FINANCIAL ACCOUNTING SERIES

ACCOUNTING STANDARDS UPDATE

No. 2012-02
July 2012

Intangibles—Goodwill and Other (Topic 350)

Testing Indefinite-Lived Intangible Assets for Impairment

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board
of the Financial Accounting Foundation

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401 MERRITT 7, PO BOX 5116, NORWALK, CONNECTICUT 06856-5116

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Summary

Why Is the FASB Issuing This 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 recurring cost and complexity of performing a quantitative impairment test for indefinite-lived intangible assets other than goodwill, especially when the facts and circumstances indicated a low likelihood of impairment. 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 be the only category of long-lived assets subject to an annual quantitative impairment testing requirement, which would be inconsistent with that of goodwill and other long-lived assets.

The objective of the amendments in this Update is to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments permit an entity first to 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 in accordance with Subtopic 350-30, Intangibles—Goodwill and Other—General Intangibles Other than Goodwill. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent.

Previous guidance in Subtopic 350-30 required 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 should recognize an impairment loss in the amount of that excess. In accordance with the amendments in this Update, an entity will have an option not to calculate annually the fair value of an indefinite-lived intangible asset if the entity determines that it is not more likely than not that the asset is impaired. Permitting an entity to assess qualitative factors when testing indefinite-lived intangible assets for impairment results in guidance that is similar to the goodwill impairment testing guidance in Update 2011-08.

Who Is Affected by the Amendments in This Update?

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

What Are the Main Provisions?

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

An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period.

In conducting a qualitative assessment, an entity should consider the extent to which relevant events and circumstances, both individually and in the aggregate, could have affected the significant inputs used to determine the fair value of the indefinite-lived intangible asset since the last assessment. An entity also should 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. An entity should consider positive and mitigating events and circumstances that could affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity should refer to the examples in paragraph 350-30-35-18B(a) through (f) 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 that indicated a difference between the fair value and the then carrying amount of an indefinite-lived intangible asset, that difference also should be included as a factor in considering whether it is more likely than not that the indefinite-lived intangible asset is impaired.

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

The amendments in this Update are intended to reduce 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 perform a quantitative impairment test. The amendments also 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 an indefinite-lived intangible asset for impairment, which is equivalent to the impairment testing requirements for other long-lived assets.

When Will the Amendments Be Effective?

The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, 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 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 regardless 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 amendments. The Board concluded that such an effort is beyond the scope of this Update and can only be approached by more broadly addressing these and other differences in impairment guidance between U.S. GAAP and IFRS.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–5. 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

2. Amend paragraphs 350-30-35-17 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:

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 <u>35-19</u>~~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 that those assets are considered indefinite lived, they shall not be amortized but shall be tested for impairment in accordance with ~~the following paragraph~~ paragraphs 350-30-35-18 through 35-19. 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 it is more likely than not that the asset is impaired. ~~the asset might be impaired. 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 An entity may first perform a qualitative assessment, as described in this paragraph and paragraphs 350-30-35-18B through 35-18F, to determine whether it is necessary to perform the quantitative impairment test as described in paragraph 350-30-35-19. An entity has an unconditional option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test as described in paragraph 350-30-35-19. An entity may resume performing the qualitative assessment in any subsequent period. If an entity elects to perform a qualitative assessment, it first shall 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 In assessing whether it is more likely than not that an indefinite-lived intangible asset is impaired, an entity shall assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. Examples of such events and circumstances include the following:

a. Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on future expected earnings and cash flows that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset
b. 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 that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset

c. Legal, regulatory, contractual, political, business, or other factors, including asset-specific factors that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset
d. Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers; contemplation of bankruptcy; or litigation that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset
e. 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 (in both absolute terms and relative to peers), or a change in the market for an entity's products or services due to the effects of obsolescence, demand, competition, or other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing business environment, and expected changes in distribution channels) that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset
f. Macroeconomic conditions such as deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset.

350-30-35-18C The examples included in the preceding paragraph are not all-inclusive, and an entity shall consider other relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. An entity shall consider the extent to which each of the adverse events and circumstances identified could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. An entity also shall consider the following to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired:

a. Positive and mitigating events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset
b. If an entity has made a recent fair value calculation for an indefinite-lived intangible asset, the difference between that fair value and the then carrying amount
c. Whether there have been any changes to the carrying amount of the indefinite-lived intangible asset.

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 that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset for 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 350-30-35-18B(a) through (f) are intended to represent standalone events and 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 perform the quantitative impairment test as described in paragraph 350-30-35-19.

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 the entity need not calculate the fair value of the intangible asset and perform the quantitative impairment test in accordance with paragraph 350-30-35-19.

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 quantitative impairment test in accordance with the following paragraph.

350-30-35-19 The quantitative 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, an 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.

3. 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 1st definition}nonpublic entity{add glossary link to 1st 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.

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

> Transition Related to Accounting Standards Update No. 2012-02, *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. 2012-02, *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 September 15, 2012.
b. Earlier application is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for a nonpublic entity, have not yet been made available for issuance.

5. Amend paragraph 350-30-00-1, by adding the following items to the table, as follows:

350-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
350-30-35-17 through 35-18	Amended	2012-02	07/27/2012
350-30-35-18A through 35-18F	Added	2012-02	07/27/2012
350-30-35-19	Amended	2012-02	07/27/2012
350-30-50-3A	Added	2012-02	07/27/2012
350-30-65-3	Added	2012-02	07/27/2012

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

Background Information

BC3. Previous guidance in Subtopic 350-30 required an entity to test at least annually 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 performing a quantitative impairment test for an indefinite-lived intangible asset, especially when the facts and circumstances indicated a low likelihood of impairment. That input was similar to what the Board received about testing goodwill for impairment. A significant number of stakeholders suggested that the Board either should 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. In 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. However, in response to stakeholders' input on impairment testing for indefinite-lived intangible assets received during the outreach on Update 2011-08 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 consider alternate approaches to testing other indefinite-lived intangible assets for impairment.

