

Technical Line

FASB – final guidance

How to qualitatively assess indefinite-lived intangibles for impairment

In this issue:

Overview	1
Key considerations	2
Applying the qualitative assessment .	3
Determine your starting point	3
Identify the most relevant drivers of fair value.....	3
Identify events and circumstances	5
Weigh the identified factors.....	5
Conclude	6
Other considerations	7
Illustration of how the process would work	7

What you need to know

- ▶ Companies that use the optional qualitative assessment and achieve a positive result can avoid the cost and effort of determining an indefinite-lived intangible asset's fair value.
- ▶ Using the new qualitative assessment will require significant judgment.
- ▶ Companies that use the qualitative assessment will have to consider positive and negative evidence that could affect the significant inputs used to determine fair value.
- ▶ Companies that have indefinite-lived intangible assets with fair values that recently exceeded their carrying amounts by significant margins are likely to benefit from the qualitative assessment.
- ▶ Using the qualitative assessment does not affect the timing or measurement of impairments.

Overview

The Financial Accounting Standards Board (FASB or Board) introduced an optional qualitative assessment for testing indefinite-lived intangible assets for impairment that may allow companies to avoid calculating the assets' fair value each year.

Accounting Standards Update (ASU) 2012-02¹ allows companies to use a qualitative assessment similar to the optional assessment introduced last year for testing goodwill for impairment.² The goal of both standards is to reduce the cost and complexity of performing the annual impairment test.

ASC 350³ requires companies to test indefinite-lived intangible assets for impairment annually, and more frequently if indicators of impairment exist. Before ASU 2012-02, the impairment test required a company to determine the fair value of

an indefinite-lived intangible asset and compare that value with its carrying amount. ASU 2012-02 gives companies the option to first assess whether it is more likely than not (i.e., a likelihood of greater than 50%) that an indefinite-lived intangible asset is impaired. If a company concludes that is not the case, it would not have to determine the asset's fair value. While the guidance may change how companies perform impairment testing, it does not change the timing or measurement of impairments.

This publication discusses what companies should consider as they decide whether and how to apply the qualitative assessment.

Key considerations

The guidance allows (but does not require) companies to first consider events and circumstances that may affect the fair value of an indefinite-lived intangible asset to determine whether it is necessary to perform the quantitative impairment test. The guidance requires companies to focus on the significant inputs used to determine fair value, since there are many different types of indefinite-lived intangible assets and diverse factors could affect the fair value for each asset. The goodwill guidance, by contrast, directs companies to assess events and circumstances that could affect the fair value of a reporting unit.

Once a company has identified the significant inputs, it must consider whether and, if so, how much events and circumstances could have affected those inputs. The events and circumstances to be considered include most of those identified by the Board for the qualitative assessment for goodwill. In addition, the Board decided that the factors used to determine the useful life of an intangible asset also should be considered.

ASU 2012-02 revised the factors for interim impairment evaluations to better reflect the reasons companies have historically provided for recognizing indefinite-lived intangible asset impairments. Examples of events and circumstances that could affect the significant inputs include:

- ▶ Cost factors, such as increases in raw materials, labor or other costs that have a negative effect on future expected earnings and cash flows
- ▶ 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
- ▶ Legal, regulatory, contractual, competitive, economic, political, business or other factors
- ▶ Other relevant entity-specific events, such as changes in management, key personnel, strategy or customers; contemplation of bankruptcy; or litigation
- ▶ Industry and market considerations, such as a deteriorating operating environment, increased competition, a decline in market-dependent multiples or metrics (both in absolute terms and relative to peers) or a change in the market for an entity's products or services due to obsolescence, demand, competition or other economic factors
- ▶ Macroeconomic conditions, such as a deterioration in general economic conditions, limited access to capital, foreign exchange rate fluctuations or other equity and credit market developments

None of these events or circumstances by itself would indicate that it is more likely than not that an indefinite-lived intangible asset is impaired, requiring a company to calculate the asset's fair value. However, a company must evaluate all events and circumstances, including positive or mitigating factors, that could affect the significant inputs used to determine fair value. Weighing the effect of various positive and negative factors may be challenging and will require companies to use significant judgment.

Applying the qualitative assessment

We believe the framework below will be useful for considering how to apply the qualitative assessment to indefinite-lived intangible assets.

Determine your starting point



Companies that have indefinite-lived intangible assets with fair values that recently exceeded their carrying amounts by significant margins are likely to benefit from the qualitative assessment.

