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August 30, 2013

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

File Reference No. 2013-230 – Proposed Accounting Standards Update: "Reporting Discontinued Operations"

Dear Ms. Cosper:

Emerson appreciates the opportunity to comment on the Proposed Accounting Standards Update, "Reporting Discontinued Operations." This project began as a simplification project to eliminate restatement of financial statements for immaterial divestitures. We support that objective but not the additional disclosure requirements which are not relevant for businesses no longer operated by the entity.

Only the definition of a discontinued operation should be revised. Existing discontinued operations requirements in the Codification should not be changed, except for the definition. We would use the proposal's concept but insert operating segment – define a discontinued operation as a "major strategic shift in operations resulting from divestiture of a **material operating segment** representing a major line of business or geographical area." (It may be necessary to consider reporting units one level below if the entity has only one or a just a few operating segments). We do not support additional disclosures for "material components" that do not meet this definition and believe it will only add confusion. If a business fails to qualify for reporting as a discontinued operation, by definition it is not qualitatively and quantitatively material and therefore not relevant and any disclosures would be extraneous. To the extent trends are affected by a divestiture, that information will be discussed in the SEC's required Management Discussion and Analysis.

We do not support expanding disclosures for discontinued operations to cover all periods presented for public companies. Under existing GAAP, the income statement is restated for three comparative years to <u>exclude</u> discontinued operations, which provides users the necessary trend information for the business. Sales and earnings for the most recent period along with details of the assets and liabilities that have been divested are also disclosed. This provides the relevant disclosures without being excessive, which is not warranted by these circumstances. If for some reason the user desires the income statement of the discontinued operation for all three years, for public companies it is available by reviewing originally reported and restated information so there is no need for separate disclosure. We also do not support expanding disclosures to include cash flows for discontinued operations, and certainly not for three years. This information is not necessarily readily available and/or not of the quality required for external reporting. If the proposed disclosure requirements are retained, comprehensive, detailed examples of multi-year disclosures that would apply to public companies should be provided which will demonstrate the onerous degree of detail required by the proposal.

Our other comments on the proposal follow.

Increased Costs

We agree with the Board's premise that current costs for preparers are too high and that narrowing the definition of a discontinued operation *could* lead to reduced costs. However, the substantial costs to prepare and disclose additional financial information both for businesses included in, and material components excluded from, discontinued operations will more than offset any benefits and result in increased complexity, thereby effectively defeating the purpose of the project. Expanded disclosures for discontinued operations do not meet the relevant and decision-useful criteria, as they relate to *former* businesses. Fundamentally, financial information for discontinued operations is less relevant because they will not be part of the business going forward, which is the primary focus of investors.

The processes required and the costs to prepare the new disclosures will be more extensive than appears on the surface. Preparation of the proposed stand-alone disclosures which would require developing full income statements and summarized balance sheet and cash flow information for three years for individual integrated businesses divested is not a routine process and will require significant management attention. Producing these more comprehensive "carve-out" financial statements for multiple periods will be costly, time-consuming, and in some cases subjective, as well as require new processes and controls. Further, these disclosures will require more audit scrutiny, resulting in additional costs that will be borne by preparers and shareholders. If the Board believes investors require more information to analyze the impact of divestitures, we would not oppose providing supplementary disclosure of certain noncash items, such as depreciation and amortization, for the most recent period only. Further disclosures are not warranted.

Material Components

The proposed disclosures for "material components" change nothing in substance from existing discontinued operations requirements. We see no value in reporting the same information in the notes for divested "material components" as for "discontinued operations." This will not reduce the effort or volume of data needed to fulfill disclosure requirements. We anticipate this requirement will cause investor confusion. Users will not understand the conceptual nuance of divestitures classified as a discontinued operation for which the primary financial statements are restated as compared to a "material component" which is only disclosed in the notes. It will be difficult to explain why one divestiture has been restated and the other just disclosed, therefore, we do not see the proposal improving financial reporting.

Definition of a Discontinued Operation

We do not believe it makes sense to introduce new business classifications when existing GAAP already includes "operating segments," "reporting units," "components," and "asset groups." We recommend that discontinued operations be defined in conjunction with existing terms, as we have suggested above. We also encourage the Board to provide more guidance through examples for determining the proper classification of a divestiture as a discontinued operation or material component, thereby ensuring consistent application and comparability of financial statements. We believe a specific materiality guideline in this area would be appropriate. For example, a divestiture should be evaluated to determine whether it is a "major line of business" or "major geographical area of operations" for discontinued operation reporting or disclosure as a material component, if the divested business exceeds 10% of enterprise sales, earnings or assets.

We appreciate the opportunity to respond to this proposal and trust our comments will be seriously considered in future Board deliberations.

Sincerely,

Richard J. Schlueter

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cc: Frank J. Dellaquila
Executive Vice President and Chief Financial Officer