



Corporate Finance
Pfizer Inc.
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Loretta Cangialosi
Vice President and Controller

April 18, 2007



LETTER OF COMMENT NO. 68

Technical Director – File Reference No. 1520-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-6116

Subject: File Reference No. 1520-100 – Invitation to Comment entitled, *Valuation Guidance for Financial Reporting*

Dear Sir/Madam:

Pfizer Inc. is a research-based, global pharmaceutical company. We discover, develop, manufacture and market leading prescription medicines for humans and animals. In 2006, we reported revenues of \$48 billion, with total assets of \$115 billion.

Pfizer Inc. welcomes the opportunity to provide the Board with our comments regarding the Invitation to Comment on *Valuation Guidance for Financial Reporting*.

Question 1 - Is there a need for valuation guidance specifically for financial reporting?

Currently companies and their outside financial valuation consultants use various methods to calculate the fair value of a particular asset or liability. Different companies and/or their valuation experts may use various valuation methods and assumptions in a particular situation resulting in different fair values. Given that FAS 157 uses an exit price model, coupled with the increasing requirements to record more and more assets and liabilities at fair value, we believe it necessitates valuation guidance be developed specifically for financial reporting purposes. We believe clear and concise valuation guidance will provide a sound infrastructure that will enable the consistent application of valuation principles to those items which are required to be reported at fair value in a company's financial statements. In addition, the guidance should be comprehensive

enough to enable companies and their valuation consultants to adequately support valuations that may subsequently be scrutinized and/or challenged by outside parties.

Question 1 (a) - Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

Pfizer's financial statements, as do the financial statements of many companies, include values that are developed using various estimates and assumptions. Many of these estimates are based on complex judgments, probabilities and assumptions that we believe *to be reasonable but that are inherently uncertain and unpredictable*. These assumptions may later prove to be incomplete or inaccurate, or unanticipated events may occur that might impact these estimates or assumptions. It is also possible that independent professionals, using reasonable judgments could develop and support a range of alternative estimated amounts using the same facts and circumstances.

Operating within this environment Pfizer believes that valuation guidance should be developed that is comprehensive, understandable and practical, and include sufficient detail so that the guidance can be consistently interpreted and applied. Clear principles should be utilized.

Guidance should encompass enough examples and implementation support to provide clear methodologies for determining values. In addition, these guidelines should also *provide for a range of reasonable values that is acceptable to the profession, reviewers and regulators*. This range would provide preparers with a much needed "comfort zone" that their valuations will be accepted by the financial community.

Question 1 (b) - What should be the duration of any valuation-guidance-setting activities?

New financial accounting standards are continuously being issued (many of which require assets and liabilities to be recorded at fair value), new financial instruments continue to be developed, business acquisition transactions are becoming more complex and, particularly in the pharmaceutical industry, companies are collaborating in new and different ways. All of these factors point to the need for valuation guidance to evolve along with these economic trends. Accordingly, Pfizer recommends that any valuation guidance setting process established by the FASB be an ongoing process to enable it to address the immediate concerns of the profession as well as any concerns that may develop in the future.

Question 2 - What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?

Please refer to question 3 below.

Question 3 - What process should be used for issuing valuation guidance for financial reporting?

Since the field of financial valuation is highly specialized and complex, we favor the establishment of a separate, distinct organization to act as a standard setter, with oversight by the FASB or SEC. Members of this standard-setting body would be able to draw on their expertise and experience and should be comprised of accountants, auditors, academics, regulators, investors and other interested knowledgeable parties, including appraisal organizations. Appraisal organizations would provide a needed level of expertise, knowledge and understanding of valuation practices and procedures to this body. The standard setting process should include public debate and discussion through public meetings and the publication of preliminary views so that interested parties can voice their opinions on pertinent issues.

In addition to this standard setting organization, we also see the need for an organization that would ensure that the established standards, guidelines and procedures are properly applied by qualified professionals. We therefore suggest that consideration be given to the creation of an oversight body, empowered to review the experience, background and qualifications of individual valuation firms and oversee the proper application of established guidelines by these firms. In summary, a process similar to the current Public Companies Accounting Oversight Board. Firms would have to register before being permitted to render valuation reports used in financial reporting. We anticipate that such an approach would enhance the reliability of the financial statements that are increasingly dependent on fair valuation measures.

In addition, we believe that there may be a way to halt the trend in increasing audit fees in the area of fair value. Because of the current lack of standards, we have seen external auditors duplicate the work of our independent appraisers as part of their audit of our financial statements. We would hope that standards would enable them to better understand what reliance can be placed on the qualifications of the independent appraiser to avoid this duplication of effort.

Question 4 - Should the process of valuation guidance be on an international or national level?

Pfizer suggests that the standard setting body concentrate its efforts on establishing valuation guidance instead of seeking convergence of the issues on an international level. Considering the length of time it has taken (and continues to take) to converge U.S. accounting rules with international rules Pfizer believes concentrating the efforts on a national level rather than an international level will result in a more efficient standard setting process.

April 18, 2007

We again thank the Board for giving Pfizer the opportunity to voice our opinions and concerns about this Invitation to Comment. If the Board wishes to have any further clarification concerning Pfizer's position please do not hesitate to contact me.

Sincerely,

Loretta Cangialosi

Loretta Cangialosi
Vice President and Controller

cc: Alan Levin
Senior Vice President and Chief Financial Officer