Companies should use the most recent fair value calculation for an indefinite-lived intangible asset as the starting point for a qualitative assessment. The amount by which the fair value of the asset exceeded its carrying amount (i.e., excess fair value) in that calculation may support the continued use of the qualitative assessment despite the existence of negative evidence.

Companies with indefinite-lived intangible assets whose fair values have recently exceeded carrying amounts by significant margins likely will benefit from the qualitative assessment. For indefinite-lived intangible assets that have recently been impaired or don't have a significant margin between the carrying amount and fair value, companies may find it more cost-effective to move directly to the determination of fair value.

Companies also should consider external factors that could affect the significant inputs used to determine fair value. Evaluating trends in the overall economy and industry may be a relatively quick way for a company to assess whether it will be efficient to apply the qualitative assessment for a particular indefinite-lived intangible asset.

Identify the most relevant drivers of fair value



The next step in the framework for applying the qualitative assessment is to identify the significant inputs used to determine an asset's fair value. To do so, a company must first understand the method used to determine the fair value of each of its indefinite-lived intangible assets.

For example, if an income-based approach (e.g., relief from royalty method, Greenfield method) is used to calculate the fair value of an indefinite-lived intangible asset, the significant inputs used to determine that value may include projected cash flows and the discount rate applied to those projections.

Understanding the significant inputs will enable companies to focus on evaluating inputs that are most relevant to the outcome of the qualitative assessment. For example, a company that uses the relief from royalty method to value an indefinite-lived intangible asset may identify, among other inputs, the relevant revenue stream, royalty rate and appropriate discount rate as significant inputs.

Companies also should consider that a significant input for a particular asset may be a component of a key assumption. For example, a discount rate typically is identified as a key assumption when applying the income approach to determine fair value. However, depending on facts and circumstances, a company may identify an element of the discount rate, such as the risk premium or the risk-free interest rate, as the significant input for a particular asset.

When identifying the most relevant drivers of fair value, companies should keep in mind that more than one valuation technique may be used to determine fair value depending on the indefinite-lived intangible asset.

For example, a company may use multiple valuation approaches to determine fair value if observable market prices are not readily available or if by nature the indefinite-lived intangible asset lends itself to more than one valuation technique. No matter how many valuation techniques are used, a company should consider all inputs used to determine fair value when it evaluates those it believes are the most relevant.

Regardless of the historic method used to determine fair value, companies should keep in mind that fair value is based on what a market participant would receive to sell the asset in its principal market. Identifying the most significant drivers of fair value will help companies focus on the events and circumstances that are most likely to affect their analyses.

The Board acknowledged that applying the qualitative assessment may be challenging for indefinite-lived intangible assets subject to significant uncertainties that are out of a company's control, such as regulatory approval. These assets were not excluded from the scope of the guidance because the qualitative assessment is optional, and there may be circumstances when the assessment would be appropriate.

Given the importance of unobservable inputs and the complexity of determining fair value for certain assets, the Board believes that companies will have to use significant judgment in applying the qualitative assessment.

Companies should focus their qualitative assessments on the most significant drivers of the indefinite-lived intangible asset's fair value.

Identify events and circumstances



Once a company has determined its starting point and identified the most relevant drivers of fair value, it can identify and evaluate the events and circumstances that may have an effect on the fair value of its indefinite-lived intangible asset. Companies must remember that the events and circumstances to be evaluated likely will include some of those outlined in ASU 2012-02, but also could include others.

When identifying events and circumstances, a company should consider its disclosures in the business, risk factors and accounting policies sections of its annual report and other public filings. The assumptions a company uses in its qualitative assessment should be consistent with statements it has made to the public about the future of the business and with the projected financial information provided to its board of directors and other stakeholders. Companies also should consider information that has not yet been disclosed publicly, such as pending litigation or plans to enter new service lines or exit existing lines.

The qualitative assessment is not just a review of events that transpired during the current year; it's a cumulative analysis of all events and circumstances since the last time the indefinite-lived intangible's fair value was determined. That means it may be more difficult to perform the qualitative assessment when a recent fair value determination is not available.

Weigh the identified factors



After identifying the events and circumstances that most affect the fair value of an indefinite-lived intangible asset, a company must weigh all factors in their totality to determine whether they support a qualitative conclusion that the asset is not impaired.

