January 15, 2021

Ms. Hillary H. Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*

(File Reference No. 2020-1100)

Dear Ms. Salo:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 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 proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Edward L. Arcara
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*INTANGIBLES—GOODWILL AND OTHER (TOPIC 350): ACCOUNTING ALTERNATIVE FOR EVALUATING TRIGGERING EVENTS*

(File Reference No. 2020-1100)

January 15, 2021

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Sean C. Prince

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*

(File Reference No. 2020-1100)

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events* (proposed Update). We are supportive of this proposed Update and offer our responses to the Questions for Respondents below.

Questions for Respondents

Question 1: Do you support introducing an accounting alternative to allow certain entities to evaluate goodwill impairment triggering events only as of the annual reporting date? Why or why not?

Response: We support the introduction of the proposed accounting alternative to allow certain entities to evaluate goodwill impairment triggering events as of the annual reporting date. We believe the proposed alternative practically addresses challenges that private companies face in identifying the occurrence of triggering events during the year, especially due to costs and resource constraints. We also agree with the observations in the proposed Update that 1) the cost and complexity of evaluating triggering events has only increased during the COVID-19 pandemic, and 2) an interim impairment may not always provide meaningful information to users of private company financial statements, especially if facts and circumstances that led to the impairment have changed subsequent to the interim impairment.

Question 2: Should the scope of the amendments in this proposed Update include private companies and not-for-profit entities that only report goodwill that subsequently is accounted for in accordance with Subtopic 350-20 (or any line item that would be affected by a goodwill impairment) on an annual basis? Is the scope of the proposed guidance clear? If not, why?

Response: We believe more guidance is needed for entities to determine whether goodwill is presented only on an annual basis. We request that this consider the impact of internal management reports and bank covenant compliance reports which are understood to not be fully compliant with US Generally Accepted Accounting Principles (GAAP).

Question 3: As part of its broader recognition and measurement project on the accounting for goodwill, should the Board consider permitting an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis to evaluate goodwill impairment triggering events as of the interim reporting date rather than monitoring for triggering events throughout the interim period? Alternatively, should an entity that reports goodwill that subsequently is accounted for in accordance with Subtopic 350-20 on an interim basis be permitted to evaluate goodwill impairment triggering events as of their annual reporting date only? If yes, would you support this guidance for public and nonpublic entities? Why or why not?

Response: We believe it is acceptable to change the assessment for evaluating goodwill impairment triggering events from throughout the interim period or annual period to the reporting date. For interim reporting, we have not experienced a scenario where a triggering event occurred during the period but was reversed by the reporting date, although we acknowledge that a triggering event occurring in an interim period could indeed be reversed by the reporting date. Further, considering the brevity of the interim period it is unlikely the assessment of impairment would change considerably if evaluated at the triggering date compared to the reporting date.

We believe that entities that report on an interim basis should not be permitted to only assess goodwill on annual basis. We believe the identification of a triggering event and the related impairment, if any, provides information on the business conditions and provides decision useful information to users of the financial statements.

Question 4: Should the proposed amendments be limited to goodwill accounted for under Subtopic 350-20? Would you support expanding the proposed amendments to other assets that are subject to triggering event evaluations, for example, long-lived assets and other intangibles? Please explain your answer.

Response: We support expanding the proposed amendments to other assets that are subject to triggering event evaluations, for example, long-lived assets and other intangibles. We note that the triggering events for these asset classes are substantially the same as for goodwill. Assessing impairment without using current information or applying hindsight is similarly impractical for these asset classes as it is for goodwill.

Question 5: Would the proposed amendments be operable? Why or why not?

Response: We believe the amendments are operable.

Question 6: Would the existing disclosure requirements in Topic 235 and Subtopic 350-20 be sufficient to provide financial statement users with decision-useful information? If not, what other disclosures would be necessary?

Response: We believe existing disclosure requirements in Topic 235 and Subtopic 350-20 are sufficient to provide financial statement users with decision-useful information.

Question 7: Should the proposed amendments be effective for annual reporting periods beginning after December 15, 2019, on a prospective basis? Should an entity be permitted to early adopt the proposed amendments as of the beginning of any reporting period for which the entity has not yet issued financial statements or made financial statements available for issuance? If not, why?

Response: We agree with the proposed effective date, as well as with the permission for early adoption as of the beginning period for which the entity has not yet issued financial statements or made financial statements available for issuance.

Question 8: Should the proposed amendments include an unconditional one-time transition election allowing an entity within the scope of the guidance to prospectively adopt the proposed amendments after the effective date without applying the guidance on preferability in Topic 250? If not, why?

Response: We agree.

Question 9: Should the proposed amendments be available on an ongoing basis, or, conversely, should they be applicable for a limited time period (for example, available for reporting periods ending before December 31, 2023)? Please explain your answer.

Response: We believe the proposed amendments should be available on an ongoing basis. Entities that are eligible for the alternative should be allowed to continue to apply on an ongoing basis. We note that the conditions that justify the change are not unique to the conditions of the COVID-19 pandemic but highlight the cost/benefit of applying the impairment guidance in ASC 350-20 for entities eligible to elect the accounting alternative.

Question 10: If a change in an entity's reporting requirements causes it to no longer meet the scope of the proposed amendments, should the entity discontinue application of the alternative on a prospective basis? If that entity meets the scope in a future period, should it be permitted to re-adopt the alternative? If so, should the transition upon re-adoption be on a prospective basis? Should the entity be required to apply the guidance on preferability in Topic 250 once it has determined it is re-eligible? Please explain your answer.

Response: We believe if an entity no longer meets the scope of the proposed amendments, the entity should discontinue the application of the alternative on a prospective basis. It would be impractical to discontinue the application on a retrospective basis. We believe that if an entity meets the scope in a future period, it should be permitted to re-adopt on a prospective basis. If the only reason for the discontinuance of the application of the accounting alternative is due to the reporting entity ceasing to be a private company, as defined, but subsequently becomes a private company, the entity should be exempt from applying the guidance on preferability in Topic 250.