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CPAs & BUSINESS ADVISORS

January 20, 2021

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

RE: File Reference No. 2020-1100, *Intangibles – Goodwill and Other (Topic 350), Accounting Alternative for Evaluating Trigging Events*

VIA Email: director@fasb.org

We are pleased to provide comment on the Financial Accounting Standards Board's (the Board) exposure draft (ED) regarding accounting alternatives for evaluation triggering events for goodwill. We appreciate the Board's willingness to evaluate this topic.

The ED specifically asks for responses to the following questions:

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?*

   Yes, we support allowing entities to evaluate goodwill impairment triggering events only as of the annual reporting date. Evaluating interim triggering events can be a difficult and costly process for many private companies and not-for-profit entities as they often do not have the depth of resources and personnel in place to continuously perform detailed analysis of possible triggering events throughout the year. Furthermore, the annual financial statements are typically the only complete set of financial statements provided to users.

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 agree that the proposed accounting alternative should be available to private companies and not-for-profit entities. However, we believe the scope of the proposed standard is unclear. In the proposed addition of paragraph 350-20-15-4B, it states that an entity that provides its users with interim financial information in accordance with generally accepted accounting principles (GAAP) is outside the scope of this Update. Financial information in this context is not defined in the Update. Many private companies and not-for-profit entities provide interim financial information to users such as lenders and investors. Is paragraph 350-20-15-4B intended to scope out entities that provide any interim financial information to users, even if that interim financial information did not represent a complete set of financial statements in accordance with GAAP because it omitted one or more statements and the notes to the financial statements? If so, this standard would have very narrow applicability and would not provide the simplification relief to a larger number of entities for which this standard seems intended. Users typically have access to management and the ability to ask about policy elections and other trends as they gain an understanding of the financial information provided at interim periods. Also, goodwill is typically not a focus for users of these interim financial statements, rather, the focus is on items such as tangible net worth, cash flows, liquidity, and ability to meet debt service requirements. Accordingly, we do not believe private companies and not-for-profit entities that provide interim financial information should be scoped out of this standard.

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?*

   When assessing triggering events for interim periods is required, we support impairment triggering events being assessed at the interim period dates rather than monitoring throughout the period. This is normally only applicable to public companies and nonpublic companies rarely provide complete GAAP financial statements at interim dates. Evaluating at interim period dates would reduce complexity and the assessments would be as meaningful as monitoring throughout the period. Also, evaluating at interim period dates for entities that provide complete GAAP financial statements will still provide timely assessments for external reporting. Please see our response to #2 regarding interim financial statements for nonpublic entities. We believe that the annual reporting date is the most relevant evaluation date for nonpublic entities.

   We support this guidance for public and nonpublic entities, but do not believe the public company considerations should delay the issuance of this standard in providing relief to nonpublic entities.

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 events evaluations, for example, long-lived assets and other intangibles? Please explain your answer.*

   We believe that certain long-lived or indefinite lived intangibles would also benefit from a similar evaluation because the triggering events of possible impairment are difficult to identify on a continuous basis throughout the year. We do not believe tangible long-lived assets would need similar treatment as the triggering events for possible impairment of such assets are typically more distinct, and there is generally more readily available market data to determine fair value at the time of impairment. Also, tangible long-lived assets, such as property and equipment, are often the underlying collateral for debt and the basis of key ratios of users, such as tangible net worth.

5. *Would the proposed amendments be operable? Why or Why not?*

   Yes, we believe the proposed amendments would be operable for entities that are eligible to elect this alternative (see our response to #2). Regardless of whether an entity evaluates impairment annually or has elected to amortize goodwill, the requirement to evaluate triggering events through the year is currently required. Accordingly, providing relief by only requiring such an evaluation annually would be operable to implement as it is more simplified than the current requirements.

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, we believe the current disclosures and the proposed policy election disclosure are sufficient.

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, we believe the effective date is appropriate, and we also believe, given the nature of this standard, that prospective adoption is appropriate. We also believe that early adoption should be permitted.

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, we believe there should be an opportunity for entities to adopt without establishing preferability after the effective date. Given the proposed effective date is immediate, entities may not have time to evaluate whether to adopt or may have already issued financial statements by the time the standard is issued and effective. Accordingly, as with other alternatives, we believe preferability should not be required in the initial year of adoption.

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 believe the proposed amendments should be available on an ongoing basis. While the current pandemic may have been a catalyst to have this topic addressed at this time, there are a variety of other circumstances, including the situations in the illustrations within the proposed standard starting at paragraph 350-20-55-27, that entities face in any given year. The guidance in this proposal would provide ongoing simplification for such evaluations. The alternative view proposes that this relief be temporary and that the Board has a technical agenda to provide broader improvements. We believe that if improvements are identified in a future project, that an evaluation of allowing such improvements to supersede this proposed standard should be considered at that time.

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 an entity's reporting requirements change such that the entity no longer meets the scope of the proposed amendments, it should be required to discontinue the application of the alternative on a prospective basis. We believe prospective application when discontinuing the alternative method is appropriate because performing a retrospective review of triggering events in prior periods would be onerous and would not provide more meaningful results than the annual assessment(s) already performed.

    We believe that if an entity becomes re-eligible, the entity should be allowed to also re-adopt the alternative. We also believe that the re-adoption should be implemented prospectively as previous evaluations of identified triggering events, once performed and/or recognized, should not be later reversed based on a subsequent policy election that allows for a longer evaluation period. We also believe that if an entity's circumstance changes such that they are re-eligible, they should not be required to establish preferability. If an eligible entity adopts this alternative and then subsequently changes this policy because they are no longer eligible, the change in policy based on the scope out was not the result of preferability. Accordingly, if an entity is scoped back in, the entity should be able to re-adopt also without needing to establish preferability.

In addition, we have the following observation. In the introduction section, under the heading "What are the Main Provisions?", there is a sentence that reads:

> An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test at a date other than the annual reporting date would perform a triggering event evaluation only between the annual goodwill impairment tests and only as of the annual reporting date.

If we understand this requirement correctly, we believe this sentence could be clarified as follows:

> An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test at a date other than the annual reporting date would perform a triggering event evaluation only ~~between~~ <u>at</u> the annual goodwill impairment ~~tests~~ <u>test date</u> and ~~only as of~~ <u>at</u> the annual reporting date.

We thank you for your consideration, and for your efforts on this proposal. You may reach me at 208.383.4753 for further clarification of our responses.

Sincerely,

Scot Phillips

Scot Phillips, CPA
Partner in Charge of the National Assurance Office
Eide Bailly LLP

cc: Brian Bluhm, Chief Quality Officer