



# Identifiable Intangible Assets and Subsequent Accounting for Goodwill

**PCC Meeting  
June 24, 2019**

# Agenda

- Overview of Invitation to Comment (ITC)
  - Potential Goodwill Amortization Periods
  - Goodwill Impairment Testing
- Private company early adoption of Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*

# Invitation to Comment – Overview

Whether to Change the Subsequent Accounting for Goodwill

Whether to Modify the Recognition of Intangible Assets in a Business Combination

Whether to Add or Change Disclosures about Goodwill and Intangible Assets

Comparability and Scope

- *Do members have any questions about the contents of the upcoming ITC?*

# ITC Potential Goodwill Amortization Periods

- **Question for PCC Members:** *Given your experience with goodwill amortization, which amortization characteristics would you not support and why?*
  - A default period
  - A cap (or maximum) on the amortization period
  - A floor (or minimum) on the amortization period
  - Justification of an alternative amortization period other than a default period
  - Amortization based on the useful life of the primary identifiable asset acquired
  - Amortization based on the weighted-average useful lives of identifiable assets acquired
  - Management's reasonable estimate (based on expected synergies or cash flows as a result of the business combination, the useful life of acquired processes, or other management judgments).

# Goodwill Impairment Testing

- If an entity elects the private company accounting alternative to amortize goodwill, private companies may test goodwill for impairment at the entity level and only upon a triggering event.
  - **Questions for PCC Members:**
    - *Have you experienced any implementation issues testing goodwill for impairment at the entity level?*
    - *Have you experienced any implementation issues testing goodwill for impairment solely based on a triggering event?*

# Private Company Early Adoption of Update 2017-04

- According to a recent study, only 21% of private companies surveyed indicated that they plan to early adopt Update 2017-04, which removes “Step 2” of the impairment test. At least 46% will not adopt until the effective date.
- **Questions for PCC Members:** *Is the survey result representative of your experience? If so, what are some reasons that fewer private companies plan to early adopt the amendments in Update 2017-04?*

Source: Duff and Phelps (2017). U.S. Goodwill Impairment Study