

Audit Alert: FASB moves closer to simplifying goodwill impairment

We continue with goodwill impairment in this issue. The FASB post tentative decisions from their November 30 [meeting](#).

The Board continued its redeliberations of the proposed ASU, *Simplifying the Accounting for Goodwill Impairment*, and discussed issues related to transition, issues impacting private companies, and the effective date for entities that are not public business entities. The Board took the following actions.

Transition

The Board reaffirmed its tentative decision to require an entity to apply only certain of the transition requirements in ASC 250, *Accounting Changes and Error Corrections*, when adopting the proposed guidance on goodwill impairment. Entities would apply only those transition requirements related to (1) disclosure of the nature of, and reasons for, the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable, and (2) inclusion of the required transition disclosures in the financial statements for both the interim and annual periods of the change.

The Board also clarified that an entity would be able to adopt the amendments in the forthcoming final ASU even if it evaluates goodwill for impairment using the qualitative assessment in the period of adoption.

Private companies

The Board tentatively decided to incorporate the guidance on impairment charges when goodwill is tax deductible into the private company accounting alternative.

In addition, private companies that switch from the existing private company accounting alternative to the guidance in the forthcoming final ASU on or before the effective date would apply the guidance prospectively, and would not be required to justify preferability for this accounting change.

Entities that are not public business entities

The Board tentatively decided that entities that are not public business entities would apply the new guidance for annual and any interim impairment tests for periods beginning after December 15, 2021, with early adoption allowed.

The Board directed the staff to draft a final ASU.

Source: Grant Thornton, *On the Horizon*, December 8, 2016

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