FINANCIAL ACCOUNTING SERIES

EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: January 25, 2012
Comments Due: April 24, 2012

Intangibles—Goodwill and Other (Topic 350)

Testing Indefinite-Lived Intangible Assets for Impairment

This Exposure Draft of a proposed Accounting Standards Update of Topic 350 is issued by the Board for public comment. Comments can be provided using the electronic feedback form available on the FASB website. Written comments should be addressed to:

Technical Director
File Reference No. 2012-100

Financial Accounting Standards Board
of the Financial Accounting Foundation

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft and is requesting comments by April 24, 2012. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at Exposure Documents Open for Comment
- Emailing a written letter to director@fasb.org, File Reference No. 2012-100
- Sending written comments to "Technical Director, File Reference No. 2012-100, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

Do not send responses by fax.

All comments received are part of the FASB's public file. The FASB will make all comments publicly available by posting them to the online public reference room portion of its website.

An electronic copy of this Exposure Draft is available on the FASB's website.

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

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Testing Indefinite-Lived Intangible Assets for Impairment

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Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

During the outreach performed before the issuance of Accounting Standards Update No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment,* the Board received input from many financial statement preparers about the cost and complexity of performing impairment tests for indefinite-lived intangible assets other than goodwill. Additionally, many stakeholders noted that as a result of the recent amendments to the guidance on testing goodwill for impairment, indefinite-lived intangible assets would not be subject to a qualitative impairment assessment, which would be inconsistent with that of goodwill and other long-lived assets.

The objective of the amendments in this proposed Update would be to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets other than goodwill by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The proposed amendments would permit an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test currently required in Subtopic 350-30 on general intangibles other than goodwill. The more-likely-than-not threshold would be defined as having a likelihood of more than 50 percent.

The current guidance in Subtopic 350-30 requires an entity to test indefinite-lived intangible assets for impairment, on at least an annual basis, by comparing the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an entity would recognize an impairment loss in the amount of that excess. In accordance with the proposed amendments, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines that it is more likely than not that the asset is impaired. Permitting an entity to assess qualitative factors when testing indefinite-lived intangible assets for impairment would result in consistency with the goodwill impairment testing guidance in Update 2011-08.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would apply to all entities, both public and nonpublic, that have indefinite-lived intangible assets reported in their financial statements.

What Are the Main Provisions?

In accordance with the amendments in this proposed Update, an entity would have the option to first assess qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity would not be required to take further action. However, if an entity concludes otherwise, then it would be required to determine the fair value of the indefinite-lived intangible asset and compare the fair value with the carrying amount, as is currently required by Subtopic 350-30.

An entity also would have the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to calculating its fair value. An entity would be able to resume performing the qualitative assessment in any subsequent period.

In conducting a qualitative assessment, an entity would consider the extent to which relevant events and circumstances, both individually and in the aggregate, could have affected the significant inputs used in determining the fair value of the indefinite-lived intangible asset since the last assessment. An entity also would consider whether there have been changes to the carrying amount of the indefinite-lived intangible asset when evaluating whether it is more likely than not that the indefinite-lived intangible asset is impaired. Also, an entity would consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity would refer to the examples in paragraph 350-20-35-3(a) through (e) for guidance about the types of events and circumstances that it should consider in evaluating whether it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity has made a recent fair value calculation for an indefinite-lived intangible asset, it also should include as a factor in its consideration the difference between that fair value and the current carrying amount in reaching its conclusion about whether it is more likely than not that the indefinite-lived intangible asset is impaired.

How Would the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Would They Be an Improvement?

The amendments in this proposed Update are intended to reduce the cost and complexity by providing an entity with the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should calculate the fair value of the asset. The proposed amendments also would enhance the consistency of impairment testing guidance among long-lived asset categories by permitting an entity to assess qualitative factors to determine whether it is necessary to calculate the asset's fair value when testing indefinite-lived intangible assets for impairment.

When Would the Amendments Be Effective?

The amendments in this proposed Update would be effective for annual and interim impairment tests performed for fiscal years beginning after June 15, 2012. Early adoption would be permitted, including for annual and interim impairment tests performed as of a date before the issuance of the final Accounting Standards Update, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.

How Do the Proposed Provisions Compare with International Financial Reporting Standards (IFRS)?

IAS 36, *Impairment of Assets,* requires an entity to test an indefinite-lived intangible asset for impairment by comparing its carrying amount with its recoverable amount. The impairment test must be performed annually irrespective of whether there is any indication of impairment and in between annual tests whenever there is an indication of impairment. IAS 36 allows an entity to carry forward the most recent detailed calculation of an asset's recoverable amount when performing its current period impairment test, provided that certain criteria are met.

