INTERIM IMPAIRMENT TESTING
- *Financial Reporting Insight*

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Impairment testing has been a part of the US Financial Reporting lexicon for almost 20 years. Typically, impairments are caused by an acquirer not meeting the projections it established for its acquired enterprise. Market conditions can also drive a company to test for impairment – we may be in such a business environment today.

Under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Subtopic 350-20-35-1, goodwill and certain intangibles are not amortized by public companies; rather, these assets must be periodically tested for impairment under ASC No. 350, *Intangible-Goodwill and Other*. Testing is typically performed annually and provides management, auditors, and investors with some assurance that the company's balance sheet reflects the current expectations. Private companies are permitted to amortize goodwill, under Accounting Standards Update 2014-02.

However, ASC 350 also requires interim impairment testing for public and private companies when certain **"triggering"** events occur. Adverse changes in the business climate or market which might negatively impact the value of a company is a prime example of a triggering event. For public companies, the SEC expects **full transparency for shareholders**.

Your audit firm may be contacting you soon to discuss impairment testing. Several of our valuation professionals have worked in the valuation practices of international audit firms and understand, from personal experience, what your audit firm will expect. We are happy to get on the phone with you and your auditor to discuss impairment testing and any other valuation topics.

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