

**Yum! Brands, Inc.**  
1900 Colonel Sanders Lane  
Louisville, KY 40213



August 30, 2013

Ms. Susan Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

File Reference No. 2013-230

Dear Ms. Cospers:

Yum! Brands, Inc. ("YUM") appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205) - Reporting Discontinued Operations*, issued on April 2, 2013 ("Exposure Draft"). YUM develops, operates, franchises and licenses a worldwide system of restaurants which sell a menu of food items primarily through the three concepts of KFC, Pizza Hut and Taco Bell. YUM is a leader in the quick service restaurant industry with over 39,000 restaurants in more than 130 countries and territories. From time to time we evaluate our global portfolio of system restaurants to determine the most advantageous ownership structure (e.g. company-owned operations vs. franchised). As a result, we often sell company restaurant operations to new or existing franchisees (known as refranchising) in exchange for up front consideration (e.g. cash proceeds), as well as anticipated future franchise revenues (e.g. sales-based royalties) governed by a franchise contract. Our refranchising transactions range from the sale of the operations of an individual restaurant to the sale of our entire restaurant operations within a country or market. Under current GAAP, our involvement as franchisor post-refranchising constitutes significant continuing involvement, primarily due to the continuing franchise fees we receive from the franchised restaurant(s), and as such, our refranchising transactions are not presented as discontinued operations in our financial statements.

We support the board's effort to redefine the definition of discontinued operations in order to improve the decision usefulness of the financial statements. Our primary concerns relate to the definition of discontinued operations and the proposed disclosure requirements for individually material disposals that do not meet the discontinued operation presentation criteria. We address our primary concerns with the Exposure Draft in our response to Questions 1 and 5 below.

**Question 1:**

***Do you agree with the proposed definition of discontinued operations? Is it understandable and operable?***

We believe that the proposed definition of discontinued operation as a disposal of a separate major line of business or geographical area could be interpreted to include refranchising of restaurants. We do not believe reporting the results of a restaurant prior to refranchising as discontinued operations while reporting the ongoing franchise income and cash flows subsequent to refranchising as part of ongoing operations is decision-useful for the investor. We also do not believe that adding additional disclosure to address our concerns would provide an adequate level of transparency to the investor given the inconsistent presentation on the face of the financial statements. The reporting and disclosure model in place under current GAAP results in the financial impacts of our refranchising activity being clear and well understood, and any changes would lessen the comparability and usefulness of our financial statements.



As such, we believe that the definition of discontinued operation needs to be revised such that it is clear that it would not include a refranchising. We recommend that the definition be modified or an example added to include the idea that discontinued operation treatment is not appropriate when a significant cash-generating asset has been retained in the disposal. Consider the following restaurant refranchising example.

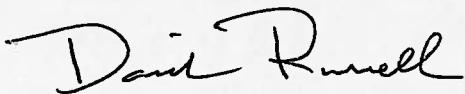
We have previously determined, and believe it to be industry practice, that the refranchising of a restaurant constitutes the sale of a business as defined in current GAAP. During a refranchising, the franchisee will acquire the tangible assets associated with the restaurant and all ongoing operations, including the acquired franchise rights. We retain the trademark, a significant cash-generating asset both when operating the restaurant as a company unit or when franchising the restaurant. In a refranchising scenario we are exchanging restaurant operating profits for franchise fees. Significant revenues and cash flows continue as a result of the new franchise business, and in some cases the net cash flows after a refranchising may ultimately exceed the cash flows prior to the refranchising depending on the financial performance of the restaurant. Since we retained a significant cash-generating asset (the trademark in our instance), the restaurant operations and related assets sold through refranchising should not be accounted for as a discontinued operation.

**Question 5:**

***Do you agree with the disclosures required for disposals of individually material components of an entity? If not, which disclosure or disclosures would you eliminate or add and why?***

We do not agree with the proposal to provide the required disclosures to individually material components of an entity that have been sold or are classified as held for sale but are not presented as discontinued operations. The requirements would result in complex, layered disclosure that would require three separate sets of disclosure rules depending on whether disposals meet the criteria for discontinued operations, are individually material disposals but do not qualify for discontinued operations presentation, or are disposals that are not individually material. We believe these disclosures will add considerable incremental costs and complexity to the preparation of financial statements without a corresponding level of benefit to the user. Additionally, as stated in the Exposure Draft, the purpose of the standard is to enhance "convergence of the FASB's and the IASB's reporting requirements for discontinued operations", and no such disclosures are required under current international accounting standards.

Sincerely,



David E. Russell  
Vice President, Finance and Corporate Controller