

January 20, 2021

Technical Director
Financial Accounting Standards Board
401 Merritt 7
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Via e-mail – director@fasb.org

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

Plante & Moran, PLLC is pleased to offer comments on the above referenced Exposure Draft. We support the efforts of the Financial Accounting Standards Board (“Board”) to ease the burden of evaluating goodwill for impairment for private companies and not-for-profit entities. In our experience working with private companies and not-for-profit entities, evaluating whether triggering events have occurred during an interim period is significantly more costly than it is for public companies. Many of these entities do not have processes in place to identify impairment triggering events, nor do they prepare GAAP-compliant interim financial statements or forward-looking projections other than at year end, which makes it difficult to comply with the interim goodwill impairment guidance.

While we support the Board’s efforts to provide relief to private companies and not-for-profit entities in evaluating triggering events for goodwill impairment, we believe the scope of the proposed guidance is overly narrow and will result in only a small population of entities being eligible to apply the guidance. In our experience, the majority of private companies and many not-for-profit entities are required to provide some form of interim financial information to financial statement users during the year and would therefore not qualify for the proposed simplifications.

The most common example would be entities with external debt arrangements. In our client base, even small private companies with external debt are generally required to provide interim financial information to their lenders that includes a balance sheet and/or income statement, which would preclude them applying the proposed alternative. Given this, we believe the population of entities able to apply the proposed alternative would be small. We believe that if the Board is looking to provide broad relief to private companies and not-for-profit entities, linking the requirement to assess interim periods for indicators of goodwill impairment to entities that prepare a full set of interim financial statements (including notes to the financial statements) for external reporting purposes would significantly increase the population of entities that are able to benefit from the proposed alternative.

Following, please find our responses to the specific Questions for Respondents in the proposed Update.

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?

Response 1: 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. However, as discussed above, we believe only a small population of entities will be eligible to adopt the alternative as proposed.

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?

Response 2: As discussed above, we believe the scope of the proposed amendments is clear; however, we believe only a small population of entities will be eligible to apply the guidance as proposed. We would encourage the Board to consider expanding the scope of the proposed alternative to include all private companies and not-for-profit entities that do not produce a full set of interim financial statements (including notes to the financial statements) for external reporting purposes.

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?

Response 3: Subject to our prior comments on expanding the scope of the accounting alternative in this proposed Update, we agree that as part of its broader recognition and measurement project on accounting for goodwill, the Board should consider providing relief to all entities from the requirement to evaluate goodwill triggering events throughout interim periods. We believe that a requirement to evaluate goodwill impairment triggering events as of the end of the interim reporting period will ease the burden on financial statement preparers while also continuing to provide decision useful information to financial statement users.

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.

Response 4: Given the time sensitive nature of the current project, we support the proposed amendments being limited to goodwill accounted for under Subtopic 350-20. However, we would encourage the Board to seek feedback on a proposal to expand the scope of the proposed amendments to other assets that are subject to triggering event evaluations as part of its broader recognition and measurement project. In our experience, entities face many of the same

challenges the Board is looking to address with the current project when performing a triggering event evaluation for long-lived assets and other intangibles.

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

Response 5: We believe the proposed amendments would be operable. However, as discussed above, we believe only a small population of entities will be eligible to apply the proposed amendments as currently written.

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?

Response 6: We defer to financial statement users as to whether additional disclosures beyond those required in Topic 235 and Subtopic 350-20 would be needed to provide them 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?

Response 7: We agree that the proposed amendments should be effective for annual reporting periods beginning after December 15, 2019 on a prospective basis, and that early adoption of the proposed amendments be permitted as of the beginning of any reporting period for which financial statements 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?

Response 8: Yes, we agree the proposed amendments should 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 preferability guidance 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.

Response 9: We believe the proposed amendments should be available on an ongoing basis. While the challenges associated with evaluating goodwill impairment triggering events throughout the year was highlighted by the COVID-19 pandemic, we believe the issue being addressed by the proposed amendments is not specific to the current COVID-19 pandemic. Given this, we believe the proposed amendments represent an improvement to GAAP and should be available on an ongoing basis.

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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.

Response 10: Yes, we agree that if an entity no longer falls within the scope of the proposed amendments, they should discontinue applying the alternative on a prospective basis.

If the entity meets the scope again in a future period, we agree they should be permitted to re-adopt the alternative on a prospective basis. We do not believe entities should be required to apply the preferability guidance in order to reapply. Similar to many private company alternatives, it may be difficult and time consuming for private companies and not-for-profit entities to demonstrate why the alternative is preferable. However, since private company alternatives are developed based on feedback from private company financial statement users, we believe entities that are eligible to apply the alternative should be allowed to do so.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at david.grubb@plantemoran.com or at (248) 223-3745 or Curt Hurd at curt.hurd@plantemoran.com or at (248) 223-3946.

Very truly yours,

PLANTE & MORAN, PLLC