

May 30, 2025

Mr. Jackson M. Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue, PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2024-ITC200

Dear Mr. Day,

This letter is submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Financial Accounting Standards Board's (FASB or Board) Invitation to Comment (ITC) on the Recognition of Intangibles.

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. CCR is FEI's technical committee of approximately 50 Chief Accounting Officers and Corporate Controllers from Fortune 100 and other large public companies, representing more than \$16 trillion in market capitalization. CCR reviews and responds to pronouncements, proposed rules and regulations, pending legislation, and other documents issued by domestic and international regulators and organizations such as the U.S. SEC, PCAOB, FASB, and IASB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

While we recognize the value in gathering diverse stakeholder input, CCR generally does not believe the Board should pursue a broad project on the recognition of intangibles for the following reasons:

- First, we believe the current guidance is well understood by stakeholders. CCR companies generally do not receive significant inquiries from investors related to intangibles. Based on the information disclosed, investors are typically able to adjust their models to accommodate for differences in the accounting treatment of acquired versus internally-developed intangibles. For example, we have observed that many investors exclude intangible asset amortization when developing their valuation models. Therefore, we do not believe the current accounting for intangibles impairs our investors' ability to perform comparative analyses.
- Second, we are concerned that a potential project could result in unintended consequences – particularly most CCR companies are not in favor of an increase in the capitalization of costs related to internally-developed intangibles. Most CCR companies believe a requirement to capitalize additional internally-developed intangibles would lead to material amounts capitalized and add significant complexity to the accounting for intangibles. For example, it would be burdensome for certain companies to track the costs to be capitalized, and companies may be required to perform additional impairment analyses. Furthermore, consistent with the feedback received during the FASB's stakeholder outreach on the accounting for software costs, we understand investors are generally not in favor of additional capitalization of certain types of

internally-developed intangibles, particularly costs incurred to develop software to be provided to external parties.¹ In addition, even if the Board were to require the capitalization of additional internally-developed intangibles, it is unlikely that capitalization based on costs incurred would significantly improve comparability with intangibles acquired in a business combination. Intangibles acquired in a business combination are recognized at fair value, generally using a present value technique, such as discounted cash flows. We do not believe a fair value technique would generally be appropriate for internally developed intangibles given the uncertain nature of projected future cash flows. As a result, we do not believe comparability will be increased by recognizing more internally developed intangibles on the balance sheet.

- Third, we have not identified significant operability concerns that would warrant a full reassessment of the existing intangibles guidance. Instead, we believe the Board can address any operability concerns through targeted improvements. For example, certain companies believe that in-process research and development (IPR&D) assets acquired in a business combination are not properly classified as indefinite-lived intangibles as defined in ASC 350-30-35-4, resulting in unnecessarily complex impairment analyses. IPR&D assets are not inherently indefinite-lived assets, as their useful lives are generally limited by economic or legal factors. In addition, once these assets are completed, the respective asset is transferred to a finite-lived developed technology intangible asset and begins to be amortized. As a result, these companies believe the current model does not accurately reflect how project value unfolds over time. For instance, a drug candidate that has not yet received regulatory approval for commercial sale may be steadily progressing through the research and development process (including clinical trials), yet the accounting model may still trigger impairment based on short-term changes in assumptions, such as an increase in interest rates impacting a discounted cash flow valuation. The Board could improve operability and better align the accounting with the economics of the development process by allowing companies to classify IPR&D assets as definite-lived intangibles, as opposed to indefinite-lived intangibles. This would allow companies to apply the two-step impairment analysis in accordance with Topic 360, as opposed to the one-step impairment analysis in accordance with Topic 350.

Based on the considerations outlined above, CCR does not believe the FASB should pursue a project to broadly reassess the accounting for intangibles. We do not believe the FASB should align the recognition of acquired and internally-developed intangibles or develop a single recognition threshold for all types of internally-developed intangibles. Furthermore, the FASB currently has an ongoing project on the accounting for software costs, where the Board considered and rejected creating a single recognition threshold for costs incurred to develop external-use and internal-use software. As discussed in CCR's comment letter in response to the FASB's proposed Update, we agree with the Board's decision to pursue a targeted improvements approach to accounting for internal-use software, as opposed to the creation of a single capitalization threshold for all software development costs.² We appreciate the Board's effort to gather stakeholder input as it evaluates a potential project on the recognition of intangibles. We believe the FASB's ongoing Agenda Consultation efforts – including the related

¹ Paragraph BC23 of the [Proposed Accounting Standard Update — Intangibles — Goodwill and Other — Internal-Use Software \(Subtopic 350-40\) — Targeted Improvements to the Accounting for Internal-Use Software](#)

² CCR's comment letter in response to the Financial Accounting Standards Board's (FASB or Board) [Proposed Accounting Standards Update—Intangibles—Goodwill and Other—Internal-Use Software \(Subtopic 350-40\): Targeted Improvements to the Accounting for Internal-Use Software](#)



Invitation to Comment (ITC) – will provide insight into whether stakeholders believe an intangibles project should be prioritized relative to other standard-setting initiatives.

We thank the Board for its consideration of our views and welcome further discussion with the Board or staff at your convenience.

Sincerely,

Alice L. Jolla

Alice L. Jolla
Chair, Committee on Corporate Reporting
Financial Executives International