The Board recognizes that the guidance in Topic 350 and IAS 36 will not converge as a result of these proposed amendments. The Board concluded that such an effort is beyond the scope of this proposed Update and can only be approached by more broadly addressing these and other differences in impairment guidance between U.S. GAAP and IFRS.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

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

a. Please indicate whether you primarily are a preparer, user, or auditor of financial statements or, if other, please specify.
b. If you are a preparer of financial statements, please indicate whether your entity is public or nonpublic and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric). In addition, include a description of the type of indefinite-lived intangible assets held by your entity.
c. If you are an auditor, 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, nonpublic entities, or both.
d. If you are a user of financial statements, please indicate in what capacity (for example, investor, analyst, or rating agency) and where in the capital structure you are most focused (for example, debt or equity).

Question 2: For preparers, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why.

Question 3: For preparers, do you expect that your entity will choose to perform the qualitative assessment proposed in the amendments, or will your entity choose to proceed directly to performing the quantitative impairment test? Please explain.

Question 4: For auditors, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why. Does your response differ based on whether the entity is public or nonpublic?

Question 5: For users, how do you believe that the optional qualitative approach for evaluating indefinite-lived intangible assets for impairment will affect the timing of the recognition of impairment losses? Additionally, will the optional qualitative approach affect how you evaluate indefinite-lived intangible assets reported in the financial statements? If yes, please explain.

Question 6: Do you agree that the examples of events and circumstances in paragraph 350-20-35-3(a) through (e) are helpful in assessing whether significant inputs to the fair value measurement have changed significantly to indicate that it is more likely than not that an indefinite-lived intangible asset is impaired? If not, what additional examples of events and circumstances do you suggest?

Question 7: Do you agree that nonpublic entities should be exempt from disclosing quantitative information about significant unobservable inputs used in measuring the fair value of an indefinite-lived intangible asset as required in paragraph 820-10-50-2(bbb), as amended by Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*? If not, please explain why.

Question 8: Do you agree with the proposed effective date provisions? If not, please explain why.

Amendments to the *FASB Accounting Standards Codification*®

Summary of Proposed Amendments to the Accounting Standards Codification

1. The following table provides a summary of the proposed amendments to the Accounting Standards Codification.

Codification Paragraphs	**Action**	**Description of Changes**
350-30-35-17A through 35-19	Amended/Added	The proposed amendments would permit an entity to first assess whether qualitative factors that affect significant inputs to the fair value measurement indicate that it is more likely than not that indefinite-lived intangible assets are impaired. This assessment is used to determine whether it is necessary to perform a quantitative impairment test.
350-30-50-3A	Added	The proposed amendments would exempt nonpublic entities from disclosing quantitative information about significant unobservable inputs used in measuring the fair value of an indefinite-lived intangible asset in accordance with paragraph 820-10-50-2(bbb), as amended by Accounting Standards Update 2011-04.
350-30-65-3	Added	The proposed amendments would outline the transition and effective date information.

Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–5. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~.

Amendments to Subtopic 350-30

3. Amend paragraphs 350-30-35-17A through 35-19 and add paragraphs 350-30-35-18A through 35-18F, with a link to transition paragraph 350-30-65-3, as follows: **[Note: Text from paragraph 350-20-35-3C(a) through (e) is included below for reference purposes.]**

350-20-35-3C In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, an entity shall assess relevant events and circumstances. Examples of such events and circumstances include the following:

a. Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets
b. Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (consider in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development
c. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows
d. Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods
e. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation

Intangibles—Goodwill and Other—General Intangibles Other than Goodwill

Subsequent Measurement

> > Intangible Assets Not Subject to Amortization

350-30-35-15 If an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite.

350-30-35-16 An entity shall evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

350-30-35-17 If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset shall be tested for impairment in accordance with paragraphs 350-30-35-18 through 35-20. That intangible asset shall then be amortized prospectively over its estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization.

350-30-35-17A Intangible assets acquired in a business combination or an acquisition by a not-for-profit entity that are used in research and development activities (regardless of whether they have an alternative future use) shall be considered indefinite lived until the completion or abandonment of the associated research and development efforts. During the period those assets are considered indefinite lived they shall not be amortized but shall be tested for impairment in accordance with the following ~~paragraph~~ paragraphs. Once the research and development efforts are completed or abandoned, the entity shall determine the useful life of the assets based on the guidance in this Section. Consistent with the guidance in paragraph 360-10-35-49, intangible assets acquired in a business combination or an acquisition by a not-for-profit entity that have been temporarily idled shall not be accounted for as if abandoned.

