Altria

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Letter of Comment No: 20
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April 14, 2004

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities – FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Comments on the proposed FASB Staff Position No. 106-b, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"

Dear Mr. Smith:

We appreciate the opportunity to comment on the proposed FASB Staff Position No. 106-b, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the "proposed FSP"). This letter summarizes our positions and comments on the proposed FSP.

Accounting Treatment

We agree with the proposed FSP that the Federal subsidy for prescription drug benefits provided under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") should be accounted for under FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Transition and Effective Date

The guidance in paragraph 24 of the proposed FSP references the requirements in paragraph 20 of APB Opinion No. 20, "Accounting Changes," and paragraph 10 of FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." Paragraph 20 of APB Opinion No. 20 relates to a change in accounting principle. Paragraphs 7 and 8 of APB Opinion No. 20 note that a change in accounting principle results from the adoption of a generally accepted accounting principle different from the one used previously for reporting purposes and that a characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. Since the proposed FSP does not permit a choice of accounting principles nor are companies changing from a previously used principle (i.e., the accounting required by FASB Statement No. 106 remains) we believe the Act should not be accounted for as a change in accounting principle. Accordingly, we believe

prospective adoption of the provisions of the proposed FSP from the date of implementation is appropriate, rather than requiring restatement of previously issued interim financial statements.

Scope/Disclosures

We understand the objective of a FASB Staff Position ("FSP") is to provide timely application guidance pertaining to FASB literature, as well as to make narrow and limited revisions to FASB Statements or Interpretations that would have been previously made through Technical Bulletins. However, we believe that the disclosures outlined in paragraphs 19 and 20 go beyond the scope of an FSP. We note that Paragraph 5.r. of FASB Statement No. 132 (revised 2003), released in December 2003, only requires an explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in other disclosures required by FASB Statement No. 132 (revised 2003) for annual reporting periods. Further, we note that the impact of the proposed FSP, if material, would be required under existing accounting literature (specifically SEC Staff Accounting Bulletin No. 74 and APB Opinion No. 28, "Interim Financial Reporting").

If you have any questions, or would like to discuss further, please do not hesitate to contact me.

Very truly yours,

Joseph A. Tiesi
Vice President and Controller