Companies should focus their qualitative assessments on the factors that significantly affect fair value. For example, using the most recent fair value determination as the starting point and focusing on changes in events and circumstances would indicate how a current-period fair value determination would compare with the last quantitative analysis. Professional judgment must be applied to appropriately evaluate how positive and negative events and circumstances, as a whole, affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset.

Assumptions used in the qualitative assessment should be consistent with disclosures and projections provided to stakeholders.

As previously discussed, the starting point for a qualitative assessment should be reviewing the most recent fair value determination and assessing the sensitivity of the difference between fair value and carrying amount based on recent events. The larger the margin, the easier it may be to come to a conclusion about the asset's fair value using the qualitative assessment.

For example, assuming all other events and circumstances were relatively positive, a company likely would not have to perform as rigorous an evaluation of the events and circumstances for an indefinite-lived intangible asset whose prior-year excess fair value was 100% as it would for an asset whose excess fair value was 5%.

When the most recent quantitative test indicates that an indefinite-lived intangible asset's fair value is close to its carrying amount, stronger supporting evidence and more robust documentation likely would be needed to qualitatively conclude that it is more likely than not that the asset is not impaired.

Because the concept of fair value is quantitative (i.e., its end result is a value), a company might consider corroborating its qualitative conclusion with a quantitative analysis that is not necessarily a full quantitative fair value determination.

For example, to help support certain qualitative assertions about fair value using a relief from royalty method, a company could perform a high-level quantitative calculation that shows how far the assumed royalty rate would have to decrease before it would imply that the indefinite-lived intangible asset was impaired. Another example would be to update the most recent fair value determination with current prospective financial information to determine the sensitivity of the other significant inputs. However, it is important to remember that the qualitative assessment requires consideration of all facts and circumstances.

While it may be straightforward to determine the effect of an individual event or circumstance, weighing various factors against each other will require additional judgment. Due to the complexities of determining fair value (under any method), weighing the factors that could affect fair value could become cumbersome without some sort of sensitivity analysis to help quantify the effect of those factors that most affect fair value.

Conclude



The final step is to conclude whether the asset is impaired. As a reminder, if a company concludes based on the qualitative assessment that it is more likely than not that an indefinite-lived intangible asset is impaired, it must quantitatively determine the fair value.

Companies will need to apply significant judgment to conclude that an indefinite-lived intangible asset is not impaired based on the qualitative assessment. Such analyses should be supported by clear documentation of the factors considered, including any

necessary quantitative calculations. Depending on the complexity of the indefinite-lived intangible asset, a company also may require assistance from valuation specialists.

The lack of a thorough analysis of all significant events and circumstances on the fair value or carrying amount of an indefinite-lived intangible asset could lead to an incorrect conclusion. Clear documentation will also help if regulators question the company's assertions.

Other considerations

Companies that plan to apply the qualitative assessment should consider how they may need to modify their policies, processes and controls to appropriately identify and evaluate the events and circumstances that most affect the significant inputs used to determine the fair value of their indefinite-lived intangible assets.

Companies should consider whether their policies include:

- ▶ Processes and controls to identify the market-, industry- and company-specific events and circumstances since the last quantitative test
- ▶ Documentation policies for qualitative assessments of indefinite-lived intangible assets, including parameters for sufficient documentation
- ▶ Policies to perform limited quantitative analyses to support or corroborate qualitative assertions, as needed
- ▶ Policies to periodically quantitatively determine the fair value of their indefinite-lived intangible assets to reestablish baseline fair values for use in future qualitative assessments (e.g., based on passage of time or identification of certain events)
- ▶ Policies and controls for the review and approval of the qualitative assessment

Necessary policy changes may vary by the indefinite-lived intangible asset being tested. When evaluating current processes, companies should consider that they may need different processes for each indefinite-lived intangible asset because valuation techniques and significant inputs may vary.

Illustration of how the process would work

The following illustrates how the five-step process could be applied to a company's indefinite-lived intangible assets, given a specific scenario.

Background information

Assume that ABC Co. is a Securities and Exchange Commission (SEC) registrant that operates in the media and entertainment industry, broadcasting music, sports, entertainment and other programming. It broadcasts throughout the US, reaching viewers on local, regional and national television and radio stations in all US states and territories. ABC Co. has three indefinite-lived intangible assets: (1) the ABC Co. trade name, (2) a license from the Federal Communications Commission (FCC) to broadcast in various US markets and (3) the cable network distribution agreements of its fully distributed, well-established cable weather network. ABC Co. acquired the weather network a few years ago and has not rebranded it with the ABC Co. name.

