

August 21, 2013

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

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Accounting Standards Update**  
***Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a proposal of the Private Company Council)***

**File Reference No. PCC-13-01A**

Dear Ms. Cospers:

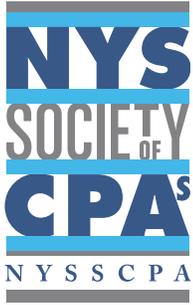
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

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 Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

J. Michael Kirkland  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE  
*BUSINESS COMBINATIONS (TOPIC 805): ACCOUNTING FOR IDENTIFIABLE  
INTANGIBLE ASSETS IN A BUSINESS COMBINATION (A PROPOSAL OF THE  
PRIVATE COMPANY COUNCIL)***

**FILE REFERENCE NO. PCC-13-01A**

**August 21, 2013**

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**New York State Society of Certified Public Accountants**

**Comments on  
Proposed Accounting Standards Update –  
*Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a  
Business Combination (a proposal of the Private Company Council)***

**File Reference No. PCC-13-01A**

**General Comments**

We are pleased to respond to the FASB’s invitation to comment on proposed Accounting Standards Update (the “Update”) – *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination, a proposal of the Private Company Council*.

We are pleased to see that the Private Company Council (“PCC”) is making progress in reducing the complexity, cost, and time necessary for private companies to comply with accounting principles. We are generally supportive of the proposed Update, although we do have comments on certain of the specific issues identified by the PCC. We believe that the alternative accounting option in the Update represents an improved method of accounting for intangibles at private companies and suggest that the use of the accounting alternative be available to other entities as well (see our comments to Question 3 below).

As a result of the interrelationship between the subject matter of this proposed Update and that of the proposed Update – *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill, a proposal of the Private Company Council (“Goodwill Update”)*, we suggest that the FASB approve this Update at the same time as the Goodwill Update. While approval in “tandem” might be considered unusual for the FASB, we believe that this approach would be consistent with the concept suggested in Question 14 below regarding adoption by private companies. It is the combination of the *two sets* of guidance that will result in financial statements that are more meaningful to users, while also reducing the complexity and cost to private company financial statement preparers.

**Specific Comments**

We have the following responses and suggestions for the FASB’s consideration to questions posed in the Update:

**Question 1:** Please describe the entity or individual responding to this request. For example:

- a. Please indicate whether you primarily are a preparer, user, public accountant, or, if other, please specify.
- b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

- c. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.
- d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

**Response:** We are the New York State Society of Certified Public Accountants, representing more than 29,000 CPAs in public practice, industry, government, and education. We represent our entire membership some of whom are auditors, users, and preparers of financial statements of both publicly and privately held companies.

**Question 2:** Should any types of entities be excluded from the scope of this proposed Update? Should any types of transactions or accounts be excluded, or are there any other types of transactions or accounts that should be included in the scope?

**Response:** We agree with the types of entities and transactions included in the proposed scope.

**Question 3:** Should the Board expand the scope of the accounting alternative to other entities, such as publicly traded companies or not-for-profit entities? If the scope is expanded to other entities, what changes, if any, should the Board consider for the recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination? If the scope is expanded to public companies or not-for-profit entities, should the accounting alternative continue to be elective?

**Response:** We believe that not-for-profit entities (“NPO”) should be included within the scope of the Update. In our experience, users of financial statements of NPOs, like users of financial statements of privately held companies, tend to focus on tangible assets that can be used to carry out the mission of the organization. Intangible assets, as currently defined, do not provide the same level of information and/or certainty to readers of NPO financial statements in determining the ability of such assets to carry out the mission of the organization. By limiting intangibles to those that arise from contractual rights with noncancelable contractual terms, or that arise from other legal rights, intangible assets would become more useful to readers of NPO financial statements.

We also believe that certain conduit bond obligors should be included within the scope of the Update (see our answer to question 15). In our experience, many smaller for-profit and NPO entities, such as nursing homes, independent schools and acute care clinics, are parties to conduit bonds (*i.e.*, issued by entities such as Dormitory Authority of the State of New York and State Educational facilities) which, while tradable, are frequently held by a limited number of institutional and sophisticated investors. This also applies to some private businesses funded with Industrial Development Authority bonds. We seriously question the cost benefit of excluding such conduit bond obligors from the Update. Further, we believe that a conduit bond obligor is most interested in available cash flows to service the debt and not with the amount of “theoretical” intangibles on the balance sheet.

Finally, if the FASB is willing to consider the possibility of expanding the scope of the accounting alternative to publicly traded companies, we would be supportive of that consideration as well. We anticipate that most privately held companies would adopt the accounting alternative for intangibles and having that alternative available for publicly traded companies would allow companies a smoother transition during the IPO process.

**Question 4:** Would the proposed amendments reduce overall costs and complexity compared with existing guidance? If not, please explain why.

**Response:** Yes, we believe that the proposed guidance will reduce overall costs and complexity compared to existing guidance.

**Question 5:** Do you agree that the accounting alternative for the recognition and measurement of intangible assets acquired in a business combination would provide relevant and decision-useful information to users of private company financial statements? If not, what accounting alternative, if any, would provide relevant information to users?

**Response:** Yes we agree that the accounting alternative for intangibles acquired in a business combination will provide relevant and decision-useful information to users of private company financial statements.

