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April 24, 2012

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

RE: Proposed Accounting Standards Update, “Testing Indefinite-Lived Intangible Assets for Impairment” (File Reference No. 2012-100)

Dear Technical Director:

We appreciate the opportunity to respond to the proposed Accounting Standards Update, *Testing Indefinite-Lived Intangible Assets for Impairment* (the proposed ASU or proposed standard).

We agree that an entity should be provided the opportunity to support a conclusion that an indefinite-lived intangible asset is not impaired based solely on the consideration of qualitative factors and that a quantitative measurement of fair value should not necessarily be required in all cases. However, consistent with our view as it applies to ASU 2011-08 and goodwill impairment, we do not agree with establishing a probability threshold for the qualitative assessment.

The application of a probability threshold in this impairment test (and the goodwill impairment test) is inconsistent with other impairment tests and other recognition requirements in the accounting literature. Specifying a more-likely-than-not threshold for this impairment test raises the question of what is the appropriate threshold for other impairment tests and other recognition guidance. Our concerns about the application of the more-likely-than-not threshold are discussed in more detail in our comment letter to File Reference No. 2011-08. In addition, we believe it is important to acknowledge in the Basis for Conclusions that there is the possibility that under a proper application of the more-likely-than-not threshold in the proposed standard some impairments may not be recognized that would otherwise have been recognized if a quantitative test was performed.

Although the Board indicates in paragraph BC13 that it does not intend for a qualitative assessment to be less reliable than a quantitative test, a qualitative assessment performed using a more-likely-than-not threshold might not always be as reliable as a quantitative test that includes an estimate of the fair value of the indefinite-lived intangible asset. It is possible that an appropriate more-likely-than-not assessment performed in accordance with the proposed ASU could, in some circumstances, result in a qualitative conclusion that it is more-likely-than-not



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that the asset is not impaired when a quantitative estimate might identify that the fair value is less than the carrying amount. That situation would not necessarily mean that an entity's qualitative assessment would be in error under the proposed ASU. We believe the Board should acknowledge that fact in the Basis for Conclusions.

Additionally, paragraph BC12 states that "the Board intends for an entity to make a positive assertion about its conclusion reached and the events and circumstances taken into consideration if it determines that it is not more likely than not that the indefinite-lived intangible asset is impaired." We agree that management should make a positive assertion about its impairment conclusions and believe this should be made clear in the Codification rather than in the Basis for Conclusions to the ASU.

One of the sources of unnecessary complexity in U.S. GAAP is having different accounting models for relatively similar transactions or events. We note that paragraphs BC6 and BC17 indicate that the guidance in the proposed ASU would promote consistency in impairment testing guidance among long-lived asset categories. While we acknowledge that the proposed ASU would align parts of the impairment testing guidance for indefinite-lived intangible assets with parts of the guidance for testing goodwill for impairment, the guidance in the proposed ASU would not result in consistency in impairment testing for other long-lived asset categories. For example, there is not a more-likely-than-not threshold for impairment tests for depreciable and amortizable long-lived assets.

The final standard should provide examples that are better aligned to the valuation techniques and circumstances that might be used or encountered in estimating the fair value of common types of indefinite-lived intangible assets. The proposed ASU references a subset of the examples of conditions and events in ASC paragraph 350-20-35-3C, which were developed in ASU 2011-08 for use in assessing whether it is more-likely-than-not that the fair value of a reporting unit is below its carrying amount. Because the fair value of indefinite-lived intangible assets can be impacted by asset-specific factors not included in ASC paragraph 350-20-35-3C, we believe it would be beneficial for the final standard to include examples of asset-specific factors or indicators that an entity should consider in addition to the factors included in paragraph 350-20-35-3C. Some of these factors might be obtained from the factors in ASC paragraph 360-10-35-21 which has been deleted as a cross-reference in ASC paragraph 350-30-35-18 in the proposed ASU. For example, factors such as changes in royalty rates in the marketplace or changes in barriers to entry into the market that may impact the value of intellectual property could be included among other asset-specific factors to consider.