BC7. In January 2012, the FASB issued an Exposure Draft of a proposed Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment,* which was intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment by permitting an entity to perform a qualitative assessment to determine whether to calculate the fair value of an indefinite-lived intangible asset for purposes of performing the quantitative impairment test. The comment period for the Exposure Draft ended on April 24, 2012, and the Board received 28 comment letters. A majority of respondents supported the Exposure Draft.

BC8. On June 6, 2012, the Board met to discuss the feedback received during the comment letter and outreach processes and to redeliberate its previous decisions. Because comment letter respondents observed that the Exposure Draft was operational and would reduce the cost and complexity of testing indefinite-lived intangible assets for impairment, the Board affirmed its previous decisions and concluded that some of the respondents' concerns could be addressed by making some minor additions and clarifications to the proposal.

General Considerations

BC9. 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 could affect the significant inputs used to determine its fair value. The Board decided to replace the previous indicators of potential impairment of other indefinite-lived intangible assets included in paragraph 360-10-35-21 with examples of events and circumstances in paragraph 350-30-35-18B(a) through (f) that an entity should evaluate in assessing whether significant inputs used to determine the fair value have been affected in a manner that would lead the entity to conclude whether it is more likely than not that the indefinite-lived intangible asset is impaired. The Board acknowledges that assessing events and circumstances that could affect the significant 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 does not intend for an entity 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.

BC10. During the staff's outreach for this Update, some stakeholders recommended that a sustained decrease in share price should be included in the examples of events and circumstances that an entity should evaluate in assessing whether significant inputs used to determine the fair value of an indefinite-lived intangible asset have been adversely affected. The Board concluded that such an indicator may be relevant to qualitatively assessing a residual asset such as goodwill but often may not be a relevant indicator for assets that are identifiable and whose fair value can be measured on a standalone basis. The Board considered that (a) the guidance states that the examples of events and circumstances included in the Update are not intended to be all-inclusive and (b) many of the common reasons contributing to a sustained decrease in share price are reflected in the examples provided in the Update. However, an entity should not disregard from its qualitative assessment a sustained decrease in share price, or any other relevant events and circumstances that indicate an effect on the significant inputs used to determine the fair value of an indefinite-lived intangible asset, from its qualitative assessment.

BC11. The Board formed its decisions 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 discussed alternative methods for testing indefinite-lived intangible assets for impairment. Those participants included financial statement preparers, auditors, and regulators. They stated that because (a) there are different types of indefinite-lived intangible assets, (b) the fair value of each of these assets depends on diverse factors, and (c) these assets are assessed for impairment at the individual asset level, the qualitative assessment for those assets should focus on the events and circumstances that affect the significant inputs used in the fair value measurement.

BC12. 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 in which it would be appropriate to use the qualitative assessment for those types of assets. The Board also acknowledges that an entity should assess the reliability of the factors evaluated during the qualitative assessment of such assets and that if it would not be possible for the entity to make a positive assertion that it is not more likely than not that the indefinite-lived intangible asset is impaired, the entity should perform a quantitative impairment test that involves calculation of the fair value.

BC13. 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.

BC14. While the examples of events and circumstances in the amendments replace the previous 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 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.

BC15. 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 about whether it is more likely than not that an indefinite-lived intangible asset is impaired solely on the basis of a qualitative assessment of relevant events and circumstances.

BC16. The Board decided not to 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, (b) the significant factors evaluated in concluding that it is not more likely than not that the indefinite-lived intangible asset is impaired, and (c) reasons for switching between performing a qualitative test and a quantitative test. The Board considered input that impairment losses usually are recorded after observable events relating to an impairment have occurred and that often these events already have been factored in a financial statement user's 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 Update.

BC17. The Board considered a proposed alternative to testing indefinite-lived intangible assets 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 concluded that the optional qualitative assessment included in the amendments will result in consistent guidance for testing long-lived assets for impairment under U.S. GAAP and will result in greater benefits because of the flexibility offered by its more principles-based approach. The Board also concluded that because IAS 36 states that the risk of impairment must be remote to use the carryforward provision, the number of entities that could use the carryforward option would be significantly limited.

Effective Date

BC18. The Board decided that the amendments in this Update should be effective for annual and interim impairment tests of indefinite-lived intangible assets performed for fiscal years beginning after September 15, 2012. Early adoption is permitted.

BC19. The Board decided that requiring all entities to apply the change in fiscal years beginning after September 15, 2012, would be operational because using the qualitative assessment is entirely optional. The Board concluded that an entity should have the option to early adopt the new guidance for financial statements that previously have not been issued (public entities) or available for issue (nonpublic entities) 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 Update are optional, aimed at reducing cost and complexity, and narrow in scope.

Benefits and Costs

BC20. The Board believes that the qualitative approach included in the amendments in this Update adequately addresses stakeholders' concerns because in many cases it will reduce the costs and complexity of performing an impairment test for an indefinite-lived intangible asset and align the impairment testing guidance among long-lived asset categories. The Board also concluded that the amendments are operational and auditable and will 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 amendments in this Update should provide greater cost relief to preparers in a more stable or favorable economic environment without affecting the information reported to users of financial statements.

BC21. 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 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,* 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.

BC22. The Board recognizes that users of nonpublic entity financial statements most often are not focused on noncash charges and are able 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 generally are informed of a significant impairment loss and the underlying reasons 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

There are no proposed amendments to the XBRL taxonomy as a result of the amendments in this Update.