

FASB Update: ***Testing Indefinite-Lived Intangible Assets for Impairment***

Testing Indefinite-Lived Intangible Assets for Impairment was issued on January 25, 2012 by the Financial Accounting Standards Board (FASB) to provide more extensive guidelines on how and when to perform impairment tests on indefinite-lived intangible assets other than goodwill. The comment period on the draft closed April 24th, and new provisions would take effect for fiscal years beginning after June 15, 2012.

Currently, indefinite-lived intangible assets are tested for impairment in a single-step process that compares the fair value of the asset to its carrying amount. This test takes place annually or more frequently if economic or other factors arise which affect the value of the business. Respondent's comments have indicated that this process is costly, complex, and sometimes unnecessary when assets are not likely to be impaired. The new provisions are intended to simplify the impairment-testing process.

The proposed update gives entities the option of testing qualitative factors to determine whether the indefinite-lived intangible assets are impaired. These tests will be used to determine whether it is necessary to perform a quantitative impairment test. The process of determining the fair value of the asset will only be required if the quantitative test shows that it is "more likely than not" that the asset's fair value is less than its carrying amount.

For the media and entertainment industries, FCC licenses, certain mastheads, and brands will be among the indefinite-lived intangible assets affected by the proposed changes.

Goodwill was excluded from the proposed update, but FASB Chair Leslie Seidman noted in a statement that the board approved a comparable simplification of the impairment testing process for goodwill last year.¹ More information on goodwill impairment testing can be found in the Accounting Standards Update no. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, last updated in September of 2011.

For more information on proposed updates to impairment testing guidelines for indefinite-lived intangible assets and its impact on the media and entertainment industries, please feel free to contact any of the principals of Bond & Pecaro.

¹ "FASB Proposal Aims to Simplify Impairment Testing of Indefinite-Lived Intangible Assets," Ken Tysiac, *Journal of Accountancy*, January 25, 2012.