new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

June 6, 2011

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update –
Intangibles—Goodwill and Other (Topic 350)
Testing Goodwill for Impairment

(File Reference No. 2011-180)

The New York State Society of Certified Public Accountants, representing more than 28,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned Exposure Draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the Exposure Draft and prepared the attached comments. If you would like additional discussion with us, please contact J. Roger Donohue, Chair of the Financial Accounting Standards Committee at (516) 887-7573 or Ernest J. Markezin, NYSSCPA staff at (212) 719-8303.

Sincerely,

NYSSCPA

Richard E. Piluso
President

Attachment

new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE–
INTANGIBLES—GOODWILL AND OTHER (TOPIC 350)
TESTING GOODWILL FOR IMPAIRMENT**

(FILE REFERENCE NO. 2011-180)

June 6, 2011

<u>Principal Drafters</u>

**J. Roger Donohue
Jo Ann Golden
Sharon Sabba Fierstein**

NYSSCPA 2011 – 2012 Board of Directors

Richard E. Piluso, *President*
Gail M. Kinsella, *President-elect*
Scott M. Adair, *Secretary/Treasurer*
Anthony Cassella *Vice President*
Neville Grusd, *Vice President*
J. Michael Kirkland, *Vice President*
Ita M. Rahilly, *Vice President*
Joanne S. Barry, *ex officio*

Ian J. Benjamin
Shari E. Berk
Robert W. Berliner
Sherry L. DelleBovi
Domenick J. Esposito
Adrian P. Fitzsimons
Stephen E. Franciosa
Jennifer R. George
Rosemarie A. Giovinazzo-Barnickel
Mitchell L. Gusler
Timothy Hedley
Douglas L. Hoffman
Eric M. Kramer
Mark G. Leeds
Elliot A. Lesser

Michele M. Levine
Pei-Cen Lin
Heather Losi
Anthony J. Maltese
Barbara A. Marino
Steven M. Morse
Robert R. Ritz
Michael F. Rosenblatt
Erin Scanlon
Cynthia Scarinci
John S. Shillingsford
Robert E. Sohr
George I. Victor
Jesse J. Wheeler
Margaret A. Wood
F. Michael Zovistoski

NYSSCPA 2011 – 2012 Accounting & Auditing Oversight Committee

Rita M. Piazza**,** *Chair*
William M. Stocker III, *Vice Chair*

Michele Amato
Kenneth Chan
J. Roger Donohue

Sharon S. Fierstein
Jan C. Herringer
Michael A. Pinna

NYSSCPA 2011 – 2012 Financial Accounting Standards Committee

J. Roger Donohue, *Chair*
Ryan Crowe
Deepak Doshi
Robert A. Dyson
Roseanne T. Farley
Sharon S. Fierstein
Vincent Gaudiuso
John F. Georger Jr.
Manish Gera
Hashim Ghadiali
Jo Ann Golden
Fred R. Goldstein

Craig T. Goodman
Kenneth Gralak
Abraham E. Haspel
Edward P. Ichart
Tamar Kadosh
Craig L. Kanzel
Michael D. Kasperski
Anil Kumar
Ari Lasker
Joseph Maffia
Sean Martell
John J. McEnerney

Joseph Montero
Stephan R. Mueller
Mark Mycio
Lingyun Ou
Kyle D. Pennacchia
Paul M. Ribaudo
Robert M. Rollmann
Joseph Serra
Elvira Tsvetanov
Matthew Uryniak
Cyril Uy
Silvia S. Yehezkel

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Financial Accounting Standards Committee

Comments on

Proposed Accounting Standards Update–
Intangibles—Goodwill and Other (Topic 350)
Testing Goodwill for Impairment

(File Reference No. 2011-180)

General Comments

We are generally in agreement with the proposed amendments with the exceptions noted in our specific comments below. We view these amendments as a short-term attempt to alleviate some of the burdens on financial statement preparers and auditors caused by existing guidance. We believe that the Board should continue to work toward convergence with international accounting standards—something not contained within the scope of this Exposure Draft. Finally, we believe that there could be merit to exploring the International Financial Reporting Standards (IFRS) approach to goodwill impairment for Small and Medium-sized Entities (SMEs)to determine if it could be applied to all entities.

