January 21, 2021

Submitted via email: director@fasb.org
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2020-1100

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MOCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update. The views expressed herein are written on behalf of MOCPA's TIG. The TIG has been authorized by the MOCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MOCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of MOCPA.

We welcome the Board's efforts to address challenges with the application of accounting standards in the unique circumstances during the pandemic, whether those are issues that are unique to the economic environment of the pandemic or issues that have become apparent, or more urgent, as a result of the pandemic.

While we generally support efforts to consider improvements to the accounting for goodwill, we have the following concerns we ask the Board to consider when evaluating this proposal:

Timing: We believe the Board's objective of completing the issuance of a final standard by the end of March should be accelerated. Many private companies or not-for-profit entities (entities) make financial statements available for issuance prior to the end of March. The reasons for quicker timeframes are sometimes the preference of an owner, but may also occur in order to have the financial statements finalized prior to the initial tax return due date or to ensure accurate K-1s are issued to partners or members. Other entities may have debt, regulatory, or other compliance reasons for issuing financial statements before the end of March.

The issuance of this proposal has caused entities, including those that may not qualify as proposed, to consider delaying the financial reporting (and analysis of potential impairment triggering events) in anticipation of receiving relief; and therefore, has a potential negative impact on the usefulness of financial reporting and may introduce additional costs in the financial reporting system if the proposal is not adopted. Therefore, we encourage the Board to accelerate this project as the most time sensitive and urgent matter on the Board's technical agenda.

Scope: We believe that limiting the entities that may apply the accounting alternative to only those that do not provide users with interim financial information that presents goodwill or any line item that would be affected by a goodwill impairment as in accordance with generally accepted accounting principles (GAAP) is so narrow as to be ineffective.

Private companies and not-for-profit entities that apply GAAP usually have financial statement users, such as banks, that require periodic interim reporting by management that is in compliance with GAAP. This reporting often includes assets or net income and would cause many entities to be disqualified from applying the proposed accounting alternative. Thus, we do not believe the Board will achieve its stated objectives.

We also believe that the scope of the proposal will cause entities to seek ways to modify debt contracts or seek waivers post year-end for interim GAAP financial statement information covenants resulting in confusion and complexity in applying the accounting alternative.

In addition, we believe the Board should clarify whether an entity that voluntarily provides financial information to a user would be disqualified from applying the alternative. We believe that it would be difficult and potentially prohibitively expensive for an entity and its auditor to monitor whether financial statement information has been provided to a financial statement user as the information as described in the proposal could be transmitted by any number of employees via something as simple as a short email response to a question.

The accounting alternative would be simplified greatly, and the Board's objective more broadly achieved, by permitting any entity except public business entities and not-for-profit entities that are a conduit bond obligor to apply the accounting alternative, as is consistent with the other accounting alternatives.

Transition: If the Board maintains the proposed scope of the accounting alternative, we believe entities will regularly experience changes in whether or not they qualify for the alternative due to changes in financing arrangements or ownership interest, which may result in the entities providing interim information that is in accordance with GAAP.

We believe the Board should permit entities that discontinue application of the proposed accounting alternative on a prospective basis. We believe permitting prospective accounting in necessary because the amount of cost to perform and have audited interim evaluations of impairment for preceding years could quickly result in more costs to the financial reporting system than the cost savings from the accounting alternative.

Likewise, we believe the Board should clarify whether an entity that adopts the accounting alternative in the initial year, has an event that disqualifies it from the accounting alternative in the second year, then another change that result in re-qualifying for the proposed accounting alternative in the third year can apply the accounting alternative without considering whether the accounting alternative is preferable.

Complexity: Including this proposed accounting alternative, we count ten (10) different potential accounting methods for impairment triggering events available to private companies:

1) Test prior to the adoption of ASU 2017-04;
2) Test prior to the adoption of ASU 2017-04 with the proposed accounting alternative, impairment test not at year-end;
3) Test prior to the adoption of ASU 2017-04 with the proposed accounting alternative, impairment test at year-end;

4) Test after the adoption of ASU 2017-04;
5) Test after the adoption of ASU 2017-04 with the proposed accounting alternative, impairment test not at year-end;
6) Test after the adoption of ASU 2017-04 with the proposed accounting alternative, impairment test at year-end;
7) Accounting alternative to amortize, assessing impairment at the reporting unit level, electing triggering event option;
8) Accounting alternative to amortize, assessing impairment at the reporting unit level, not electing triggering event option;
9) Accounting alternative to amortize, assessing impairment at the entity level, not electing triggering event option; and
10) Accounting alternative to amortize, assessing impairment at the entity level, electing triggering event option.

We are concerned that the number of alternatives and options will make it difficult for financial statement users to understand the accounting and compare otherwise similar entities.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about our comments. Please direct any questions to Mark Winiarski, TIG Chairman, MWiniarski@CBIZ.com.

Sincerely,

Mark Winiarski, CPA
TIG Chairman