principles (GAAP) is outside the scope of paragraph 350-20-15-4A" in its entirety. This would allow private companies and NFP entities the option to apply the provisions contained in the proposed Update regardless of whether or not they provide financial information to users other than on an annual basis. Given the Board has received feedback that lenders do not place a significant value on goodwill and any related impairment charges and that the timing of a goodwill triggering event analysis may be irrelevant, so long as it is completed as of the annual reporting date, it is not readily apparent to us why the act of providing interim financial information that includes goodwill or any line item that would be impacted by goodwill impairment should preclude an entity from applying the proposed alternative. Entities that wish to apply the provisions contained in the proposed Update may discuss with the users of their financial statements whether they would accept interim financial information with the alternative applied.

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?

In the context of its broader recognition and measurement project on the accounting for goodwill we are fully supportive of the Board considering additional enhancements and amendments to the existing accounting rules as they apply to evaluating goodwill triggering events and the accounting for goodwill in general. We would welcome the opportunity to engage with the Board and its staff in greater length about this topic as this project continues to develop.

With respect to 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, we believe this may be an appropriate option for the Board to consider for public entities. More specifically, in instances where it is not clear when the triggering event took place during the interim period, the public entity could perform their evaluation of goodwill impairment triggering events at the end of the interim reporting period. Topic 350 uses the phrase "sustained decrease" as it relates to stock price. Allowing public entities to perform their evaluation at the end of the interim reporting period when it is not clear when a triggering event took place will reduce the complexity of concluding whether the triggering event identified, such as a decrease in stock price, is in fact representative of a "sustained decrease" in the market capitalization of the entity.

With respect to whether an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis should be permitted to evaluate goodwill impairment triggering events as of their annual reporting date only, we would be supportive of this option for private entities for the reasons previously mentioned in our responses. We would not be in support of allowing public entities to delay monitoring of goodwill impairment triggering events until their annual reporting date as the monitoring of goodwill impairment triggering events during the interim reporting process provides users of public entity financial statements with relevant and useful information to assist them with their investment decisions.

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.

For the same reasons set forth in the Basis of Conclusions paragraphs BC29-33, we would not be supportive of the Board expanding the scope of the proposed Update to include other intangibles such that entities within the scope of the proposed Update would have the option to evaluate long-lived assets and other intangibles for impairment triggering events as of their annual reporting date. Outside of goodwill, other long-lived assets such as property, plant and equipment and other intangible assets such as trade names and licenses may have value in the event of the liquidation of an entity. Therefore, a lender for example, would likely find the timely recognition of impairment of these assets useful information in making lending decisions.

Furthermore, with respect to tangible long-lived assets, some financial statement users require tangible net worth measurements at specific interim measurement dates. Because long-lived assets would be included in any tangible net worth calculation, the current guidance to evaluate long-lived assets for impairment throughout the year provides useful and relevant financial information to those users. In our experience, impairments of long-lived assets do not occur frequently in practice given the analysis is based on expected undiscounted cash flows. Accordingly, we wouldn't expect that expanding the proposed amendments to long-lived assets would significantly reduce costs and complexity of assessing long-lived assets for impairment.

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

Although we believe the proposed amendments are operable, constituents would benefit from clarification by the Board as to what is meant by the term "financial information" as included in paragraph 350-20-15-4B which states that "An entity that provides its users with interim financial information…prepared in accordance with…GAAP is outside the scope [of the alternative]." It would be helpful if the Board included some examples of interim financial information in the final standard as opposed to the Basis for Conclusions. For example, it would be helpful if the Board clarified if interim financial covenant calculations provided to a lender, that include account balances prepared in accordance with GAAP, or financial information summaries, provided to an entity's Board prepared in accordance with GAAP, meet the definition of financial information.

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 provide 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?

We agree with the effective date and transition provisions contained in the proposed Update, including the early adoption provisions for financial statements that have not yet been issued or made 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?

An unconditional one-time transition election without applying Topic 250 preferability guidance is appropriate and a one-time transition election after the effective date is consistent with other private company alternatives.

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 support the proposed amendments being available on an ongoing basis. While the uncertain economic environment brought on by the Covid-19 pandemic has undoubtably increased the costs and complexities associated with assessing interim goodwill impairment triggering events, such costs and complexities existed prior to the pandemic and will remain after the pandemic.

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.

In situations outside of change in an entity becoming a public business entity, if a change in an entity's reporting requirements causes it to no longer meet the scope of the proposed amendments, an entity should be able to discontinue application of the alternative on a prospective basis.

Furthermore, if that entity meets the scope in a future period, it should be permitted to re-adopt the alternative on a prospective basis. We view the proposed amendments as a simplification; therefore, we do not see a need for in-scope entities to have to work through the preferability guidance in Topic 250 due to a change in reporting requirements.