350-30-35-18 An intangible asset that is not subject to amortization shall be tested for impairment annually, ~~or~~ and more frequently if events or changes in circumstances indicate that the asset might be impaired. For an intangible asset that is not subject to amortization for impairment, an entity may first perform a qualitative assessment, as described in paragraphs 350-30-35-18A through 35-18F, to determine whether it is necessary to calculate the fair value of an indefinite-lived intangible asset. An entity has an unconditional option to bypass that qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the impairment test as described in paragraph 350-30-35-19. An entity may resume performing the qualitative assessment in any subsequent period. ~~Paragraph 360-10-35-21 includes examples of impairment indicators. The impairment test shall consist of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess.~~

350-30-35-18A If an entity elects to perform a qualitative assessment, it shall first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired.

350-30-35-18B An entity shall assess all relevant events and circumstances that may affect the significant inputs used in determining the fair value of the indefinite-lived intangible asset. In conducting this qualitative assessment, an entity should consider the examples of events and circumstances included in paragraph 350-20-35-3C(a) through (e). However, those examples shall not be considered all inclusive.

350-30-35-18C An entity shall consider the extent to which each of the adverse events and circumstances identified could affect the fair value of an indefinite-lived intangible asset. An entity also should consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. If an entity has made a recent fair value calculation for an indefinite-lived intangible asset, it also should include as a factor in its consideration the difference between that fair value and the current carrying amount in reaching its conclusion about whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity also shall consider whether there have been any changes to the carrying amount of the indefinite-lived intangible asset in determining whether it is more likely than not that the intangible asset is impaired.

350-30-35-18D An entity shall evaluate, on the basis of the weight of the evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the indefinite-lived intangible asset is impaired. None of the individual examples of events and circumstances included in paragraph 350-20-35-3C(a) through (e) are intended to represent standalone events or circumstances that necessarily require an entity to calculate the fair value of an intangible asset. Also, the existence of positive and mitigating events and circumstances is not intended to represent a rebuttable presumption that an entity should not calculate the fair value of an indefinite-lived intangible asset.

350-30-35-18E If, after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, an entity determines that it is not more likely than not that the indefinite-lived intangible asset is impaired, then calculating the fair value of the asset and performing the impairment test as described in paragraph 350-30-35-19 is unnecessary.

350-30-35-18F If, after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, an entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired, then the entity shall calculate the fair value of the intangible asset and perform the impairment test as described in the following paragraph.

350-30-35-19 The impairment test for an indefinite-lived intangible asset shall consist of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, the entity shall recognize an impairment loss in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis.

350-30-35-20 Subsequent reversal of a previously recognized impairment loss is prohibited.

4. Add paragraph 350-30-50-3A, with a link to transition paragraph 350-30-65-3, as follows:

Disclosure

350-30-50-3A A **{add glossary link to third definition}nonpublic entity{add glossary link to third definition}** is not required to disclose the quantitative information about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb) that relate to the financial accounting and reporting for an indefinite-lived intangible asset after its initial recognition.

5. Add paragraph 350-30-65-3 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2012-XX, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*

350-30-65-3 The following represents the transition and effective date information related to Accounting Standards Update No. 2012-XX, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment:*

a. The pending content that links to this paragraph shall be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after June 15, 2012.
b. Earlier application is permitted, including for annual and interim impairment tests performed as of a date before XX, 2012 (the issuance date of the final amendments), if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for **{add glossary link to the third definition}nonpublic entities{add glossary link to the third definition},** have not yet been made available for issuance.

The amendments in this proposed Update were approved for publication by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Leslie F. Seidman, *Chairman*
Daryl E. Buck
Russell G. Golden
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this proposed Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The amendments in this proposed Update would permit an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. The entity would use this as a basis for determining whether it is necessary to perform the quantitative impairment test required in Subtopic 350-30, which requires calculating the fair value of the indefinite-lived intangible asset.

