Private Company Financial Reporting Committee
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Judith H. O'Dell CPA CVA
Chair

June 6, 2011

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed Accounting Standards Update, *Testing Goodwill for Impairment (*"Proposed ASU*")*

Dear Ms. Seidman:

Goodwill is a common asset on the financial statements of private companies. The accounting and financial reporting of goodwill has been a high priority of the Private Company Financial Reporting Committee ("PCFRC"). The PCRC has expressed its concerns to the FASB about the cost and complexity of performing the first step of the two-step goodwill impairment test required under Topic 350*, Intangibles—Goodwill and Other*- most recently in its comment letter on Emerging Issues Task Force ("EITF") Issue 10-A (subsequently issued as Accounting Standards Update 2010-28). The PCFRC strongly supports the provisions of the Proposed ASU. PCFRC members believe the qualitative approach outlined in the Proposed ASU will reduce costs at private companies and reduce the current burden of having to develop and audit a complex quantitative goodwill analysis.

As the Board has expanded the scope of this project to include public companies, the PCFRC wants to emphasize a few points unique to private companies. First, private company financial statement users are generally not concerned about goodwill. However, users of private company financial statements are very concerned about the increasing costs to prepare goodwill impairment analyses. This may contrast with public company regulators and the FASB should consider this when evaluating feedback. Second, private companies lack a Level 1 market capitalization which with to reconcile valuation determinations. The lack of Level 1 input in the valuation process makes the process much more costly and subjective.

Qualitative factors are used for determination of impairment of many assets in Generally Accepted Accounting Principles. Examples include accounting for impairment of long-lived assets (ASC 360-10-35-21), valuation allowances for deferred tax assets (ASC 740-10-30-17), and other-than-temporary impairment guidance (ASC 320-10-35-27). The EITF also supported the use of qualitative factors for Step 1 of the goodwill impairment analysis when the carrying value is zero or negative. In our comment letter on EITF Issue 10-A (subsequently issued as Accounting Standards Update 2010-28), we questioned why the artificial distinction of $.01 of carrying value would preclude the use of qualitative factors. We now question those who have difficulties with qualitative factors in goodwill impairment analysis when they have been sanctioned for use when an entity has zero or negative carrying value and are common in the determination of impairment for other, more relevant balance sheet assets. In summary, the use of qualitative factors for determination of impairment for one of the least relevant balance sheet assets for private company users- goodwill- is entirely appropriate.[1]

The PCFRC has been closely involved in the development of the Proposed ASU, providing input to the FASB and its staff. This working arrangement has proven beneficial for all parties and has helped ensure that the private company perspective is considered in the formation of the proposed standard.

The PCFRC appreciates the FASB's consideration of this letter. Please feel free to contact me if you have any questions or comments.

Sincerely,

Judith H. O'Dell
Chair
Private Company Financial Reporting Committee

[1] We would also point out that the Exposure Draft made the use of qualitative factors an option. Thus, an entity concerned about using the qualitative factors could move directly to Step 1 of the current impairment analysis for goodwill if it elected to do so.