Companies should consider whether to revise their policies, processes and controls for testing indefinite-lived intangible assets for impairment.

ABC Co. is a calendar year-end company and uses 1 October as its annual impairment assessment date for all of its indefinite-lived intangible assets. ABC Co. has performed the quantitative test (i.e., determined the fair value of its indefinite-lived intangible assets) in every year since initial recognition. The last such test was performed in the prior year. ABC Co. has never recorded an impairment on any of these assets.

ABC Co. has historically used the relief from royalty method to value its trade name, the Greenfield method to value its FCC license and the multi-period excess earnings method (MPEEM) to value its cable network distribution asset. For illustrative purposes, the qualitative assessment of the FCC license will focus on ABC Co.'s license to broadcast in Old City, US. The primary valuation method for each asset has been a variation of the income approach.

Determine your starting point

The following provides additional background about ABC Co.'s indefinite-lived intangible assets as of 1 October 20X1 (the last time a quantitative impairment test was performed).

	Excess fair value	Fair value	Carrying amount
ABC Co. trade name	70%	\$ 170,000	\$ 100,000
FCC license	15%	57,500	50,000
Cable network distribution asset ¹	5%	42,000	40,000

¹ The cable network distribution asset represents various cable network and satellite agreements grouped into a single unit of accounting.

ABC Co. also identified certain events and circumstances since its last quantitative test that could affect the significant inputs used to determine the fair value of all three of its indefinite-lived intangible assets. They are as follows:

- ▶ Overall economic trends have shown positive growth in the US since the last quantitative test. In the past year, the relevant US stock market index is up 10% and the broadcast industry index and fair values of ABC Co.'s peer companies have increased 8%.
- ▶ The advertising market in the US has shown positive growth in the current year, bolstered primarily by coverage of the national election.
- ▶ The FCC license is for the local market in Old City. The local economy in Old City is sluggish, trailing behind national averages. The population of Old City has also declined in the last two years as people have moved away.
- ▶ ABC Co.'s market capitalization, share price and earnings before interest, taxes, depreciation and amortization (EBITDA) all increased slightly over the last year. These increases are slightly below those of ABC Co.'s peer group.

- ▶ Due to the entrance of a new competitor, ABC Co.'s cable weather network has lost advertiser support in the past year. This increased competition also cost the cable weather network a significant portion of its 15% market-share lead (now about 8%).

In 20X2, ABC Co. initiated an impairment testing policy that includes the five-step framework for the qualitative assessment. ABC Co. management identified the significant inputs used to determine the fair value for each of its indefinite-lived intangible assets. The company then evaluated whether those significant inputs had been affected by events and circumstances that were positive, negative or neutral (indicated by a plus symbol, minus symbol or a zero, respectively). In doing so, ABC Co. based its analysis on the specific facts and circumstances applicable to its indefinite-lived intangible assets, designing its assessment to address the perceived sensitivity of each asset to changes in fair value. Based on its facts and circumstances, ABC Co. used its judgment to assign a weight of high, medium or low based on the estimated effect on fair value, as follows:

- ▶ High (three symbols) – estimated to have greater than a 10% effect on fair value
- ▶ Medium (two symbols) – estimated have a 5% to 10% effect on fair value
- ▶ Low (one symbol) – estimated to have less than a 5% effect on fair value

The table below summarizes how ABC Co. considered its starting point for applying the qualitative assessment to each of its indefinite-lived intangible assets, using the weighting described above.

Determine your starting point			
	ABC Co. trade name	FCC license	Cable network distribution asset
Excess fair value	+++	++	+
Macroeconomic conditions	++	+	++
Industry-specific conditions	+	-	-
Company-specific conditions	+	+	---

Based on ABC Co.'s preliminary analysis of the starting point for each of its indefinite-lived intangible assets, it decided to use the qualitative assessment for its trade name and FCC license indefinite-lived intangible assets to determine whether it is more likely than not that each asset is impaired. This was based on the strong excess fair value in the 20X1 analysis, strength in the overall economy and positive results experienced by both ABC Co. and the industry in 20X2.

Companies need to tailor their assessments based on the method(s) used to determine fair value.

However, given the small excess fair value of the cable network distribution asset and the uncertainty of the negative evidence (e.g., increased competition, decline in market share), ABC Co. decided to bypass the qualitative assessment and proceed directly to determining the fair value of this asset.

