

October 22, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1820-100; Proposed Accounting Standards Update, *Revenue Recognition* 

To Whom It May Concern:

We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Revenue Recognition* (Proposed Update).

We support the FASB's objective to clarify the principles of revenue recognition and to develop a common standard for US Generally Accepted Accounting Principles and International Financial Reporting Standards. However, we do have concerns about certain aspects of the Proposed Update primarily relating to the accounting for consideration payable to a customer.

The Proposed Update calls for accounting for payments made for distinct services as an expense rather than as a reduction from revenue. In the consumer and retail industry, it is customary to make payments to customers for certain merchandising activities. These activities would include payments for in-store displays, shelf space, slotting fees and other merchandising activities that are intricately linked to the sale of our products. Based on Example 23 of the Implementation Guidance and Illustration of the Proposed Update, some of these activities would now be considered as having a distinct function and hence, accounted for as an expense. We strongly oppose this characterization as these payments are made to the customers as a sales incentive and would not be made if the customer discontinues selling our product. Consequently, we do not believe that these payments are for a distinct service but rather should be considered as a sales discount and should be accounted for as a reduction from revenue.

The FASB's Emerging Issues Task Force (EITF) had examined this issue in EITF 01-9 where a consensus was reached that in order for a payment to be characterized as a cost, the vendor should receive a benefit that is sufficiently separable from the customer's purchase of the vendor's products and the vendor can reasonably estimate the fair value of the service provided. Additionally, the EITF had concluded that slotting fees and similar product development or placement fees should be characterized as a reduction of revenue as they would not meet the separability criteria. The conclusions reached under Example 23 of the Proposed Update are a direct contradiction of the consensus reached in

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EITF 01-9. In fact, the implementation of EITF 01-9 required extensive work by preparers and education of investors as to the change in Income Statement presentation. We believe that the consensus reached in the EITF provides appropriate guidance for the accounting for payments made to customers.

We are also struggling to understand the benefits of this particular change in the Proposed Update to the users of the financial statements. The proposed change would artificially inflate revenues and costs, the very problem EITF 01-9 was intended to address, and would be a misrepresentation of metrics such as revenue growth that are important to financial statement users.

Further, the Proposed Update requires financial statement prepares to record as costs, the fair value of the services provided by the customer. We believe that this will be extremely difficult to calculate as the value of the services provided is based on a number of factors including the nature of the product and the type of the customer. Further, given the magnitude of the portfolio of our products, the types of customers that we deal with and the number of countries that we operate in, we would also have to incur a significant amount of cost to calculate the fair value.

Based on the above, we recommend that the FASB reconsider its Proposed Update for the accounting for consideration paid to a customer. We support the consensus reached in EITF 01-9 and propose that the FASB incorporate it in the final standard.

We would be pleased to discuss our comments or answer any questions that you may have. Please do not hesitate to contact me at (914) 253-3406.

Sincerely,

Peter A. Bridgman

Senior Vice President and Controller

cc: Hugh Johnston, Chief Financial Officer
Marie T. Gallagher, Vice President & Assistant Controller