January 19, 2021

Director@fasb.org
File Reference No. 2020-1100
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

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

Dear FASB:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above referenced exposure draft.

Overall Comments:
The PSC is in general agreement with the proposed guidance. The proposal aligns the standards with what is effectively current industry practice.

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: The PSC believes that an accounting alternative that allows evaluating goodwill impairment triggering events as of the annual reporting date eases the accounting burden, especially for smaller private companies. For these entities, the impact on the users of the financial statements would be minimal.

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: The PSC thinks that the scope of the amendments in the proposed update should include private companies and not-for-profits that report goodwill on an annual basis. The proposed guidance is clear.

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: The PSC supports 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 continuous monitoring for triggering events throughout the interim period. The PSC also thinks that an entity that reports goodwill on an interim basis should not be permitted to evaluate impairment triggering events only on an annual basis.

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: The proposed amendments should be limited to goodwill only. While the PSC does not oppose expanding the amendments to other classes of assets, we do not think the cost-benefit would support the application and contribute to the clarity of the financial statements.

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

Response: The PSC thinks that the proposed amendments are operable as written. In fact, this is already a common industry practice. The amendments would make the financial statements less complex for small entities.

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: The PSC thinks that the existing disclosure requirements are sufficient to provide decision useful information to users of the financial statements.

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: The PSC supports the proposed effective date of annual reporting periods beginning after December 15, 2019 on a prospective basis. Entities that have not yet issued financial statements, or made them available, should be permitted to early adopt the amendments.

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: The PSC supports including an unconditional one-time transition election allowing an entity to prospectively adopt the proposed amendments without applying guidance on preferability.

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: The PSC thinks that the proposed amendments should be available on an ongoing basis. Allowing the amendments for a limited time period would increase the complexity for reporting periods after December 31, 2023. Limiting the application to the current operating environment would complicate assessing impairments to goodwill that are not a result of the current environment.

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: The PSC thinks that if an entity no longer meets the scope of the proposed amendments, it should discontinue application on a prospective basis. Also, entities should be permitted to re-adopt the proposed amendments if they become eligible at a future date and application should be on a prospective basis. Once re-eligible, the entity should be required to apply the guidance on preferability if it has determined it is re-eligible.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

Lyle C. Joiner, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants