



NEWS RELEASE

CONTACT:

Theresa Liu

tliu@valuationresearch.com

Valuation Research Corporation

(414) 221-6235

FASB Updates Guidance on Testing Goodwill for Impairment

(October 3, 2011) – In response to private company concerns about the cost and complexity of performing goodwill impairment testing and after nearly a year of discussion, the Financial Accounting Standards Board (FASB) amended ASC 350 relating to Testing Goodwill for Impairment.

Accounting Standard Update 2011-08 (ASU 2011-08) amends ASC 350 allowing entities to qualitatively assess whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If the entity determines it is “more-likely-than-not” that the fair value of the reporting unit is less than its carrying amount the entity would proceed with step one of the two-step goodwill impairment test as described in ASC 350. However, if the reporting unit’s fair value clears the “more-likely-than-not” hurdle, and its fair value likely exceeds its carrying value based on a review of the qualitative factors, then no further fair value measurement needs be performed.

“FASB has reduced the complexity of the goodwill impairment testing process with this ruling for certain entities that have reporting units with significant differences between fair value and their carrying amounts,” said P. J. Patel, CFA, Senior Vice President of VRC. “However, it is important to note that for entities that have a significant cushion, the ability to qualitatively assess a reporting unit for goodwill impairment prior to commencing a fair value-based test already existed under ASC 350. The qualitative assessment, together with a more-likely-than-not threshold, should reduce the complexity and cost of goodwill impairment testing for these entities that have a significant cushion. But for those entities with lesser cushion, the new standard can result in the qualitative step providing unclear direction, and perhaps more auditor scrutiny.”

This guidance requires all companies to apply the change in fiscal years beginning after December 15, 2011. However, early adoption is permitted. For the full text of FASB Topic 350: Impairment Goodwill and Other No. 2011-08, click [here](#).

About VRC

VRC furnishes expert and independent opinions of value for solvency, fairness, business enterprises, intangible assets, capital stock, equity interests, real estate, and fixed assets. VRC has



provided valuations worldwide since 1975. VRC has locations in Boston, Chicago, Cincinnati, Milwaukee, New York, Princeton, San Francisco, and Tampa; as well as international affiliates in Argentina, Australia, Brazil, Canada, China, France, Germany, Luxembourg, Mexico, Spain, and the United Kingdom.

#