February 15, 2019

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*

(File Reference No. 2018-320)

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 25,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Margaret A. Wood, Chair of the Financial Accounting Standards Committee, at (201) 401-7844, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Jan C. Herringer
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*INTANGIBLES—GOODWILL AND OTHER (TOPIC 350), BUSINESS COMBINATIONS (TOPIC 805), AND NOT-FOR-PROFIT ENTITIES (TOPIC 958): EXTENDING THE PRIVATE COMPANY ACCOUNTING ALTERNATIVES ON GOODWILL AND CERTAIN IDENTIFIABLE INTANGIBLE ASSETS TO NOT-FOR-PROFIT ENTITIES*

(File Reference No. 2018-320)

February 15, 2019

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*

(File Reference No. 2018-320)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update—*Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities* (proposed Update).

We support the Board's proposal to provide not-for-profit entities (NFPs) with the option to:

1. Amortize goodwill on a straight-line basis over 10 years (or less, if appropriate);
2. Test goodwill for impairment upon the occurrence of a triggering event at either the entity level or reporting unit level; and,
3. Subsume into goodwill certain customer-related intangible assets.

We agree that the issues that led to the issuance of ASU 2014-02 and ASU 2014-18 – primarily the cost and complexity of subsequently accounting for goodwill and certain identifiable intangible assets – are relevant to many NFPs. The Board's proposals would allow NFPs who elect to apply the alternatives to significantly reduce the cost and complexity of subsequently accounting for goodwill and certain identifiable intangible assets within the scope of the proposed alternatives. We applaud the Board for not delaying the relief to NFPs while the Board continues to deliberate on its broader project.

Our responses to the questions for respondents in the proposed Update are presented below.

Specific Comments

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

Response: Yes. NFPs that elect either or both of the proposed accounting alternatives would see a meaningful reduction in the cost and complexity of subsequently accounting for goodwill and certain intangible assets.

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: We do not believe the proposed amendments would significantly reduce the decision-usefulness of financial reporting for the reasons articulated in the proposed Update's Basis for Conclusions.

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: We agree that the accounting alternatives should be extended to NFPs. The issues that led to the issuance of ASU 2014-02 and ASU 2014-18 – primarily the cost and complexity of subsequently accounting for goodwill and certain identifiable intangible assets – are also relevant to many NFPs.

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

Response: We are not aware of anything that would prevent a NFP from adopting the alternatives. However, a NFP whose exit strategy is to become part of a public business entity (PBE), e.g. a NFP healthcare entity that plans to change its status from NFP to for-profit and then become part of a PBE healthcare entity, might choose to not apply the alternatives to avoid the burden of recasting financial information upon, or in advance of, the event.

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

Response: We agree with the optionality of the accounting alternatives.

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: See our response to Question 4. We believe limited circumstances do exist that may warrant a similar accommodation.

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: We do not believe it is appropriate to exclude NFPs from the scope of the Board's other project at this time.