Background Information

BC3. The current guidance in Subtopic 350-30 requires an entity to test an indefinite-lived intangible asset for impairment by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

BC4. During the outreach performed before the issuance of Update 2011-08 on goodwill impairment, the Board received input from financial statement preparers indicating concerns about the recurring costs and complexity of calculating the fair value of an indefinite-lived intangible asset. That input was similar to what the Board received about testing goodwill for impairment. A significant number of stakeholders suggested that the Board should either expand the scope of the goodwill impairment proposal to permit an entity to use a qualitative assessment for testing other indefinite-lived intangible assets for impairment or add a separate project to its agenda to address these concerns.

BC5. As a result of its deliberations on the goodwill impairment proposal, the Board concluded that the scope of Update 2011-08 should be limited to how an entity tests goodwill for impairment. The Board reached this conclusion primarily because it did not want to delay the issuance of Update 2011-08, which was intended to provide cost relief for entities electing to early adopt the amendments during 2011.

BC6. In response to stakeholder input and to promote consistency in impairment testing guidance among long-lived asset categories, on September 7, 2011, the FASB chairman added a project to the Board's agenda to explore additional approaches to the manner in which an entity tests other indefinite-lived intangible assets for impairment.

General Considerations

BC7. The Board decided that, in evaluating whether it is more likely than not that an indefinite-lived intangible asset is impaired, an entity should assess the relevant events and circumstances that may affect the significant inputs used in determining the fair value. The Board decided that the examples of events and circumstances in paragraph 350-20-35-3C(a) through (e) that were added by Update 2011-08 are relevant indicators of potential impairment of other indefinite-lived intangible assets. The Board acknowledges that assessing events and circumstances that may affect the inputs used in calculating an indefinite-lived intangible asset's fair value may require significant judgment, particularly when evaluating the potential effect of multiple relevant factors. The Board indicated that it does not intend for an entity or its public accounting firm to view the examples as events and circumstances that automatically require an entity to proceed to calculating the fair value of the indefinite-lived intangible asset.

BC8. The Board formed its decision with input received during an FASB workshop held in August 2011 to discuss alternative methods for testing indefinite-lived intangible assets for impairment. Participants in the workshop included financial statement preparers, auditors, and regulators. These participants stated that because there are different types of indefinite-lived intangible assets, the fair value of each of these assets is dependent on diverse factors, and these assets are assessed for impairment at the individual asset level, the qualitative assessment for such assets should focus on the events and circumstances that affect the significant inputs used in the fair value measurement.

BC9. The Board considered whether to retain the current quantitative impairment testing guidance for certain indefinite-lived intangible assets, such as in-process research and development assets whose fair value involves significant uncertainties related to characteristics specific to the indefinite-lived intangible asset. The Board acknowledges the difficulty in applying qualitative factors to evaluate such assets; however, it decided not to explicitly exclude any types of indefinite-lived intangible assets from the qualitative assessment because the assessment is optional and because there may be circumstances when it would be appropriate to use the qualitative assessment for those types of assets. The Board also acknowledges that an entity would assess the reliability of the factors evaluated during the qualitative assessment and that if it would not be possible for an entity to make a positive assertion that it is not more likely than not that the indefinite-lived intangible asset is impaired, a fair value calculation should be performed.

BC10. Consistent with the amendments in Update 2011-08, the Board decided to allow an entity an unconditional option to bypass the qualitative assessment and proceed directly to calculating the fair value of an indefinite-lived intangible asset. An entity may resume performing the qualitative assessment in any subsequent period. In reaching that decision, the Board concluded that an entity should not be required to evaluate qualitative factors if it chooses to skip directly to calculating the fair value of an indefinite-lived intangible asset. The Board recognizes that it may be more cost-effective for an entity to reach this conclusion when the entity believes that assessing qualitative factors is unnecessary because it is highly likely that the indefinite-lived intangible asset is impaired.

BC11. While the examples of events and circumstances in the proposed amendments would replace the current examples of events and circumstances that an entity should consider between annual impairment tests, the Board does not intend to change the practice of how an entity evaluates an indefinite-lived intangible asset for impairment on an interim basis. An indefinite-lived intangible asset should be tested at least annually and evaluated on an interim basis to consider whether any significant changes in events or circumstances have occurred during the intervening period that indicate that it is more likely than not that the indefinite-lived intangible asset is impaired.

BC12. In connection with the annual testing requirement, the Board intends for an entity to make a positive assertion about its conclusion reached and the events and circumstances taken into consideration if it determines that it is not more likely than not that the indefinite-lived intangible asset is impaired. The Board also acknowledges that the more time that elapses since an entity last calculated the fair value of an indefinite-lived intangible asset, the more difficult it may be to make a conclusion based solely on a qualitative assessment of relevant events and circumstances.

