

# Identifiable Intangible Assets and Subsequent Accounting for Goodwill

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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            |
| <b>Total *</b>   | <b>101</b>   |

## 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



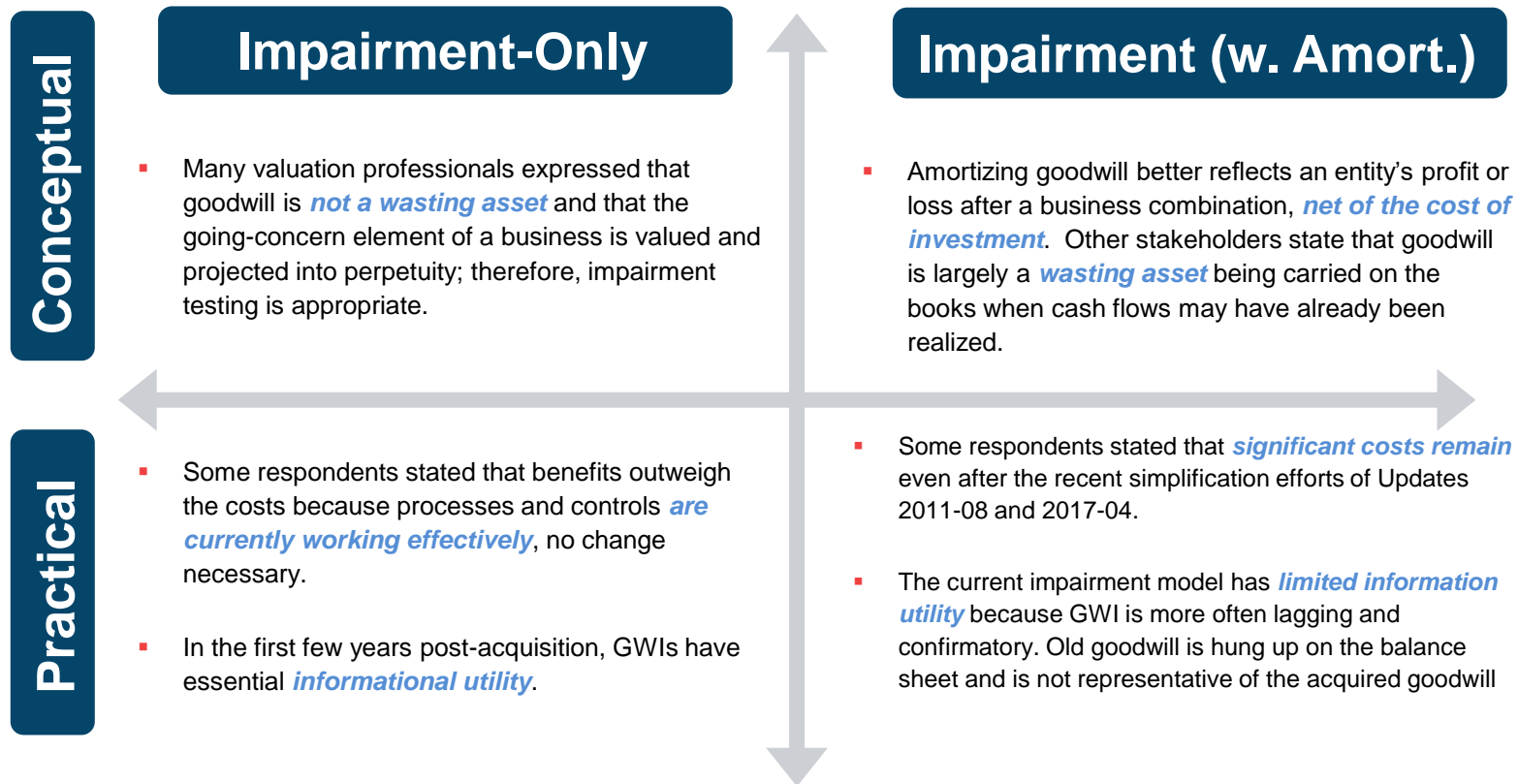
- Goodwill impairment trending up at the top of the critical audit matters (CAMs) list. – PCAOB staff



- “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)

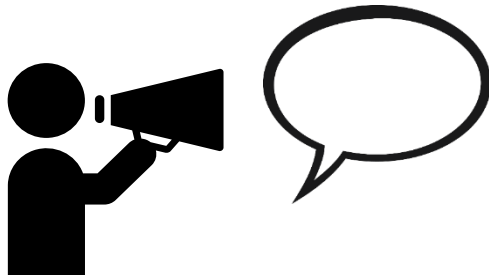
- Some are open to change because information can be accessible from other parts of the financial statements or other information sources

## 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](#)