**Question 6:** Do you agree that for contractual intangible assets, recognition and measurement should be limited to the noncancelable term of the contract? If so, do you agree with the proposed definition of a noncancelable contractual term? Do you agree that market participant expectations about the potential renewal or cancellation of the contract should not be factored into the measurement? Do you foresee any increase in cost and complexity or other difficulties in applying this alternative recognition and measurement principle? If yes, would additional implementation guidance address those difficulties?

**Response:** Yes, we agree that for contractual intangible assets, recognition and measurement should be limited to the noncancelable term of the contract. Further, we agree with the proposed definition because the result would be more straightforward than current recognition and measurement guidance. While we do not foresee additional cost or complexity in applying this alternative, additional implementation guidance is always useful to preparers of financial information, particularly those in the private sector.

**Question 7:** Do you agree that intangible assets arising from other legal rights should continue to be measure at fair value considering all market participant expectations, consistent with Topic 820? If not, what accounting alternative for measurement do you recommend?

**Response:** Yes, we agree that intangible assets arising from other legal rights should continue to be measured at fair value considering all market participant expectations consistent with Topic 820.

**Question 8:** Do you agree that an entity should disclose the nature of identifiable intangible assets that are not recognized separately as a result of applying the amendments in this proposed Update? If not, please explain why.

**Response:** Yes, we agree that an entity should disclose the nature of identifiable intangible assets that are not recognized separately. This disclosure will, at a minimum, put the reader on notice that such intangibles exist, but are not specifically valued in the financial statements. To not provide any disclosure at all regarding such intangible assets would be misleading.

**Question 9:** For identifiable assets that are recognized separately as a result of applying the amendments in this proposed Update, do you agree that the amendments should not require any other additional recurring disclosures and that entities should be required to comply with the disclosure requirements in relevant Topics, as applicable (for example, Topic 350, Intangibles – Goodwill and Other, and Topic 805)? If not, what additional disclosures should be required and please explain why.

**Response:** Yes, we agree that the required disclosures as described in the proposed Update and other relevant Topics are sufficient with respect to intangible assets that are recognized separately.

**Question 10:** Do you agree that the proposed Update should be applied on a prospective basis? Should retrospective application be permitted?

**Response:** Yes, we agree with the prospective application of this Update; however, we also believe that retrospective application should be permitted in those instances where comparative financial statements are presented.

**Question 11:** When should the alternative accounting method be effective? Should early application be permitted?

**Response:** We believe that the alternative accounting method should be effective for years ending on or after December 15, 2014 with early application permitted.

**Question 12:** For preparers and auditors, how much effort would be needed to implement and audit the proposed amendments?

**Response:** Implementation effort will vary by entity; however, we do not believe that it will be significant. See also our answer to question 11.

**Question 13:** For users, would the proposed amendments result in less relevant information in your analyses of private companies?

**Response:** No, we do not believe the proposed amendments would result in less relevant information to users of private company financial statements. As noted in our response to question 3, we do not believe that such users rely heavily on the value of intangible assets as they are currently required to be recognized and measured.

**Question 14:** If an entity elects the accounting alternative in this proposed Update, do you think that entity also should be required to apply the PCC’s proposed accounting alternative for the subsequent measurement of goodwill (in Topic 350)? Alternatively, if an entity elects the accounting alternative in Topic 350 for goodwill, should that entity also be required to adopt the proposed accounting alternative in the proposed Update? (No decisions have been reached by the Board and the PCC about this question.)

**Response:** Yes, as discussed in our general comments, we believe that entities electing this accounting alternative should be required to adopt the accounting alternative for Goodwill as well.

**Question 15:** The scope of this proposed Update uses the term **publicly traded company** from an existing definition in the Master Glossary. In a separate project about the definition of a nonpublic entity, the Board is deliberating which types of business entities would be considered public and would not be included within the scope of the Private Company Decision-Making Framework. The Board and PCC expect that the final definition of a **public business entity** resulting from that project would be added to the Master Glossary and would amend the scope of this proposed Update. The Board has tentatively decided that a public business entity would be defined as a business entity meeting any one of the following criteria:

- a. It is required to file or furnish financial statements with the Securities and Exchange Commission.
- b. It is required to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities.
- c. It has issued (or is a conduit bond obligor) for unrestricted securities that can be traded on an exchange or an over-the-counter market.
- d. Its securities are unrestricted, and it is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement.

Do you agree with the Board’s tentative decisions reached about the definition of a public business entity? If not, please explain why.

**Response:** We believe that the Board’s tentative definition of a public business is appropriate; however, as discussed in our answer to Question 3, we believe that the Board should reconsider inclusion of NPO conduit bond obligors in such definition. We also believe the Board should reconsider part (a) of the tentative definition which would include a non-issuer introducing broker dealer qualifying for the exemption Securities Exchange Act Rule 15c3-3 that files with the SEC both a statement of financial condition and a complete set of financial statements – the statement of financial condition is made publicly available, while the financial statements are confidential and not available to the public. Users of the non-issuer introducing broker dealer statement of financial condition would likely not be concerned with how much goodwill was depicted. Leaving non-issuer introducing broker dealers out of the definition of “public business entity” would still allow the Board to make certain standards applicable to both “public business entities” and to non-issuer broker dealers if it chose to do so. We also believe the Board’s

tentative definition of public business should address whether to include or exclude those entities whose securities are traded on websites (as opposed to formal exchanges), such as those under the JOBS Act.