new york state society of
NYSSCPA
certified public accountants

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January 29, 2007

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: Exposure Draft - Proposed Statement of Financial Accounting Standards Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition

To Whom It May Concern:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned exposure draft. NYSSCPA thanks the FASB for the opportunity to comment on this release.

The NYSSCPA Financial Accounting Standards and Not-for-Profit Committees deliberated the Exposure Draft and prepared the attached comments. If you would like additional discussion with the committees, please contact Margaret Wood, chair of the Financial Accounting Standards Committee, at (212) 542-9528, Allan M. Blum, chair of the Not-for-Profit Organizations Committee, at (212) 867-4000 or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Thomas E. Riley
President

Attachment

NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
COMMENTS ON FASB EXPOSURE DRAFT

Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition

January 29, 2007

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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL ACCOUNTING STANDARDS COMMITTEE
NOT-FOR-PROFIT ORGANIZATIONS COMMITTEE

COMMENTS ON FASB EXPOSURE DRAFT

Not-for-Profit Organizations:
Goodwill and Other Intangible Assets
Acquired in a Merger or Acquisition

File Reference No. 1500-200

General Comments

The Financial Accounting Standards and Not-for-Profit Committees of the New York State Society of Certified Public Accountants have reviewed the Exposure Draft and are pleased to present their comments thereon.

Except for certain issues related to question 4 as noted below, we agree with the majority of the Board's decisions regarding when not-for-profit accounting should align with commercial accounting and when it should not. On an overall basis, the guidance is comprehensive and understandable to the "average" practitioner. Furthermore, we believe the criteria for decision making appear sufficient and appropriate.

Specific Responses to Questions

Qualitative Evaluation

Question 4—*Is the proposed qualitative evaluation operational for the intended reporting units and will it adequately identify an impairment of goodwill in the correct period? If not, why and how should the guidance be modified or what alternative evaluation would capture an impairment of goodwill on a more timely basis?*

<u>Response</u>: The qualitative evaluation for intended reporting units is appropriate. However, we note paragraph 33 states that such list "…shall include, *but is not limited to* (italics added), consideration of the reasons why goodwill arose. We believe that "impairment events" that are unrelated to the reason goodwill arose can provide an opportunity for manipulation in cases where management is motivated to write-off goodwill as soon as possible, even when there is insufficient supporting evidence to do so. For this reason, there should be an additional requirement to evaluate and document at the time the impairment events are identified, the rationale for including such impairment events in the list.