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Accountants and Business Advisors

LETTER OF COMMENT NO. 11

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Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
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Via E-Mail to director@fasb.org

File Reference: Proposed FSP FAS 142-f

Dear Mr. Golden:

We appreciate the opportunity to comment on proposed FASB Staff Position FAS 142-f, "Determination of the Useful Life of Intangible Assets." We support the Board's decision to amend FASB Statement 142, *Goodwill and Other Intangible Assets*, to allow an entity to use its own assumptions about renewal or extension of an arrangement in determining the useful life of a recognized intangible asset. We believe that the proposed FSP will reduce current diversity in practice related to interpretations of the terms *substantial cost* and *material modifications* which must be considered in evaluating renewals or extensions under the current provisions of Statement 142. However, as discussed below, we believe the proposed FSP would further enhance consistency in financial reporting if it were extended to apply to all intangible assets, not just those acquired after the effective date of the FSP.

Determining the Useful Life When an Entity Lacks Historical Experience – Ability to Adjust Market Participants' Assumptions Upward

Paragraph 7 of the proposed FSP provides that when determining the useful life of a recognized intangible asset, an entity that lacks historical experience in renewing or extending similar arrangements should consider the assumptions of market participants adjusted for the entity-specific factors in paragraphs 11(a)-(f) of Statement 142. Paragraph 11 includes an example in which market

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participants' assumptions are adjusted downward. However, the additional language amending paragraph 11 of Statement 142 indicates that the period of expected cash flows should be *adjusted* as appropriate for entity-specific factors, seeming to indicate that adjustments could be both downward and upward. Although conceptually we believe that there may be instances where an entity's circumstances could result in an upward adjustment of a market participant's assumptions, it is unclear to us whether the Board intended upward adjustments to be allowed. We believe the proposed FSP would be enhanced if this issue was specifically addressed, and an example provided if an upward adjustment is considered appropriate in some circumstances.

Disclosures

We believe the disclosure requirements would impose additional costs and effort on preparers in return for questionable benefits. Additionally, we believe that disclosures required by existing literature, including AICPA Statement of Position (SOP) 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, adequately provide information about risks related to renewable or extendable intangible assets. If the Board decides to retain the disclosures, we recommend the following changes:

- Paragraph 13, Item (b)— We suggest that this requirement should be clarified. As currently worded, we believe the requirement would result in boilerplate disclosures which would be of questionable benefit to financial statement users.
- Paragraph 13, Item (c)— We believe the disclosure should be applicable to all contracts, not just those with initial contractual periods or renewal periods ending within the next fiscal year.

Transition

Under paragraph 15 of the proposed FSP, the guidance for determining the useful life would be applied prospectively to intangible assets acquired after the proposed FSP becomes effective. Entities would not be permitted to apply the guidance to intangibles that were acquired before the effective date. As a result, an entity could use significantly different useful lives for similar intangible assets, depending on when the asset was acquired. For example, under the current guidance in Statement 142, an entity may have assigned certain finite useful lives to specific intangible assets; however, the entity may assign significantly longer lives in applying the proposed FSP to similar intangible assets acquired after the effective date. Additionally, comparability between companies could suffer. Because of these issues, we recommend that the proposed FSP should also be applied prospectively to existing intangibles at the effective date, which would require entitles to reevaluate their useful lives using the provisions of the proposed FSP.

Effective Date

If the Board retains the current transition requirements that would require application only to intangible assets acquired after the effective date, we recommend required adoption upon issuance. We believe the incremental effort to apply the proposed FSP in determining the useful life of an intangible asset would be minimal for newly acquired intangible assets and that most companies would want to apply the proposed FSP as early as possible.

We would support the current proposed effective date of fiscal years beginning after June 15, 2008, for public companies if the transition requirements are expanded to include existing intangible assets.

For nonpublic companies, we recommend that the proposed FSP become effective for fiscal years beginning after December 15, 2008 if the expanded transition we recommended is adopted. These companies typically have fewer accounting resources than public companies and would benefit from reviewing the filings of public companies. Therefore, we believe a deferred effective date would help ensure proper implementation.

We would be pleased to discuss our comments and recommendations with Board members or the staff. Please direct your questions or comments to Joseph Graziano at (732) 516-5560 or L. Charles Evans at (832) 476-3614.

Very truly yours,

/s/ Grant Thornton LLP