reporting unit level, a not-for-profit organization that elects the accounting alternative would ...

Jan. 02, 2019

The Financial Accounting Standards Board (FASB) has issued a proposed Accounting Standards Update (ASU) that would reduce the cost and complexity of accounting for goodwill and measuring certain identifiable intangible assets for not-for-profit organizations. Stakeholders are encouraged to review and provide input on the proposed ASU by February 18, 2019.

In 2014, the Private Company Council (PCC) worked with the FASB to issue two private company alternatives on the Accounting for Goodwill and the Accounting for Identifiable Intangible Assets in a Business Combination. The FASB issued the two standards to address concerns expressed by private companies and their stakeholders about the cost and complexity of the goodwill impairment test and the accounting for certain identifiable intangible assets, among other concerns.

"Stakeholders subsequently told us that these two private company alternatives would also benefit not-for-profit organizations—as the benefits of current accounting for goodwill and identifiable intangible assets in a business combination did not justify the costs," said FASB Chairman Russell G. Golden. "This proposed standard simply extends the scope of the two private company alternatives to not-for-profits, which will enable them to recognize fewer items as separate intangible assets in acquisitions and to account for goodwill in a more cost-effective manner."

In this proposed ASU, instead of testing goodwill for impairment annually at the reporting unit level, a not-for-profit organization that elects the accounting alternative would:

- Amortize goodwill over 10 years or less, on a straight-line basis