

Identifiable Intangible Assets and Subsequent Accounting for Goodwill

Comment Letter and Roundtable General Feedback



ITC and Public Roundtable

Invitation to Comment (ITC)

- Explores:
 - Whether there is a cost/benefit issue for public business entities (PBEs)
 - Potential approaches
 - Comparability and scope
- Contents included:
 - 29 questions
 - Subsequent accounting for goodwill
 - Recognition of intangible assets
 - Disclosures
 - Implications for comparability

Respondent Type	# of letters
Preparer	37
Individual	13
Valuation	12
Auditor	10
Academic	6
CPA Society	6
Prof. Assn.	4
Trade Group	5
Consultant/Other	3
User	3
Standard Setter	2
Total *	101

Public Roundtable (November 15, 2019)

- Objective:
 - Information gathering (not a decision-making meeting)
- Participants:
 - A balance of users, preparers, practitioners, valuation professionals, and academics with varied viewpoints; included representation from companies of various sizes and industries.
 - 12-15 external participants in each session. Other standard setters and regulators attended.

* Comment letters received from numerous industries.

What We've Heard...



• “Goodwill is not a wasting asset; amortizing it is therefore conceptually flawed.” – Valuation Professionals



• “The current goodwill impairment model continues to impose fairly significant cost into the financial reporting system...” (without proportional benefit to users). – Preparer



• “There are mixed observations on the costs and benefits associated with the current impairment model.” – Auditor



• Goodwill impairment trending up at the top of the critical audit matters (CAMs) list. – PCAOB staff

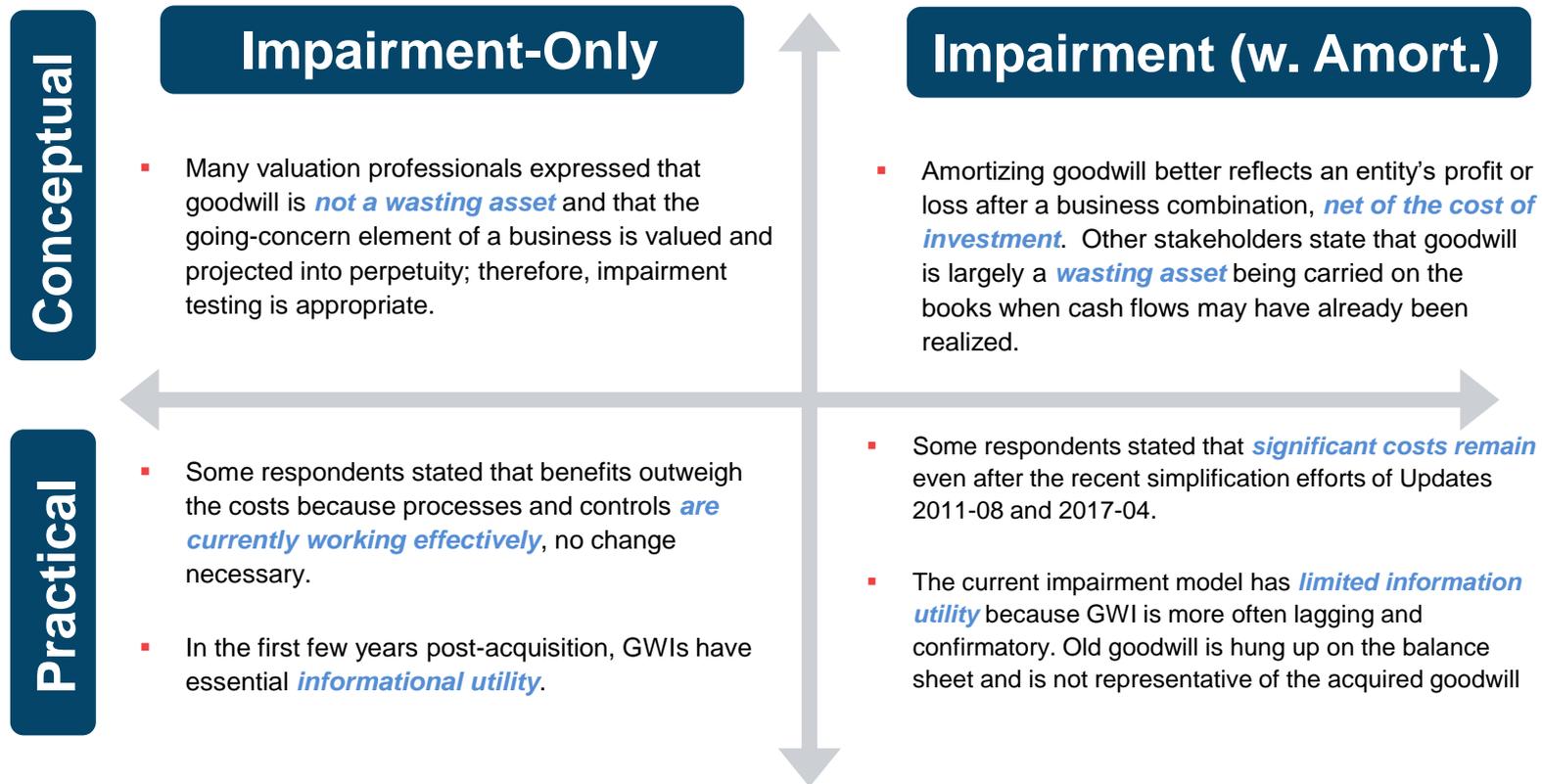


• “Empirical results of numerous studies find evidence to suggest that goodwill after SFAS 142, is more informative and value relevant than pre-SFAS 142.” (based on market pricing) – Academic #1

• “The current impairment approach has proven not to have met the Board’s [cost/benefit] standards required of financial information” – Academic #2

Diversity of Respondent Views

Overall, respondents' views on a specific topic were **often contingent** on other changes the Board could make and many commented on **consequential considerations** beyond goodwill and intangible assets. Respondents' rationale included **practical and conceptual** perspectives.



General User Views

GW Impairment is decision-useful

- Some favor the status quo because current GAAP is used either qualitatively or quantitatively to assess management and the performance of an acquisition

GW Impairment is decision-useful (but understand the perceived cost/benefit issue)

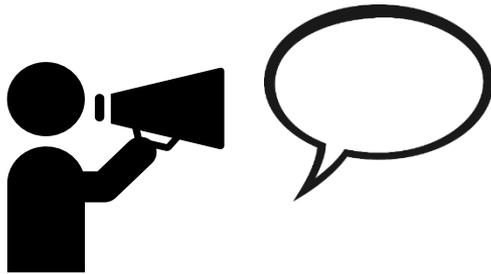
- Some are open to change because information can be accessible from other parts of the financial statements or other information sources

Indifferent to an accounting change

- Some are indifferent because both goodwill impairment charges and goodwill amortization are adjusted in non-GAAP measures
- Some are generally indifferent to any accounting change because of the limited impact in models used to analyze companies

What's Next?

- Board meeting on feedback from letters, roundtable, and other outreach (scheduled for 03/25); timing of future board meetings TBD
- Monitor IASB's discussion paper (March 2020)



Resources available:



[ITC issued 07/09/19](#)



[Comment letters received](#)



[Roundtable minutes](#)



[Project Webpage](#)