

LETTER OF COMMENT NO.

Richard J. Schlueter

Vice President & Chief Accounting Officer

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November 22, 2006

Ms. Suzanne Bielstein, Director - Major Projects and Technical Activities Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116

Re: Proposed FASB Staff Position No. FAS 141-b, 142-e and 144-b "Fair Value Measurements in Business Combinations and Impairment Tests"

Dear Ms. Bielstein,

We would like to take this opportunity to comment on the Proposed FASB Staff Position No. FAS 141-b, 142-e and 144-b "Fair Value Measurements in Business Combinations and Impairment Tests." Emerson is a diversified manufacturer of electrical and electronic products with a market capitalization in excess of \$30 billion.

While we commend the Board on its efforts to continuously improve financial reporting by reducing diversity in current practice, on this proposal, we agree with the dissenting Board members' comments that this FSP represents only an incremental piecemeal change to measuring fair value and does not represent a sufficient improvement to financial reporting prior to the adoption of Statement of Financial Accounting Standards No. 157 (FAS 157). Rather than issuing this FSP, the FASB should give companies the time that is necessary to understand the items included in FAS 157 in order to prepare for its adoption. In today's environment, all companies must ensure that the internal controls over their procedures are updated and operational for any new changes in accounting procedures. Since the effective date of FAS 157 is for fiscal years beginning after November 15, 2007, we do not believe that this proposal is necessary in the interim period. Rather, the issues identified in the proposal should be addressed in conjunction with the project on business combinations.

Additionally, the issuance of FAS 157 actually resulted in more questions for many companies, and we believe that those questions need to be addressed first, prior to moving forward with the issuance of this FSP. However, if the issuance of this proposal proceeds, we believe the following items should be addressed:

- The proposal states that the fair value measurement shall reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. However, it does not provide guidance on how

companies are to obtain this information regarding the assumptions of market participants.

- The proposal also uses the phrase, "without undue cost and effort," when discussing how market participant assumptions should be obtained. How should companies interpret this phrase? While some companies may utilize many resources in order to obtain the information, others may determine that any effort is too much. We are clearly in the later camp. As a result, without a clear definition or guidance for companies to follow, this proposal could still create diversity in practice.
- The FSP is also proposing that companies assign a value to assets that will never be used. As these assets have no utility to the acquirer, we believe that this exercise is futile and does not make sense. We believe that acquisitions are of the overall business and of the cash flow generating capacity that it represents, and not simply the acquisition of separate assets. While we agree the assets obtained in the overall acquisition should be valued, those assets that have no expected use by the acquirer should not be assigned a value greater than that which can be realized upon disposition.
- With respect to the discussion on assets acquired that will not be used (e.g. internal use software), the FSP does not provide guidance on what the accounting will be for these assets subsequent to the initial fair value measurement. Will there be an immediate write-off, and if not, then what? The proposal should be expanded to address the day 2 accounting for these assets.
- The proposal also discusses assigning a fair value to assets that have defensive value. We believe these assets should be subsumed into goodwill.

We appreciate the opportunity to respond to the working draft and trust that our comments will be seriously considered in future Board deliberations on this issue.

Sincerely,

\s\ Richard J. Schlueter

Richard J. Schlueter Vice President & Chief Accounting Officer

cc: Walter J. Galvin

Senior Executive Vice President & Chief Financial Officer