Responses to Specific Questions

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

Response: The NYSSCPA is a membership organization that represents CPA's across a spectrum of preparers, users, and auditors of financial statements in all industries. Its constituency includes financial statement preparers for publicly and privately held companies of all sizes and auditors ranging from sole proprietorships to "Big Four" firms. Additionally, with respect to users, the NYSSCPA membership includes CPA's employed by regulators, rating agencies, lenders and analysts. As a result, NYSSCPA will respond to all questions posed by this Exposure Draft.

Question 2: For preparers, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why.

Response: The ability to assess qualitative factors to determine whether the existence of events or circumstances would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step impairment test is certain to reduce overall costs and complexity compared to existing guidance. Existing guidance requires the recalculation of the the fair value of a reporting unit on an annual basis for comparison to the unit's carrying value if certain criteria are met. For organizations without the necessary valuation skills "in house," the recalculation could require a separate and costly valuation each year though market, industry and internal considerations may indicate that there has not been a material change from the prior year's valuation representing an ongoing cost of acquisitions that was unintended by the Board when the guidance was first promulgated. While this process was applicable to both publicly and privately held companies, the relative cost burden is more heavily weighted to privately held companies (particularly small and medium sized companies) that are more likely to outsource the valuation process. For public companies, the costs might increase, during the audit if the auditor does not perceive an "in-house" process to be supportable. This could force the use of an outside independent valuation.

Question 3: For preparers, do you expect your entity will choose to perform the qualitative assessment proposed in the amendments, or will your entity choose to proceed directly to performing the first step of the two-step impairment test? Please explain.

Response: It would be difficult to imagine circumstances in which a company would not choose to assess qualitative considerations before undergoing the costly and detailed process of performing the two-step impairment process. Unless there was compelling information available to a preparer of financial statements that goodwill impairment was likely to result from the calculation of the fair value of a reporting unit, we would expect companies to opt for the qualitative assessment before proceeding to the first step of the two-step impairment test. Exercising management judgment in the assessment process on an "in house" basis would almost always be preferable to the time consuming, costly and often out-sourced valuation process required for a fair value calculation.

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

Response: For auditors, the proposed amendments would not reduce the costs and complexity: the result would be that the types of audit procedures would change. Because we believe that most companies will opt for the qualitative approach, auditors will need to spend more time assessing management's judgments and analysis. Furthermore, we do not believe that the type of entity being audited will affect the change in costs and complexity of audit procedures required to be performed.

Question 5: For users, do you believe that the qualitative approach for testing goodwill for impairment will delay the recognition of goodwill impairment losses or affect how you evaluate goodwill reported in the financial statements? If yes, please explain.

Response: It is entirely possible for the qualitative assessment process to delay goodwill impairment, although there are no guarantees. Perhaps additional disclosures regarding management's assessment process and conclusions should be required so that users can make more informed decisions. Without this additional information, there is the possibility that the qualitative approach may lead to the goodwill becoming a permanent (though questionable) asset.

Question 6: Do you agree that the proposed examples of events and circumstances to be assessed are adequate? If not, what changes do you suggest?

Response: Yes, we agree that the proposed examples of events and circumstances assessed are adequate. However, we believe that the inclusion of Subparagraphs a. and b. on macroeconomic and general industry conditions could be broadly interpreted.

Question 7: Do you agree that the guidance in the proposed amendments about how an entity should assess relevant events or circumstances is clear? If not, how can the guidance be improved?

Response: We do not agree that the guidance in the proposed amendments about how an entity should assess relevant events or circumstances is clear. Additional guidance should be included by way of examples to provide more clarity regarding how management's considerations should be made. This will set the stage for the auditor's testing of such considerations.

Question 8: Do you agree with the Board's decision to make the proposed amendments applicable to both public and nonpublic entities? If not, please explain why.

Response: The amendments may be appropriate for both public and nonpublic entities. The cost can be burdensome to both groups and these amendments might alleviate many of those issues.

Question 9: Do you agree with the proposed effective date provisions? If not, please explain why.

Response: Yes, we agree with the proposed effective date provisions. The effective date likely will be welcomed by financial statement preparers.