



February 1, 2019

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
Via email

File Reference No. 2018-320

Dear Ms. Cospers:

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants (AICPA) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) December 20, 2018 Exposure Draft of Proposed changes to *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*.

FinREC supports the Board's intent to extend the scope of the accounting alternatives provided in Accounting Standards Updates (ASUs) 2014-02 and 2014-18 to not-for-profit entities (NFPs). We agree that the benefits of the current accounting for goodwill and identifiable intangible assets acquired in an acquisition by an NFP do not justify the related costs. By providing accounting alternatives, the amendments in this proposed update would reduce the cost and complexity associated with the subsequent accounting for goodwill and the measurement of certain identifiable intangible assets acquired without significantly diminishing decision-useful information for users of NFP financial statements.

Appendix A to this letter includes our responses to the questions for respondents raised in the proposed ASU. Representatives of FinREC, the AICPA Not-for-Profit Expert Panel, and the AICPA Health Care Expert Panel are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

James Dolinar
Chair
FinREC

Jennifer Hoffman
Chair
Not-for-Profit Expert Panel

Appendix A

Responses to Questions for Respondents in the Proposed ASU

The AICPA is pleased to provide responses to the specific questions for respondents presented in the proposed ASU.

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

FinREC believes that the amendments in the proposed update would reduce costs and complexity compared to existing guidance.

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.

FinREC believes that the proposed amendments will have little impact on the decision usefulness of the financial statements of NFPs. Goodwill, and related amortization, presented in financial statements of NFPs are generally not deemed to be decision-useful information and as a result, often not considered during analysis of financial results.

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?

FinREC believes that the accounting alternatives in Topics 350 and 805 should be extended to NFPs.

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

FinREC believes that NFPs would not encounter any specific barriers to implementing the proposed guidance.

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

FinREC supports allowing an NFP to determine which accounting alternative is most appropriate for their facts and circumstances.

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.

FinREC believes that it is not necessary to provide an indefinite effective date for NFPs.

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.

FinREC believes there is immediate benefit to providing the alternatives in the proposed update. Therefore, the prospect of additional changes should not prevent FASB from proceeding with the improvements in this proposed update or from including NFPs in the future project.