Identify the most relevant drivers of fair value

ABC Co. performed its assessment of the most relevant drivers of fair value for its trade name and FCC license by first looking at the method used to determine fair value for each asset. Given the nature of its indefinite-lived intangible assets, ABC Co. primarily uses the following methods under the income approach to determine fair value:

- ▶ ABC Co. trade name – The company uses the relief from royalty method, measuring value based on what ABC Co. would pay in royalties to a market participant if it did not own the trade name and had to license it from a third party (i.e., the licensing costs it avoids by owning the asset).
- ▶ FCC license – The company uses the Greenfield method, measuring value based on the assumption that ABC Co. is a hypothetical start-up company that begins operations on the measurement date with no assets except the license. Under this method, the forecasted cash flows assume the hypothetical ABC Co. is operating under the existing competitive situation within each market. This approach enables ABC Co. to isolate and measure the fair value of the license directly.

Based on its review of the method for determining fair value and other available information, ABC Co. identified the following as the significant inputs used to determine fair value for each of its indefinite-lived intangibles:

Identify most relevant drivers of fair value		
	Method for determining fair value	Significant inputs used to determine fair value
ABC Co. trade name	Relief from royalty method	Projected ABC Co. revenues, growth rate, royalty rate, discount rate
FCC license	Greenfield method	Hypothetical cash flows (e.g., revenues, costs, capital expenditures) for a new operation, growth rate, discount rate

Identify events and circumstances

ABC Co. identified the following relevant events and circumstances since the last impairment test that could affect the significant inputs used to determine the fair value or the carrying amount of its indefinite-lived intangible assets:

- ▶ ABC Co.'s industry grew more than anticipated (4% growth overall compared with analysts' expectations of 2%).
- ▶ ABC Co.'s revenue grew approximately 13% from the previous year, compared with expected growth of 8%. EBITDA also rose more than anticipated, 7% from the previous year compared with expected growth of 2%.
- ▶ Actual results were better than expected, primarily because of a new reality TV program that won in its time slot in all markets across the country.
- ▶ The growth was driven primarily by business that relies on the ABC Co. trade name and FCC licenses. Overall results were reduced by the poor performance of the cable weather network.
- ▶ During the year, one of ABC Co.'s major competitors, XYZ Inc., licensed its trade name to another entity. The negotiated royalty rate was 5%, more than the 4% rate that ABC Co. assumed in its prior-year determination of fair value.
- ▶ A hypothetical start-up company would need an initial build-up phase of five years before it would achieve a normalized level of operations. Once that is achieved, the estimated terminal growth rate under current market conditions in Old City, US, would be 3%. The prior-year quantitative test assumed a 4% terminal growth rate in the Old City market.
- ▶ Advertising rates for the Old City area are down because its economic troubles and population declines have depressed consumer spending, making the market less attractive to advertisers.
- ▶ Consumer preference has shifted from traditional broadcast programming (e.g., television, radio) to digital formats (e.g., online streaming, downloads). The ABC Co. trade name has benefited (all content is available for both traditional and digital distribution), but the FCC license has been negatively affected by the shift in advertiser spending away from traditional broadcasting.
- ▶ Programming costs are increasing overall. The cost of acquiring, producing and distributing programming is expected to rise 2% from the prior year.
- ▶ The current interest rate environment is relatively consistent with the prior year.
- ▶ Global economic uncertainty has caused the gross domestic product (GDP) to lag slightly behind expectations, making the investing world less confident in companies' ability to make accurate financial forecasts. Due to uncertainty, the risk premium associated with discount rates is expected to increase.
- ▶ There have been no significant changes in the carrying amount of either indefinite-lived intangible asset.

Weigh the identified events and circumstances

ABC Co. used the information identified in the previous step to determine the effect that each of the identified events and circumstances could have on the significant inputs used to determine the fair value of its indefinite-lived intangible assets. The following table summarizes its assessment of the effect of the identified events and circumstances on each significant input.

Weigh the identified events and circumstances			
Identified event or circumstance	Affected significant input	ABC Co. trade name	FCC license
Determine starting point (various)	▸ Starting point	+++	+
Industry growth above expectations	▸ Growth rate	+	N/A
ABC Co. actual results above projections	▸ Projected revenues	++	N/A
Market transaction licensing rate higher than prior year assumption	▸ Royalty rate	+	N/A
Lower expected terminal growth rate for Old City than prior-year analysis	▸ Growth rate	N/A	--
Declining population in FCC license market	▸ Hypothetical cash flows for a new operation ▸ Discount rate	N/A	--
Shift to digital distribution	▸ Hypothetical cash flows for a new operation ▸ Growth rate	0	--
Increasing programming costs	▸ Hypothetical cash flows for a new operation	0	-
Interest rates remain flat	▸ Discount rate	0	0
Stagnant GDP growth (increased risk premium)	▸ Projected revenues ▸ Discount rate	-	-
No change to carrying amount	▸ Carrying amount	0	0

Weighing the identified events and circumstances also requires significant judgment.

Analysis – ABC Co. trade name

ABC Co. evaluated the relevant events and circumstances identified for its 20X2 qualitative assessment of its trade name and weighed the evidence as documented above.

ABC Co.'s qualitative assessment identified two positive events and circumstances that were expected to have a high or medium (i.e., greater than 5%) effect on the fair value of the ABC Co. trade name: the starting point and ABC Co.'s better-than-expected growth. The prior-year's assessment indicated that the ABC Co. trade name asset had excess fair value of 70%, and ABC Co.'s actual revenue growth of 13% exceeded expected growth of 8%.

ABC Co. also identified other events and circumstances that were expected to have a negative effect on the fair value of the trade name. Specifically, ABC Co. identified the stagnant GDP growth and rising discount rates as negatively affecting the fair value of the trade name asset.

None of these items were expected to have more than a low (i.e., 5% or less) effect on the asset's fair value. ABC Co. evaluated these items in light of the positive events and circumstances identified above to determine whether it was more likely than not that the trade name asset was impaired.

ABC Co. weighed all of the identified events and circumstances that could affect the significant inputs used to determine fair value. While the company identified negative events and circumstances that would reduce the fair value of the trade name, it concluded that the offsetting positive evidence (e.g., the strong starting point, higher than expected growth) supported a conclusion that it was not more likely than not that the ABC Co. trade name was impaired. Accordingly, ABC Co. concluded that a quantitative analysis was not necessary.

Analysis – FCC license

ABC Co. evaluated the relevant events and circumstances identified for its 20X2 qualitative assessment of its FCC license and weighed the evidence as documented above.

ABC Co.'s qualitative assessment for its FCC license identified the decrease in expected terminal growth rate in Old City, rising costs and declining population in the local market, and the shift from traditional programming to digital distribution as negative events and circumstances that were expected to have a high or medium effect on fair value.

In the prior year, the FCC license had excess fair value of 15%. For the asset to be impaired, absent other factors, the decrease in expected terminal growth rate for Old City would have to affect the Greenfield valuation and cause the fair value of the trade name to decline by at least 15%. To isolate the effect of certain negative events and circumstances identified, ABC Co. performed a limited sensitivity analysis. In its sensitivity analysis, ABC Co. noted that a 1% drop in the Old City terminal growth rate applied to the previous amounts used to calculate the terminal value resulted in a 5% reduction in gross cash flows, before considering the increased cost structure and shift to digital media. These changes would reduce the cash flows for the five-year projections and also result in an additional reduction to the terminal value. Since it is anticipated that the discount rate would potentially

increase due to the risk and uncertainty associated with the business, the five-year projections and terminal value would be further reduced when discounted.

ABC Co. identified other events and circumstances that could affect fair value, including increasing costs of programming. ABC Co. considered that these events and circumstances were expected to also have a negative effect on fair value and that no significant offsetting positive events and circumstances had been identified.

After weighing all of the events and circumstances that could affect the significant inputs used to determine fair value, ABC Co. determined, due to the strong indicators of negative events and circumstances, that it could not assert that it was not more likely than not that the fair value of its FCC license was less than its carrying amount based solely on a qualitative assessment. ABC Co. proceeded with a quantitative analysis to determine the fair value of its FCC license to complete its annual impairment test.

Next steps

- ▶ Companies that want to use the qualitative assessment should begin evaluating and implementing processes and controls to do so, especially if they plan to adopt the new guidance for the current fiscal year.
- ▶ Companies should begin identifying the indefinite-lived intangible assets for which they believe they will be able to benefit from applying the qualitative assessment.

Endnotes:

- ¹ ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment*.
- ² ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which is now codified in ASC 350, *Intangibles – Goodwill and Other*.
- ³ ASC 350, *Intangibles – Goodwill and Other*.

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