

# IMPAIRMENT TESTING

## - ASC 350 and ASC 360

**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.

### ASC 350

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 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.

### Triggering Events

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**.

### ASC 360

Under ASC 360, both public and private companies are required to test certain long-lived tangible and intangible assets using a two-part recoverability and fair value test. In general, long-lived assets (asset groups) should be tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

### Next Steps

Your audit firm may be contacting you to discuss impairment testing. Several of our senior valuation professionals have worked in the valuation practices of international audit firms and understand, from personal experience, what your audit firm will expect. We have staff dedicated to the valuation of intangible assets, business enterprises, machinery and equipment and real estate. We are happy to get on the phone with you and your auditor to discuss impairment testing and any other valuation topic.



**Darleen Armour, ASA**  
Managing Director  
Financial Valuation & Consulting  
213.233.1516  
darmour@marshall-stevens.com



**David A. Gaynor, II, ASA**  
Managing Director  
Healthcare and Financial Valuation  
212.575.2298  
dgaynor@marshall-stevens.com



**James Sieman, ASA**  
Principal  
Financial Valuation & Consulting  
813.345.5308  
jsieman@marshall-stevens.com



**John F. Spude, ASA**  
Principal  
Financial Valuation & Consulting  
312.223.8477 x1911  
jspude@marshall-stevens.com



**Ellie Tinoco**  
Director  
Financial Valuation & Consulting  
212.575.2488  
etinoco@marshall-stevens.com



**Matthew R. West, ASA**  
Principal, Structured Finance  
Financial and Healthcare Valuation  
312.223.8477 x1908  
mwest@marshall-stevens.com