Additionally, the final standard should direct an entity to consider how closely a specific asset's value is tied to the performance of the asset group or reporting unit as a whole when determining the significance of entity-specific factors in the qualitative assessment. We believe that the



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Board could make this point more clearly by revising ASC paragraph 350-30-35-18B to clarify that the assessment is an asset-specific assessment and is not an assessment at a higher level such as the asset group or reporting unit level even though a specific asset's value may be tied to the performance of an asset group or reporting unit.

Our responses to the Board's specific questions on the proposed ASU not already addressed in this letter are set forth in the accompanying Appendix. If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or Paul Munter at (212) 909-5567.

Sincerely,

KPMG LLP



Appendix

Question 1: Please describe the entity or individual responding to this request.

a. Please indicate whether you primarily are a preparer, user, or auditor of financial statements or, if other, please specify.

We are auditors of financial statements.

c. If you are an auditor, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, nonpublic entities, or both.

KPMG LLP, the U.S. audit, tax and advisory services firm, operates from 87 offices with more than 23,000 employees and partners throughout the U.S., and our practice focuses on both public and nonpublic entities.

Question 4: For auditors, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why. Does your response differ based on whether the entity is public or nonpublic?

We believe that it is appropriate to allow entities to base their conclusions on whether an indefinite-lived intangible asset is impaired on qualitative factors and that a quantitative test should not be required in all instances. However, for the reasons described in our letter and in our previous comment letter to File Reference No. 2011-08, we do not believe that the approach described in the proposed ASU will significantly reduce the overall complexity of the indefinite-lived intangible asset impairment test.

While it is possible that the approach described in the proposed ASU may reduce the complexity for certain indefinite-lived intangible asset impairment tests, there may be an increase in complexity in the overall financial reporting system caused by the numerous different impairment models that currently exist in U.S. GAAP and the different recognition thresholds that are used in those various models and in other areas.

Our response to this question applies for both public and nonpublic entities.

Question 5: For users, how do you believe that the optional qualitative approach for evaluating indefinite-lived intangible assets for impairment will affect the timing of the recognition of impairment losses? Additionally, will the optional qualitative approach affect how you evaluate indefinite-lived intangible assets reported in the financial statements? If yes, please explain.

Although we understand that this question is directed to financial statement users, we would also like to offer our observations on this question. Although appropriate consideration of qualitative factors in assessing whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying amount may not alter the timing of recognition of impairment losses in most cases, we believe that the more-likely-than-not assessment as



described in the proposed ASU might result in a delay in the recognition of impairment losses in some situations. As discussed in our letter, a delay in the recognition of the impairment loss would not necessarily suggest that the proposed standard was not applied appropriately.

Question 6: Do you agree that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in assessing whether significant inputs to the fair value measurement have changed significantly to indicate that it is more likely than not that an indefinite-lived intangible asset is impaired? If not, what additional examples of events and circumstances do you suggest?

See the discussion in our letter.

Question 7: Do you agree that nonpublic entities should be exempt from disclosing quantitative information about significant unobservable inputs used in measuring the fair value of an indefinite-lived intangible asset as required in paragraph 820-10-50-2(bbb), as amended by Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs? If not, please explain why.

Paragraph BC19 notes that the proposal to exempt nonpublic entities from this disclosure requirement is consistent with the decision reached by the Board in ASU 2011-08 with respect to goodwill. However, ASC paragraph 350-20-50-3 which was added by ASU 2011-08 does not appear to restrict this exemption to nonpublic entities. Further, ASC paragraph 820-10-50-2(bbb) already states that “A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value . . . However, when providing this disclosure a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity.” In situations where an entity does perform a quantitative analysis and concludes that an impairment loss should be recognized, we are unclear why the guidance provided in ASC paragraph 820-10-50-2(bbb) would not be sufficient since an entity (whether public or nonpublic) would have had to develop appropriate inputs (which might be either observable or unobservable) to determine its impairment loss and therefore, the disclosure requirement would not seem to add any additional information-gathering burden on an entity.

Question 8: Do you agree with the proposed effective date provisions? If not, please explain why.

We agree that the proposed effective date would be appropriate.