



Technical Director,
File Reference No. 2016-230,
FASB, 401 Merritt 7,
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Via email: director@fasb.org

20 July 2016

Dear Members of the FASB

Exposure Draft: Simplifying the Accounting for Goodwill Impairment – proposed changes to Topic 350 (Intangibles—Goodwill and Other)

The Corporate Reporting Users' Forum welcomes the opportunity to comment on the FASB's Exposure Draft: *Simplifying the accounting for goodwill impairment* (the ED).

In the following pages, we would like to comment on some of the questions raised in the ED.

Responses to specific questions

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

Response: Yes, we agree with the proposed amendment. It shall reduce the complexities involved in performing the impairment test for goodwill and help corporates report more cohesive numbers i.e. whether the goodwill is actually impaired which can help users determine the actual valuation for the business.

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?

Response: We should not retain the current option; it would create unnecessary confusion and issues with respect to creating comparability across sectors. Step 2 has a lot of risk for estimation and hence could lead to misleading numbers for investors, and should not be retained as an option.

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?

Response: All entities should apply the same test, irrespective of the carrying value of the reporting units.



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?

Response: Yes, such details should be reported, where material, and would help investors make more informed decisions.

Question 5: Should the guidance on deferred income tax considerations when determining the fair value of a reporting unit outlined in paragraphs 350-20-35-25 through 35-27 and illustrated in Example 1 and Example 2 be retained, or should this Subtopic rely on the fair value guidance in Topic 820? If the guidance on the tax structure is retained, what, if any, amendments are necessary to address the potential difference in the impairment charge calculated under the proposed amendments, depending on which tax structure is used in calculating the fair value of the reporting unit?

Response: Deferred tax should not be considered at all during the Goodwill process. The current guidance given in Topic 820 is sufficient for the purposes of determining fair value.

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 accounting alternative for private companies in current GAAP but decide to adopt this proposed guidance after it becomes effective?

Response: The proposed guidance should be made prospective for all companies irrespective of when it is becoming effective. There should not be any transition guidance for private companies since that would leave a loophole in the spirit of the standards.

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?

Response: Early adoption should be permitted. We believe a 1 year time-line is appropriate for all businesses to adopt the new rules.

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?

Response: Yes, the proposed amendments would 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 since it would give a fair/clear picture to credit and equity investors, while removing the unnecessary complexities of the old system, and therefore reducing the costs associated with goodwill impairment calculations.



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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?

Response: No Comments

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)?

Response: No Comments

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held globally. Local country differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organizations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organizations. The participants in the Forum that have specifically endorsed this response are listed below.

(Signatures)

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