

19 November 2020 FASB | IASB Joint Education Meeting

FASB Agenda Ref 18A

IASB Agenda Ref 18A



Identifiable Intangible Assets and Subsequent Accounting for Goodwill

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Overview

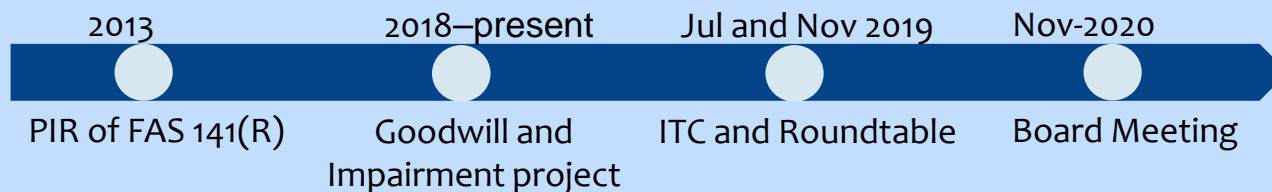


Objective

The objective of the project is to revisit the subsequent accounting for goodwill and identifiable intangible assets broadly for all entities. This includes considerations for improving the decision usefulness of the information and rebalancing the cost benefit factors.



Timeline



Feedback

The Board and staff are seeking comments and will answer questions on stakeholder feedback (from ITC, roundtables, and investor outreach), general direction of the project (from 7/15/20 meeting), and Board decisions on amortization (from 11/18/20 meeting).

Invitation to Comment & Roundtables

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

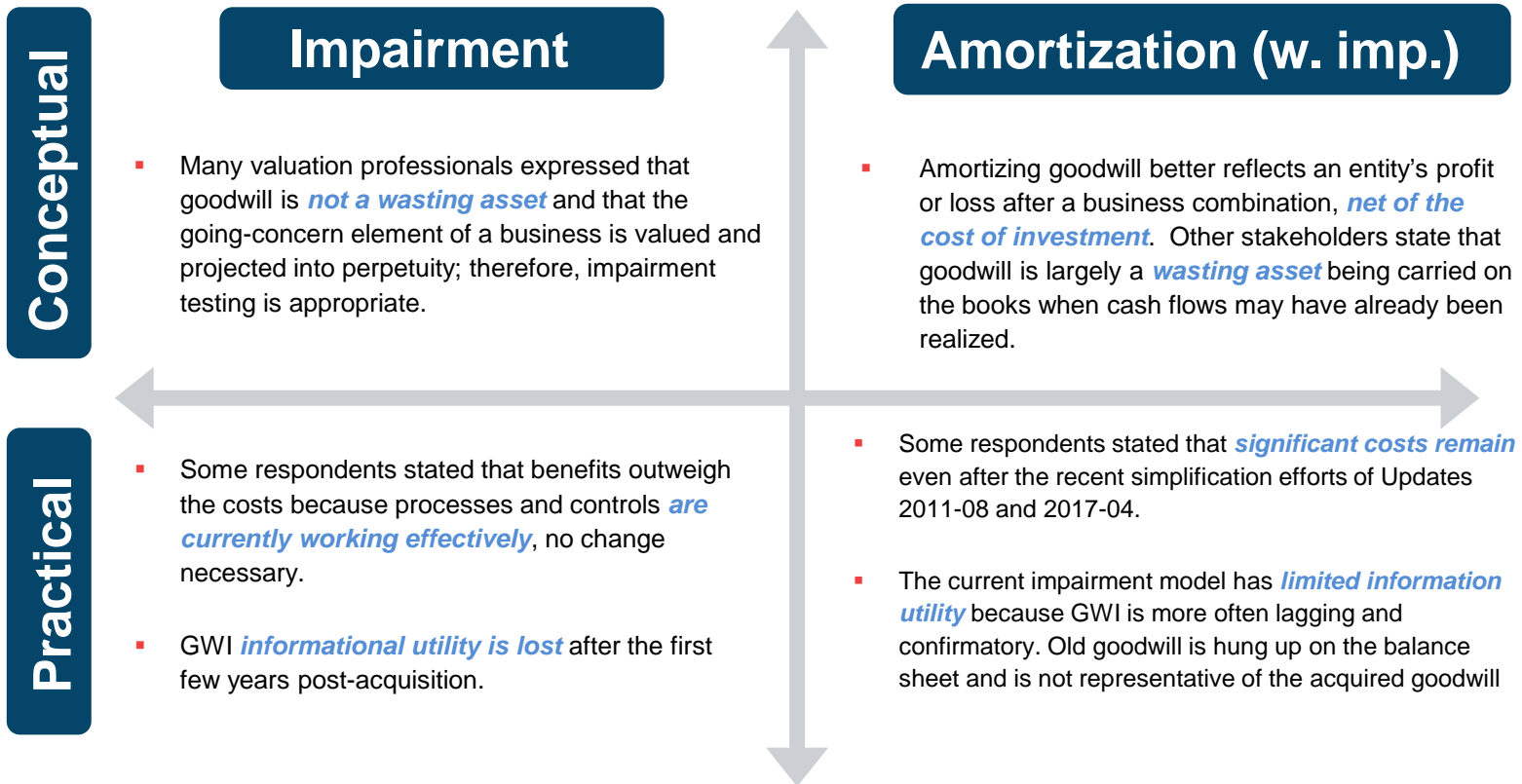
Public Roundtables (November 15, 2019)

- 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.

Some Comments from Respondents

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

Comments on Comparability

Optionality for Public Business Entities (PBEs)

- Most who responded to this question do not support optionality
- Many found comparability in this area to be the **most important**

Private Companies vs. PBEs

- Some state that comparability is not an issue unless an entity has a public company exit strategy
- Some stated that lack of comparability increases costs for certain users and those entities who may be required to unwind private company alternatives

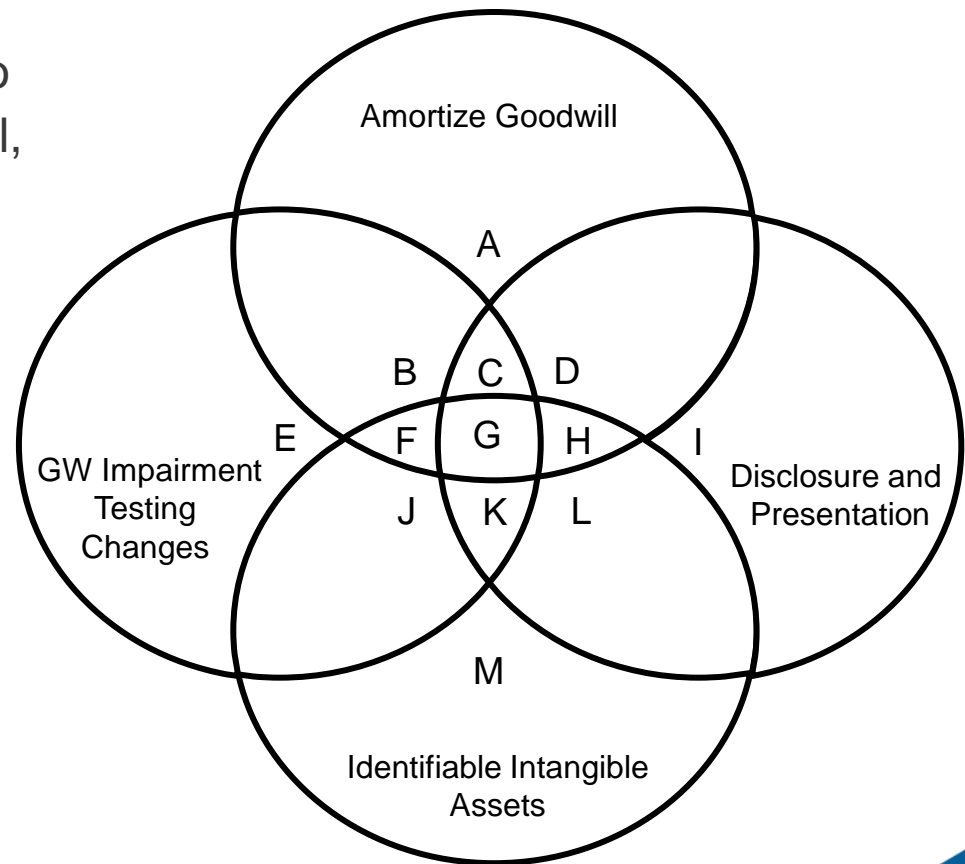
GAAP vs. IFRS

- Many respondents did not comment on this topic
- Others support maintaining convergence because a difference in rules increases costs to users in adjusting for comparability and to preparers in complying with two sets of standards

July 2020 Board Meeting

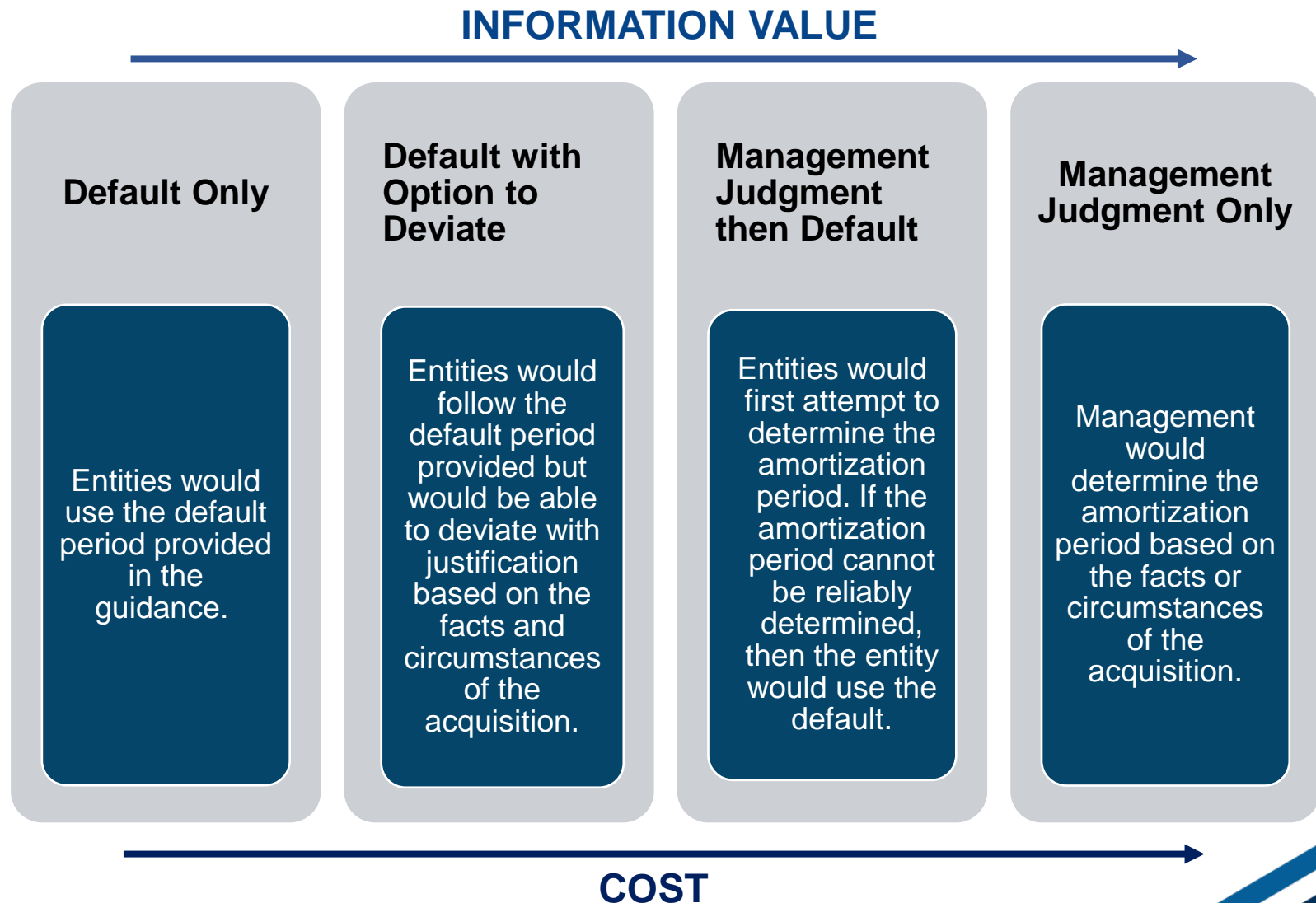
- On 07/15/20 meeting, the Board asked the staff to:
 - Explore adding amortization to the goodwill impairment model, including the amortization method and period
 - Explore other changes to the goodwill impairment model
 - Consider the accounting for identifiable intangible assets
 - Address presentation, disclosure, and transition

Letters A through M represent varying combinations of changes the Board could consider and decide for public business entities, or all entities.



N – No changes, remain at status quo.

Nov 2020 - Amortization Period Approach



Next Steps

- Next Board meeting (November 2020)
- Monitor IASB's discussion paper (2020)
- Monitor CFA Institute's Survey (2020)



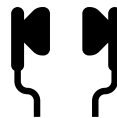
Resources available:



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



[Comment letters received](#)
[Comment letter summary](#)




[Listen to Roundtable 11/15/19](#)
[Roundtable Minutes](#)


Questions?

Keep up to date


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