February 1, 2019

Director@fasb.org
File Reference No. 2018-320

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)

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.

**General Comments:** The PSC would like to express our appreciation to FASB for this proposed standard. We believe that promoting fewer exceptions to the accounting standards is better for all readers and users of financial statements and concur with using the same standards as that of private companies. Making this proposed standard optional for not-for-profit entities allows the flexibility necessary for each entity to select the best approach for their organization.

**Question 1: Would the amendments in this proposed Update reduce overall costs and complexity compared with existing guidance? If not, please explain why.**

**Response:** The PSC believes that the amendments proposed would reduce overall costs and complexity as compared with existing guidance. This is already a familiar standard for other entities; therefore, practical application will not be difficult.

**Question 2: What effect would the proposed amendments have as it relates to the decision usefulness of financial reporting? For example, would the proposed amendments decrease, increase, or not affect decision usefulness? Please explain.**

**Response:** The PSC thinks that the overall effect of these proposed amendments would either be to improve decision usefulness or have little or no effect. The NPO is allowed to make the decision based on what is best for its financial statement users. Since we think that most NPO readers often disregard goodwill and focus on other areas of the financial statements, these amendments will most likely not affect the majority of NPOs.

**Question 3: Should the accounting alternatives in Topics 350 and 805 be extended to not-for-profit entities? If not, which aspects of the accounting alternatives do you disagree with and why?**

**Response:** The committee agrees that the accounting alternatives in Topics 350 and 805 should be extended to NPOs.

**Question 4: What reasons would prevent a not-for profit entity from adopting the alternatives on these Topics?**

**Response:** The PSC thinks that there may be a few reasons why an NPO might not adopt these alternatives. Evaluation of goodwill at a triggering event may be a financial burden for an NPO that does not have the expertise to evaluate such an event. However, evaluation at a triggering event would be less of a burden than testing for impairment annually. Also, an NPO may not want to amortize goodwill annually, because the overall asset base would be reduced and might affect donor decisions. We would like to suggest a longer amortization period for NPOs to lessen the effect of goodwill amortization on their asset base.

**Question 5: Do you agree with the optionality of the accounting alternatives? If not, why should the accounting alternatives be required?**

**Response:** The PSC generally considers optionality of alternatives to be desirable. Optionality allows the NPO to wait to elect the accounting alternatives until it is advantageous to the entity to adopt.

**Question 6: Accounting Standards Update No. 2016-03, Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance, removes the effective date of these accounting alternatives for private companies. This was done to accommodate those companies that initially chose not to elect those alternatives because of public company exit strategies and may wish to later adopt the alternatives without having to establish preferability if their strategies subsequently change. Do not-for-profit entities experience changes in circumstances that would similarly warrant an indefinite effective date? If so, please describe those circumstances in detail.**

**Response:** The PSC does not believe that NPOs should be excluded from benefiting from the option to adopt at a date most advantageous to the organization. NPOs need to be able to respond to industry and economic changes just as other entities do, and flexibility on the effective dates of these amendments would provide that flexibility. The committee also believes that in general, the fewer exceptions that exist within the standards, the application of the standards will be more consistent. There does not appear to be a reason to exclude NPOs from having an indefinite effective date.

**Question 7: The Board recently added to its technical agenda another project on these Topics that, among other issues, will examine the amortization period for goodwill if the Board decides to pursue amortization as an alternative for public business entities or as a requirement for the system overall. The Board could decide that amendments developed as part of that project also should apply to not-for-profit entities within the scope of this proposed Update. Thus, it is possible that entities electing these alternatives could be subject to future changes on the same Topics. Are there any reasons why the Board should exclude not-for-profit entities as part of that other project? If so, please explain why.**

**Response:** The PSC does not believe that NPOs should be excluded from consideration in any project involving goodwill. In general, we believe that NPOs should have the same accounting alternatives as other business entities. The PSC understands that there are issues that are specific to public companies involving the amortization of goodwill. However, when considering the length of the amortization period, standard guidance should also be as applicable to NPOs as it may be applicable to private companies. The committee would like to encourage FASB to leave this item on their technical agenda and consider NPO applications.

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

Ken Sibley, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants