Pfizer Inc.
235 East 42nd Street
New York, New York 10017

August 30, 2013

Technical Director
File Reference No. 2013-230
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Dear Technical Director:

Pfizer is a research-based global biopharmaceutical company with its principal place of business in New York. We discover, develop, manufacture and market leading medicines and vaccines, as well as many of the world's best-known consumer health care products. Pfizer's total revenues and assets reported on its Annual Report for the year ended December 31, 2012 were approximately $59 billion and $186 billion, respectively.

We appreciate the opportunity to respond to the Proposed Accounting Standards Update (proposed ASU) *Presentation of Financial Statements (Topic 205): Reporting Discontinued Operations*.

Generally, we are supportive of the proposed definition of discontinued operations in this proposed ASU; however, we have comments with respect to certain proposed amendments that we would like to share with you below.

__Questions for Respondents__

Question 1: Do you agree with the proposed definition of discontinued operations? Is it understandable and operable?

Response 1:

(a) We support the requirement that discontinued operations treatment be limited to disposals that represent a strategic shift in operations; that is, the disposal or planned disposal of a separate major line of business or a separate major geographical area of operations. However, we anticipate diversity in practice as the term "major" is a key consideration and perhaps further elaboration would be helpful. Perhaps the ASU could include a non-exhaustive list of facts and circumstances to be considered in the evaluation.

We acknowledge that the implementation guidance includes an example that illustrates the guidance on the meaning of a major line of business and an example that illustrates the guidance on the meaning of a major geographical area of operations; however, it is unclear to us from the examples provided how a major line of business or a major geographic area of operations would be determined in a consistent manner between different entities. For example, is the key consideration the management reporting structure or should more economic considerations be taken into account? As mentioned above, we believe that absent more specific guidance for this determination, practice is likely to be diverse.

(b) We request that the definition be modified such that a "business that, on acquisition, meets all of the criteria in paragraph 360-10-45-9 to be classified as held for sale," would also have to meet the definition of a "component of an entity" as we believe that the definition of a business by itself is too broad and would require in some instances to separate operations that are not clearly distinguished operationally and for financial reporting purposes. Such separation would be impracticable.

We request that paragraph 205-20-45-1A be revised in a manner similar to the following (with revisions, as necessary to the illustrations):

"205-20-45-1A A discontinued operation is either of the following:

a. A component of an entity or a group of components of an entity that meets both of the following criteria:
   1. The component or group of components has been disposed of or meets all of the criteria in paragraph 360-10-45-9 to be classified as held for sale.
   2. The component or group of components is part of a single coordinated plan to dispose of a separate major line of business (for an illustration, see paragraphs 205-20-55-85 through 55-88) or a separate major geographical area of operations (for an illustration, see paragraphs 205-20-55-89 through 55-92).
b. A business that is a component of an entity or a group of components of an entity ~~business~~ that, on acquisition, meets all of the criteria in paragraph 360-10-45-9 to be classified as held for sale."

Question 2: Do you agree that the continuing involvement criterion in the existing definition should be eliminated? Why or why not?

Response 2:

Yes. We believe that as long as the operations were disposed of or will be disposed of and the entity loses control over the assets and liabilities of the discontinued operation, the fact that there is or there isn't continuing involvement should not affect the presentation and impair comparability of results between the periods.

Question 3: Do you agree with the scope of the amendments in this proposed Update? Do you agree that disposals of equity method investments … should be eligible for discontinued operations presentation if they meet the criteria to be reported in discontinued operations?

Response 3:

We do not agree that disposals of equity method investments should be eligible for discontinued operations presentation for a number of reasons as follows:

(a) We do not believe such presentation would add decision usefulness to the financial statements. Existing U.S. GAAP and SEC rules require separate disclosures for equity method investments, such as (i) separately reporting equity method investment amounts in the balance sheet, (ii) separately reporting earnings or losses from equity method investments in the income statement, and (iii) in certain circumstances, including summarized financial information or separate financial statements of the investee. We believe this existing financial reporting framework captures sufficient information for equity method investments, such that users of financial statements already have access to data relevant to disposals of equity method investments that are material to an entity's financial statements without the additional cost and effort that would be associated with a revised presentation.

(b) Since equity method investments are one asset and the share in the income of the equity method investment is presented in one line item, we do not believe these could be considered as a component of an entity, as defined, which refers to "operations and cash flows". We do not believe that an investment would be considered an "operation" and "cash flow" within an entity. Rather, only a consolidated group of assets should be included in the scope of this standard.

(c) We believe that determining if an equity method investment is a major line of business would be difficult to apply, as operations, which are not controlled but rather included in one line item would, in many instances, be difficult to compare to the overall consolidated activities of an entity in order to determine if from the entity's perspective the equity method investment constitutes a major line of business.

Question 4: U.S. GAAP and the amendments in this proposed Update do not specify whether an entity should reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification. Should the entity be required to reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification? Why or why not?

Response 4:

No, an entity should not be required to reclassify the net assets of prior periods, but should be permitted to do so.

As a matter of background, we have historically reclassified the assets and liabilities for periods immediately preceding reclassification and for additional prior periods, when practicable, related to our SEC reporting obligations. We find that such a presentation is helpful to the users of our financial statements, facilitates a more meaningful discussion of balance sheet movements in the footnotes to our financial statements and in the Management's Discussion and Analysis section of our quarterly and annual reports, and improves consistency with the presentation of the operation in our statements of income.

See also our Additional Comments below concerning the cost/benefit of incremental disclosures

Question 5: Do you agree with the disclosures required for disposals of individually materially components of an entity? If not, which disclosure or disclosures would you eliminate or add and why?

Response 5:

No, in general, we do not agree with the proposed new disclosures for disposals of individually material components of an entity.

As discussed in the proposed ASU, the proposed amendments are intended to address stakeholder concerns that too many asset disposals qualify for discontinued operations, resulting in financial statements that are not decision-useful for users. If a disposal does not qualify as a discontinued operation under the proposed definition, then it does not represent a major line of business or major geographic area and the expanded disclosures in the proposed ASU should not be required.

As deemed necessary or desirable by management, voluntary supplemental disclosures could be used to provide additional helpful information to users of the financial statements. We believe that management should have the ability to decide the relevant information to disclose for the disposal of individually material components of an entity.

Notwithstanding, we do not view the proposed requirements as onerous, but caution that all incremental disclosures increase the risk of unintended consequences, such as making it harder for a user to actually find and discern critical information.

Question 6: Do you agree that businesses held for sale on acquisition should be excluded from certain disclosure requirements? Why or why not?

Response 6:

Yes, we believe businesses held for sale on acquisition should be excluded from certain disclosure requirements. (See also Response 1(b) above, as we also believe that the definition of discontinued operations should be modified for businesses held for sale on acquisition.)

Question 7: Do you agree with the prospective application transition method? Why or why not?

Response 7:

Yes, we agree with the prospective application transition method for this proposed ASU. We do not believe that retroactively applying the new proposed definition and disclosures to disposal activities previously reported in historical financial information would provide any meaningful benefit to users to justify the significant efforts it would require from preparers to do so. Furthermore, we believe it may confuse users to restate previously issued financial information that may have already been restated for discontinued operations.

Question 8: How much time do you think will be needed to prepare for and implement the amendments in the proposed Update?

Response 8:

Under a prospective application transition method, preparation time could be limited. As expressed more fully below, we do have concerns about the preparation time that might be necessary for cash flow information, if such information is ultimately required to be provided.

