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The Financial Accounting Standards Board ([FASB](#)) today issued guidance intended to improve private company financial reporting regarding accounting for identifiable intangible assets in a business combination. FASB Accounting Standards Update No. 2014-18, Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination, is based on a consensus reached by the Private Company Council (PCC).

The PCC and the FASB received input from private company stakeholders indicating that the benefits of the current requirements relating to the accounting for identifiable intangible assets acquired in a business combination do not justify the related costs.

The new guidance allows a private company to elect an accounting alternative for the recognition of certain intangible assets acquired in a business combination. In this alternative, a private company would no longer recognize the following separate from goodwill:

1. Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business, and
2. Non-competition agreements.

Many customer-related intangible assets, because they are not capable of being sold or licensed independently from the other assets of the business, would not be separately recognized under this accounting alternative.

However, some customer-related intangible assets that are capable of being sold or licensed independently would continue to be separately recognized—such as mortgage servicing rights, commodity supply contracts, core deposits, and customer information (for example, names and contact information).

“This accounting alternative will, for private companies, avoid the unnecessary costs

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adoption will be effective for that fiscal year and all periods thereafter. If the transaction occurs in fiscal years beginning after December 15, 2016, the adoption will be effective in the interim period that includes the date of that first transaction and all periods thereafter. Early application is permitted for any interim and annual financial statements that have not yet been made available for issuance.

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