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April 24, 2012

Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via Email to <u>director@fasb.org</u>

RE: File Reference No. 2012-100, Proposed Accounting Standards Update, *Intangibles – Goodwill and Other (Topic 350)*, Testing Indefinite-Lived Intangible Assets for Impairment.

Dear Technical Director:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Goodwill and Other (Topic 350)* (ED or Proposed Standard). We are supportive of the FASB's efforts to provide a cost effective alternative to assessing impairment of indefinite lived intangibles and to improve consistency of impairment testing guidance across long-lived asset categories. We support permitting an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. While we support issuance of the ED overall, we have some comments and suggestions below, followed by responses to the specific questions in the ED in Attachment A.

COMMENTS AND SUGGESTIONS

Example Events and Circumstances

We believe that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in identifying the types of events and circumstances that could impact the fair value of indefinite-lived intangible assets. However, in the limited time that ASU 2011-08 has been applicable to goodwill evaluations, we have found that some entities applying the ASU have had difficulty in considering the impact of the identified events and circumstances on fair value. We believe that application of both the goodwill and indefinite-lived intangible asset impairment evaluation would be improved if the guidance was updated to include examples of how the events and circumstances in paragraph 350-20-35-3(a) through (e) relate to fair value, including an example with both positive and negative factors.

Baseline Needed for the Application of the Qualitative Assessment

We have noted diversity in practice of when it is appropriate to apply a qualitative assessment to goodwill in the limited time that ASU 2011-08 has been an option for reporting entities. Some have applied the view that a qualitative assessment is appropriate in reporting periods immediately following a business combination while others believe that a qualitative assessment immediately following a business

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combination is not appropriate for goodwill until a step 1 impairment test has been performed. While the impairment model is somewhat different for indefinite lived intangible assets than goodwill, it would be beneficial to preparers of financial statements and auditors if the Board clarified if and when it is appropriate to use the qualitative assessment for goodwill and intangible assets immediately following a business combination.

Consideration of Elapsed Time Since Last Valuation

We note that in paragraph BC12 that "The Board also acknowledges that the more time that elapses since an entity last calculated the fair value of an indefinite-lived intangible asset, the more difficult it may be to make a conclusion based solely on a qualitative assessment of relevant facts and circumstances", however, the Proposed Standard does not include this same concept. This is an important concept to include as part of the Codification and therefore we recommend it not be limited to the basis for conclusions.

Related to the above comment, the Board acknowledged that as more time elapses that it becomes more difficult to rely on the qualitative assessment. However, the Proposed Standard indicates the following in paragraph 350-30-35-18: "An entity may resume performing the qualitative assessment in any subsequent period." As written this sentence contradicts the previous acknowledgement made by the Board or could be confusing to some. We recommend simply to delete the word "any" and change "period" to "periods" to alleviate this confusion, especially if our point in the paragraph above is included in the final standard. The revised sentence would read as follows: "An entity may resume performing the qualitative assessment in subsequent periods." Alternatively, the Board could refer back to the concept we propose be included as discussed in the paragraph above.

Thank you for the opportunity to provide our comments on the Proposed Standard. Should you have any questions please contact James A. Dolinar.

Cordially,

Crowe Horwath LLP

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ATTACHMENT A Exposure Draft Questions

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

- a. Please indicate whether you primarily are a preparer, user, or auditor of financial statements or, if other, please specify.
- b. If you are a preparer of financial statements, please indicate whether your entity is public or nonpublic and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric). In addition, include a description of the type of indefinite-lived intangible assets held by your entity.
- 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.
- d. If you are a user of financial statements, please indicate in what capacity (for example, investor, analyst, or rating agency) and where in the capital structure you are most focused (for example, debt or equity).

Crowe Horwath LLP is an audit and consulting firm. Our firm has approximately 2,500 employees with offices located throughout the United States. Our practice includes a significant number of public and nonpublic audit clients. In addition, we are subject to an annual PCAOB inspection.

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 the proposed amendments will reduce the overall cost and complexity of performing the impairment test of indefinite-lived intangible assets in situations where it is clear that use of the qualitative assessment is appropriate. This would apply when all or a majority of the inputs used in the calculation of fair value of the indefinite-lived intangible asset did not have significant events and circumstances that negatively impact the calculation of its fair value. In cases where there are both positive and negative factors, significant analysis of inputs could be required to determine the sensitivity to significant factors to estimate the potential impact on fair value.

Unlike the goodwill qualitative assessment where public companies can look to an estimate of enterprise value based on the market for the Company's stock, the value of indefinite-lived intangible assets is based primarily on level 3 inputs. Significant judgment is applied in estimating level 3 inputs and they vary widely based on a reporting entity's industry, size and many other factors. For this reason, we believe that both public and non-public entities will face the same challenges in applying the standard.

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?

We believe that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in identifying the types of events and circumstances that could impact the fair value of indefinite-lived intangible assets. However as noted in our comments and suggestions on page 1, we recommend including guidance to include examples of how the events and circumstances relate to fair value, including when both positive and negative factors are present.

We also note that some of the factors in ASC 350-30-35-3, that an entity is required to evaluate in determining the remaining useful life of its indefinite-lived intangible assets are also relevant to impairment decisions. Consideration should be made whether those factors would be useful in the events and circumstances discussed in ASC 350-20-35-3C.

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.

We 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). This change is consistent with disclosure requirements for nonpublic entities in ASU 2011-08 and reflects the view that detailed disclosures of fair value inputs are not of great interest to the users of nonpublic entity financial statements.

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

We agree with the proposed effective date provisions.