Additional Comments

- **Proposed paragraph 205-20-50-1Ac through 1Ae**—We assume that this requirement would be limited to the periods for which a cash flow statement is presented. We believe the wording should be revised to indicate that, so that this disclosure would be required for the periods that the cash flows of the discontinued operation are reported in the statement of cash flows. In interim periods, the statement of cash flows is presented solely on a year-to-date basis while the statement of income presents both quarterly and year-to-date information.
- **Proposed paragraphs 205-20-50-1Ac through 1Ae**—We believe the proposed cash flow requirements should be removed. Substantial work is required to derive cash flow information, particularly for discontinued operations that are not in separate legal entities and associated issues can become quite complex. Furthermore, in

many cases deriving cash flow information for the discontinued operation would become impracticable, especially in a multi-national entity, where cash flows and working capital are managed on a centralized and global basis. In such cases, cash flows generated by all businesses are immediately remitted to the central treasury center and it becomes a very significant and costly effort to trace the cash flows to a certain operation. Deriving the cash flows associated with a discontinued operation would be based on estimates developed through a significant amount of work and we do not see the "cost/benefit" of providing such disclosure. For public companies, an analysis of the effect on the entity's cash flows would already be required in order to satisfy trend and liquidity disclosures. See also our Additional Comments below concerning the cost/benefit of incremental disclosures.

- **Proposed paragraph 205-20-50-4d**—A sample illustration of these requirements would be helpful.
- **Proposed paragraph 205-20-50-4d1**—We believe that the proposed requirement described in 4d1 should be removed in its entirety. As we understand this requirement, we would be required to "look through" the income/(loss) of the investment and disclose the pretax income/(loss) generated from our discontinued operation in the equity method investment. If our interpretation is correct, this requirement is either not necessary or not practicable.
    - If the equity method investment is comprised solely of our discontinued operation, in which we sold our controlling interest, then this disclosure would be almost redundant with the requirement in 205-20-50-4d4, as that paragraph requires us to disclose our share in the net income of the equity method investment
    - If the equity method investment is comprised of our discontinued operation in addition to other businesses, then the "look through" requirement is not practicable. The information would be difficult, if not impossible, to obtain and would put impractical restraints/requirements on the equity method investee. We also anticipate that in many cases the investee may refuse to engage in such costly efforts just to fulfill the disclosure requirements of a noncontrolling shareholder
- **Proposed paragraph 205-20-55-82**—We do not believe that "depreciation and amortization" should be provided as an example of a major line item. As U.S. GAAP does not require the breakdown of expenses by nature, such information may not be collected by an entity and does not constitute a line item within the financial statements. We believe that this example will prove confusing to preparers and could be leveraged by auditors to require an entity to disclose this information, even if the entity does not have such a separate line item in its statement of income.
- **Cost/Benefit of Incremental Disclosures**—With respect to all incremental disclosure requirements, particularly cash flow information and prior period balance sheet information, we believe it is important for the Board to consider the significant costs likely to be incurred solely due to the manner in which many companies manage

their assets and liabilities as well as cash flows. Requirements related to restatements of assets and liabilities or the inclusion of cash flow information could have a significant cost impact on companies while only achieving a modest benefit for users. While we recognize that a "component of an entity" is defined as a grouping that "comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity," we observe that a company's operating structure is generally designed to manage operating income, not its balance sheet or cash flows. As such, determining balance sheet and cash flow information of a particular operation in periods prior to disposal is generally not a process already embedded into the normal operations of the company and, as such, would and does require extreme manual effort. In fact, multiple operations can exist in one legal entity where assets and liabilities are commingled, particularly when customers are shared or overlap and a "one-face-to-the-customer" approach is utilized. In many cases working capital items such as accounts receivable and accounts payable are managed overall, while other assets such as manufacturing or logistic facilities are producing products related to the various businesses and are not separated by business. Such conditions make it extremely difficult to restate prior period balance sheet information or determine separate cash flows for any given period without significant and costly manual work that we do not believe justifies the benefit derived from such information.

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In closing, we thank the FASB for allowing us the opportunity to share our views on the proposed ASU amending discontinued operations reporting and appreciate your consideration of these comments. We would be happy to discuss these matters further or to meet with you if it would be helpful.

Sincerely,

Loretta V. Cangialosi
Senior Vice President and Controller

cc: Frank D'Amelio
Executive Vice President, Business Operations and Chief Financial Officer