BC13. The Board decided to not require any additional disclosures about the use of the optional qualitative assessment. The Board deliberated whether to require an entity to disclose (a) when it utilizes the optional qualitative assessment and (b) the significant factors evaluated in reaching the conclusion that it is not more likely than not that the indefinite-lived intangible asset is impaired. The Board considered input that impairment losses usually occur after the observable events and are already factored in the financial statement users' analysis. Consistent with its conclusion reached in Update 2011-08, the Board also concluded that requiring those disclosures could imply that a qualitative assessment is not as reliable as a quantitative test, which is not the intention of the proposed Update.

BC14. The Board considered a proposed alternative to testing indefinite-lived intangible assets other than goodwill for impairment that would have allowed an entity to carry forward its most recent fair value calculation for the asset if certain criteria were met. This approach would have improved the consistency of U.S. GAAP and the guidance under IAS 36. However, the Board believes that the optional qualitative assessment included in the proposed amendments would result in consistent guidance for testing long-lived assets for impairment under U.S. GAAP and would result in greater benefits because of the flexibility offered by its more principles-based approach. The Board also believes that because under IAS 36, the risk of impairment must be remote in order to use the carryforward provision, the number of entities that could use the carryforward option would be significantly limited.

Effective Date

BC15. The Board decided that the amendments in this proposed Update would be effective for annual and interim impairment tests of indefinite-lived intangible assets performed for fiscal years beginning after June 15, 2012. Early adoption would be permitted.

BC16. The Board decided that requiring all entities to apply the change in fiscal years beginning after June 15, 2012, would be operational because using the qualitative assessment is entirely optional. The Board believes that an entity should have the option to early adopt the proposed new guidance to reduce the costs and complexity when performing its next impairment test on indefinite-lived intangible assets. The Board did not defer the effective date for nonpublic entities because the amendments in this proposed Update are optional, aimed at reducing cost and complexity, and narrow in scope.

Benefits and Costs

BC17. The Board believes that the qualitative approach included in the amendments in this proposed Update will adequately address stakeholders' concerns because it would reduce the costs and complexity of calculating the fair value of an indefinite-lived intangible asset and would align the impairment testing guidance among long-lived asset categories. The Board believes that the proposed approach is operational and auditable and would likely reduce costs for many entities. The Board acknowledges that in an unfavorable economic environment many entities may likely determine that they must calculate the fair value of an intangible asset because it may be more likely than not that the asset is impaired. However, the Board believes that the amendments in this proposed Update would provide greater cost relief to preparers in a more stable or favorable economic environment without affecting the information reported to users of financial statements.

BC18. Currently, paragraph 350-30-50-3(b) requires an entity that recognizes an impairment loss to disclose the method of determining the fair value of the intangible asset. As part of its joint project with the IASB on fair value measurements, the FASB issued Update 2011-04, which includes amendments to Topic 820 to require the disclosure of quantitative information about the significant unobservable inputs used in a recurring or nonrecurring fair value measurement that is categorized within Level 3 of the fair value hierarchy. In that project, after considering feedback from users of financial statements, the Board decided to clarify that disclosures about significant unobservable inputs should include quantitative information. The purpose of those disclosures is not to give users of financial statements information to replicate an entity's pricing models but rather to provide sufficient information for users to assess whether an entity's views about individual inputs differ from their own and, if so, to decide how to incorporate an entity's fair value measurement in their decisions.

BC19. The Board recognizes that most users of nonpublic entity financial statements have the ability to access management to engage in dialogue and obtain supporting financial information if they determine it is necessary. The Board also considered that because of the degree of management access and interaction with the preparers of nonpublic entity financial statements, most users already are generally informed of a significant impairment loss and the underlying reasons well before the U.S. GAAP financial statements are finalized, which often occurs at least four to six months after a nonpublic entity's fiscal year-end. Therefore, the Board decided to exempt nonpublic entities from the quantitative disclosure requirements included in paragraph 820-10-50-2(bbb) as they relate to impairment losses recognized for indefinite-lived intangible assets, which is consistent with its decision reached in Update 2011-08.

Amendments to the XBRL Taxonomy

The FASB will expose for public comment the changes to the U.S. GAAP Financial Reporting Taxonomy (UGT) that would be required were the provisions of this Exposure Draft finalized as proposed. The proposed changes to the UGT will be available on the FASB website on or about February 25, 2012.

The FASB will alert the public of the availability of proposed UGT changes and the deadline for comment through an announcement on its website and in its Action Alert email service.