Texas Society of
CPA Certified Public Accountants

July 7, 2016

Technical Director
File Reference No. 2016-230
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update - *Intangibles—Goodwill and Other (Topic 350)*

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

The PSC deliberated over the 10 questions posed in the above referenced Proposed Accounting Standards Update (ASU) *Intangibles—Goodwill and Other (Topic 350).* We are generally in agreement with the ASU. Below is our response to the following questions: 1, 2, 3, 4, 6, 7, 8, 9 and 10.

Question 1: Do you agree with the proposed amendments to eliminate Step 2 from the goodwill impairment test? Why or why not?

Yes, we are in agreement with the proposed amendments to eliminate Step 2 from the goodwill impairment test. It is an appropriate simplification.

Question 2: Should the requirement to perform Step 2 of the current goodwill impairment test be retained as an option? Why or why not? If the use of Step 2 is optional, should an entity be allowed to apply that option by reporting unit or should it be a policy election at the entity level applicable to all reporting units?

We do not believe the requirement to perform Step 2 of the current goodwill impairment test should be retained as an option. Having this option could add confusion in the marketplace. As pointed out in the Summary, the amendments “would modify the concept of impairment.” If the concept has been modified, it would be inappropriate to permit an alternative based on a different concept.

Question 3: Do you agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units, including those with zero or negative carrying amounts? Why or why not? If not, what would be the suggested goodwill impairment test for reporting units with zero or negative carrying amounts?

Yes, we agree with the proposed amendments to require all entities to apply the same one-step impairment test to all reporting units. There is no valid reason to treat reporting units differently based on their value.

Question 4: Should entities with reporting units with zero or negative carrying amounts be required to disclose the existence of those reporting units and the amount of goodwill allocated to them? Why or why not? Are there additional disclosures that would provide useful information to users of financial statements?

We do not believe that entities with reporting units with zero or negative carrying amounts should be required to disclose the existence of those reporting units and the amount of goodwill allocated to them. Since the units aren't being treated differently, there is no reason for separate disclosures.

Question 6: Do you agree that the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively? Should there be specific transition guidance for companies that previously adopted the goodwill 4 accounting alternative for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?

Yes, the proposed guidance to remove Step 2 from the goodwill impairment test should be applied prospectively. It would be helpful if specific transition guidance would be provided for those companies that previously adopted the goodwill 4 accounting alternative.

Question 7: How much time would be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

We believe the time necessary to adopt the amendments in this proposed Update should be brief and early adoption should be permitted. The amount of time needed to apply the proposed amendments by entities other than public business entities should also be brief.

Question 8: Would the proposed amendments meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements? Why or why not?

Yes, we believe the proposed amendments meet the Board's objective of reducing the cost of the subsequent accounting for goodwill while maintaining the usefulness of the information provided to users of financial statements.

Question 9: Are there additional changes that should be made to the subsequent accounting for goodwill to meet this objective, including changes that might be considered in Phase 2 of the Board's project?

There are no additional changes that should be made to the subsequent accounting for goodwill to meet this objective.

Question 10: Are there any unintended consequences resulting from the improvements to the Overview and Background Sections of the Subtopics (discussed in Part II of the proposed amendments)?

We do not believe there are any unintended consequences resulting from the improvements to the Overview and Background Sections of the Subtopics.

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

Sincerely,

Jerilyn K. Barthel

Jerilyn K. Barthel, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants