SEPTEMBER 2011

L·B·B BRIEFS FOR SMALLER REPORTING COMPANIES

FASB NEWS - ASU NO. 2011-08 LETS BUSINESSES AVOID TWO-STEP GOODWILL IMPAIRMENT TEST

The FASB issued Accounting Standards Update (ASU) No. 2011-08 - *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment,* on September 15, 2011, to modify the impairment test for goodwill intangibles. The amendment to U.S. GAAP will be effective for tests done for years that start after December 15, 2011. Early adoption is permitted. A complete version of the standard can be found at www.FASB.org.

In issuing the standard, the FASB said it was addressing complaints from private companies about the cost of the two-step goodwill impairment test. It allows both public and private companies to first to decide whether they need to do the two-step test - a business no longer has to calculate the fair value of a reporting unit unless it believes it's very likely that the unit's fair value is less than the value carried on the balance sheet. The amendment also includes examples of how the amended test should be carried out.

The new approach—which eliminates the requirement to calculate fair value at least annually and replaces it with an optional qualitative assessment—will likely save time and money for companies with reporting units that have plenty of "cushion" between fair value and carrying amount. For reporting units without significant cushion, companies will need to consider carefully whether to apply the quantitative assessment. One thing's for certain: it will be important to clearly and comprehensively document a decision to bypass the quantitative test. Companies looking to adopt the new guidance early should begin assessing relevant factors for consideration in their qualitative assessment.

FASB MOVES A STEP CLOSER TO REQUIRING DISCLOSURES OF RISK

After the 2008 financial crisis, investors told accounting standard-setters that they wanted more information about the cash a business has on hand. The FASB on September 7, 2011 moved a step closer to requiring that the information be disclosed by tentatively deciding that all businesses must include information about their access to funding, or liquidity risk. Financial institutions will have the added requirement of disclosing their exposures to interest rate risk.

The decision was part of the FASB's work on the financial instruments project. Many investors and creditors think the information will give them a clearer picture of a business's financial health. Under the proposal, banks, other financial businesses, and publicly traded companies will have to provide information about liquidity risk in their annual and quarterly reports. Nonpublic, nonfinancial businesses will have to provide the information only in yearly financial results.

The disclosures will have to describe liquidity risks and how they arise, policies for managing the risks, and any changes in the past year.

REVENUE RECOGNITION AND LEASES STANDARDS – REVISIONS EXPECTED

In June, the FASB and IASB announced that they would re-expose the proposed revenue recognition standard. Not surprisingly, they have decided to follow suit with the proposed leasing standard. Both exposure drafts are expected before the end of the year. How will re-exposure affect overall timing of the projects? Final standards now won't be issued until later in 2012, and effective dates—although yet to be determined—likely will be pushed back too.

LBB & Associates Ltd., LLP is an AICPA, PCAOB, and CPAB registered public accounting firm with a concentration in audits of smaller reporting companies. LBB is also active in SEC reporting consulting and acquisition due diligence efforts with smaller reporting companies. Past issues of our newsletter can be found at *www.LBBCPA.com*. Feel free to direct any inquiries to *Briefs@LBBCPA.com*, or contact any of our partners at 713-800-4343.