

Snapshot

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FASB invites comment on intangible assets, goodwill accounting

The FASB recently issued an Invitation to Comment (ITC), [*Identifiable Intangible Assets and Subsequent Accounting for Goodwill*](#), to obtain feedback on whether, and how, it should amend the guidance on subsequent accounting for goodwill and the accounting for intangible assets by public business entities. The ITC is part of the Board's broader project on goodwill and intangible assets. Historically, all entities amortized goodwill until 2001, when the FASB issued Statement 142, *Goodwill and Other Intangible Assets*, which ended the amortization of goodwill and introduced the annual impairment guidance.

This annual impairment guidance was codified in ASC 350, *Intangibles – Goodwill and Other*. There have been some changes to that guidance over time, including the addition of qualitative impairment considerations (known informally as “step zero”), eliminating the impairment model's Step Two and adding a private company alternative to amortize goodwill over 10 years. The amendments recently released in ASU 2019-06, *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*, also allow not-for-profit entities to amortize goodwill.

Despite these changes, entities still report that impairment tests, in particular, are difficult and costly to apply. For instance, entities are concerned whether the costs and efforts required to apply the current guidance justify the benefits to financial statement users. As a result, the FASB began a project on goodwill and intangible assets and issued the ITC as part of its

ongoing research. The objective is to obtain feedback from stakeholders on how to move forward and address certain issues, including:

- Whether to change the subsequent accounting for goodwill by, for example, returning to amortizing goodwill
- Whether to change the recognition of intangible assets in a business combination
- How to proceed with simplifications and/or improvements to the current guidance
- How respondents view “optionality”—that is, choices—in accounting for goodwill and intangible assets

Goodwill accounting

Possible approaches for subsequent goodwill accounting discussed in the ITC include:

- An amortization model
- An impairment model
- An amortization model combined with an impairment model

In the ITC, the FASB discussed returning to an amortization model as a possible accounting approach. Additional considerations for that approach revolve around what the amortization period should be, including:

- A default period
- A maximum amortization period

- A reasonable estimate, or justification of an alternative amortization period

There also are considerations as to how impairment testing might change, including:

- Testing at the enterprise level, not the reporting unit level
- Testing based on triggering events instead of annual testing

Intangible assets

With the private company accounting alternative to subsume certain customer-related intangibles into goodwill, the ITC poses certain questions about whether that same model, or some variation thereof, could apply to public business entities as well. One question is whether all intangible assets acquired in a business combination should be subsumed into goodwill.

Other topics, next steps

The invitation to comment also includes considerations and questions focusing on potential disclosure changes; the comparability of financial information for entities that elect to subsume certain identifiable intangible assets into goodwill and or/amortize goodwill with those entities that do not; and the scope of guidance related to both goodwill and intangible assets.

We encourage entities that report goodwill and identifiable intangibles in their financial statements, as well as users of financial statements, to consider the issues in the ITC and provide feedback to the FASB ahead of the Oct. 7, 2019, due date.

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