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ALCOA

August 30, 2013

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

Re: File Reference No. 2013-230, Exposure Draft, Proposed Accounting Standards Update, "Presentation of Financial Statements (Topic 205)—Reporting Discontinued Operations"

Dear Technical Director:

Alcoa Inc. appreciates the opportunity to comment on the Exposure Draft referenced above. Alcoa is the world's leading producer of primary and fabricated aluminum, as well as the world's largest miner of bauxite and refiner of aluminum.

We support the Board's effort to improve financial reporting by proposing to revise the criteria for reporting discontinued operations. We agree that a discontinued operation should represent a major strategic shift in an entity's operations, and commend the Board's efforts at improved convergence with International Financial Reporting Standards in this area. That being said we do have comments related to several of the questions put forth in the proposed Accounting Standards Update (ASU).

Question 1: Do you agree with the proposed definition of discontinued operations? Is it understandable and operable? We do agree with the proposed definition of discontinued operations. However, we feel that additional guidance is necessary to clarify the meaning of a disposal of a component (or group of components) of an entity that represents a major geographical area of operations.

For example, a global entity has two major lines of business that will be referred to as B1 and B2. B1 has operations in the United States, Europe, and Australia, and B2 has operations in South America, Asia, and Australia. At a minimum, the operations in each of the three geographic regions for both businesses represent a component of the entity. The entity decides to dispose of B2's operations in Australia. In this example, the planned disposal of B2's operations in Australia represents only a portion of the major line of business, as there are remaining operations in South America and Asia; however, for B2, this does represent the planned exit of a major geographic area of operations. Conversely, the entity would still have operations related to a separate business line (B1)

in Australia. So the question facing the entity is whether to report the planned disposal of B2's operations in Australia as a discontinued operation.
We do note the examples included in the implementation guidance on pages 18 and 19 in the proposed ASU, but these two examples present the disposal of a major line of business and a major geographical area of operations independent of one another. While acknowledging that the proposed ASU cannot provide examples for all conceivable scenarios, we believe it would be helpful to make it clear whether the exit of a major geographical area of operations means the disposal of all operations (regardless of the number of businesses) or a single line of business.

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? Our response to this question encompasses Alcoa's views on all of the proposed disclosures included in the proposed ASU, and reflects Alcoa's sentiment that disclosure overload is a significant issue facing both financial statement preparers and users..

The objective of the proposed ASU is to limit the number of disposals that qualify for discontinued operations resulting in financial statements that are more decision useful for users and in lower costs for preparers. As such, it is not clear why the overall level of disclosures would increase even though fewer disposals will qualify as discontinued operations. Further, increasing the level of disclosure for disposals that do not qualify as discontinued operations also does not seem appropriate, as it does not appear that this is a current area of concern of financial statement users.

Specifically, as it relates to a disposal that would qualify under the new definition of discontinued operations, we do not agree with requiring disclosure of the major income and expense items constituting the pretax profit or loss (including a reconciliation to the after-tax profit or loss from the discontinued operation on the face of the statement where net income for the entity is reported) and a reconciliation of the major classes of assets and liabilities classified as held for sale to the amounts presented as held for sale on the face of the entity's statement of financial position. The major income and expense items of a discontinued operation are currently reclassified out of each individual line item of an entity's continuing operations for all periods presented; therefore, we do not see the benefit or relevance for adding this disclosure as the user currently views the entity on a line-by-line basis excluding the disposal that will no longer exist. We also do not see the benefit or relevance for a separate reconciliation of assets and liabilities classified as held for sale for similar reasons. We believe it is important for a financial statement user to be able to view an entity's statement of financial position excluding the asset and related liabilities expected to be disposed, which is currently the case. Presenting a disclosure that provides the major categories of assets and related liabilities held for sale by disposal type (discontinued operations and disposals not classified as discontinued operations) is of no greater benefit than the existing disclosure requirements.

For a disposal of an individually material component of an entity that does not qualify for discontinued operations, we do not agree with requiring disclosure of a reconciliation of the major classes of assets and liabilities classified as held for sale to the amounts presented as held for sale on the face of the entity's statement of financial position for the same reasons previously mentioned above. A financial statement user is focused on the entity's statement of position without the assets and related liabilities classified as held for sale. It does not matter whether the assets and related liabilities classified as held for sale relate to a discontinued operation, a material component of an entity that doesn't qualify for discontinued operations, or otherwise.

As a result, along with the extant disclosures in this area, in our view the additional disclosures that should be required for disposals that would qualify under the new definition of discontinued operations should be limited to the major classes of cash flows (operating, investing, and financing) and pretax profit or loss attributable to the parent, much of which many entities currently present on a voluntary basis. Also, the additional disclosures required for a disposal of an individually material component of an entity that does not qualify for discontinued operations should be limited to revenues and pretax profit or loss, including the amount attributable to the parent if a noncontrolling interest exists.

Additionally, even though it may be rare that an entity has more than one disposal representing a major line of business and/or major geographic area of operations during the same period, we believe all disclosures of discontinued operations should be presented in the aggregate. Likewise, if an entity has more than one individually material component of an entity that does not qualify for discontinued operations, our view is all disclosures should be presented in the aggregate along with the disposals that are not individually material. This is consistent with the manner in which current disclosures are provided for disposals and focuses the reader on the businesses that will remain in a company's portfolio on a go-forward basis.

Question 7: Do you agree with the prospective application transition method? Why or why not? Although we have concerns regarding potential lack of comparability in certain situations, on balance Alcoa supports the Board's proposal for prospective application given the time and effort required for retroactive application.

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Thank you for allowing us the opportunity to present our views on this Exposure Draft. Please contact me at (412) 553-2169 or Bob Collins, Assistant Controller, at (412) 553-1772 if you would like us to clarify any of our comments.

Sincerely,

Graeme Bottger
Vice President and Controller