

FASB | IASB Meeting

Project	Identifiable Intangible Assets and the Subsequent Accounting for Goodwill		
Paper topic	Summary of FASB's Invitation to Comment		
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Purpose of this paper

1. The purpose of this paper is to provide an overview of the genesis of the FASB's Invitation to Comment (ITC) on Identifiable Intangible Assets and the Subsequent Accounting for Goodwill and the objective of the project.

Background and History

2. Issues surrounding business combinations, goodwill, and intangible assets are not new; they date back to the origination of the FASB in the 1970s, and earlier as it relates to consideration by predecessor standard setters and the profession. After the issuance of FASB Statement No. 157, *Fair Value Measurements* in 2006, stakeholders indicated that the cost to measure assets acquired and liabilities assumed using the fair value requirements to perform the goodwill impairment test increased. This concern is documented in the Post-Implementation Review of FASB Statement No. 141 (revised 2007), *Business Combinations (Statement 141(R))*, which was issued in 2013. The FASB also received input from users of financial statements regarding the limited information utility of goodwill impairment charges and identifiable intangible assets on the financial statements. In response to that overall feedback, the FASB issued several Updates to address those concerns, especially for medium and small entities. Some of the Updates are applicable for all entities, while other Updates are accounting alternatives available only to private companies and not-for-

profits. Public business entities (PBEs) today are the only entity type without accounting alternatives on this topic.

Objective

3. The objective of the FASB's project is to revisit the subsequent accounting for goodwill and identifiable intangible assets. This includes considerations for improving the decision-usefulness of the information and rebalancing the cost benefit factors. One of the reasons why the FASB decided to issue an ITC is because of the mixed feedback received among preparers and among users on the cost and benefit factors. The objective of the ITC is to identify whether a cost benefit issue exists for PBEs that warrant standard setting, and if there are viable cost-effective solutions.

Overview of the Invitation to Comment

4. The FASB's ITC does not express preliminary Board Member views; it is a staff document. With a presumption that a cost benefit issue exists, sections of the ITC discuss goodwill amortization, goodwill impairment testing, and disclosure considerations. The ITC also discusses potential approaches for modifying the recognition of intangible assets in a business combination. The scope of the ITC excludes the conceptual debate of what goodwill represents and immediate ("day one") write-off of it. As a result of past Updates and potential forthcoming changes, the ITC also includes a section on various aspects of comparability.
5. The ITC requests stakeholders to comment on areas that focus on cost-benefit considerations. Although the intent of the ITC is to gather greater input from PBEs, the staff is not limiting the responses from other types of entities because there may be deliberations around a potential system-wide change. However, subsequent steps in the FASB's project may or may not result in amendments to existing standards.

[Link to the Invitation to Comment on *Identifiable Intangible Assets and the Subsequent Accounting for Goodwill.*](#)