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Technical Director
File Reference: Proposed FSP FAS 144-d
Financial Accounting Standards Board of
The Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO.

13

Re: Comment Letter on the Proposed Statement Amending the Criteria for Reporting a Discontinued Operation

Tyco appreciates the opportunity to respond to the proposed statement. Overall we agree that the Board is moving in the right direction with the guidance outlined in the proposed FSP, and have included in Exhibit 1 our comments and suggested changes on the specific questions that were enumerated. In Exhibit 1 the *italicized* material sets forth the Board's questions, followed by our comments.

Thank you for your consideration.

Sincerely,

Carol Anthony Davidson

Senior Vice President, Controller and Chief Accounting Officer

Exhibit 1:

The Board requests that constituents provide comments on the following questions.

1. The proposed FSP would amend the definition of a discontinued operation so that a discontinued operation is a component of an entity that is (a) an operating segment (as that term is defined in FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information) and either has been disposed of or is classified as held for sale or (b) a business (as that term is defined in FASB Statement No. 141 [revised 2007], Business Combinations) or a nonprofit activity! that meets the criteria to be classified as held for sale on acquisition. Do you agree with the proposed definition of a discontinued operation? Why or why not? If not, what definition would you propose and why?

We agree that the current definition of a discontinued operation in statement 144 results in too many activities being classified as discontinued operations, and should instead be amended to include only those activities that result in a strategic shift in operations. However, in order to achieve these results, but at the same time not swing the pendulum to far the other way and have too few activities being classified as discontinued operations, we propose the definition should be revised to report discontinued operations at the reporting unit as defined under statement 142, as opposed to the operating segment level as defined under statement 131. We believe this to be a more appropriate level to report a discontinued operation for the following reasons:

- a. This is the level in which senior management provides discrete financial information to make strategic decisions about allocating resources and assess performance, pursuant to paragraph 30 of statement 142.
- b. This is the level in which goodwill is test for impairment under statement 142.

Finally, we agree with the Board's suggestion to eliminate the requirement under paragraph 42 of statement 144.

2. Based on the proposed definition of a discontinued operation, an operating segment is the general level of aggregation for determining whether a component of an entity would be reported in the discontinued operation section of the income statement (or statement of activities for not-for-profit entities). The definition would no longer include certain subsidiaries and asset groups that do not meet the definition of an operating segment. Is it feasible for an entity that is not required to apply Statement 131 (that is, a nonpublic business entity and a not-for-profit entity) to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply Statement 131 and why?

Since we are a public entity, we have no comment on the feasibility of applying the proposed FSP to nonpublic entities that are not required to apply statement 131.

3. Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose and why?

We agree with the level of disclosure within paragraph 13 of this proposed standard for disposals which qualify to be classified and presented as a discontinued operation. As outlined under our response to question #1 above, we would propose that the definition of a discontinued operation be a reporting unit (as that term is defined in statement 142) and either has been disposed of or is classified as held for sale; or a business (as that term is defined in FASB Statement No. 141 (revised 2007), Business Combinations), that meets the criteria to be classified as held for sale on acquisition. Although we agree that some level of disclosure be required for disposals which do not qualify for discontinued operation classification, we respectfully disagree with the Board that the level of disclosure should be the same regardless of whether the disposal is reported in the income statement as a discontinued operation or within continuing operations. Instead we would propose the disclosure requirements be structured similarly to the disclosure requirements as prescribed by Statement No. 141(r) paragraphs 68 and 69 regarding individually material business combinations and individually immaterial business combinations that are material collectively. We would propose the following disclosure requirements for individually material disposals which do not qualify for discontinued operation classification:

- a. A description of the facts and circumstances leading to the expected disposal and the expected manner and timing of that disposal;
- b. The amount of revenue and pretax & post-tax profit or loss reported in continuing operations as well as the carrying value of current assets and liabilities, non-current assets and liabilities and total assets and liabilities:
- c. The amount of cash proceeds received on disposal,
- d. The amount of gain or loss recognized in accordance with paragraph 37 of the proposed standard and if not separately presented on the face of the income statement, the caption in the income statement that includes the gain or loss; and
- e. The segment in which the long-lived asset (disposal group) is reported under Statement 131

We would propose the following disclosure requirements for individually immaterial disposals that are material collectively which do not qualify for discontinued operation classification:

- a. The number of entities disposed of and a brief description of those entities;
- b. The aggregate amount of revenue and pretax & post-tax profit or loss reported in continuing operations as well as the aggregate carrying value of current assets and liabilities, non-current assets and liabilities and total assets and liabilities;
- c. The aggregate amount of cash proceeds received; and
- d. The aggregate amount of net gains or losses recognized in accordance with paragraph 37 of the proposed standard and if not separately presented on the face

of the income statement, the caption in the income statement that includes the net gain or loss.

We agree that the current definition of a disposal group under SFAS 144 results in too many disposal activities being classified as discontinued operations. While we believe that the revised definition within the proposed standard or our amended definition will reduce the number of activities that qualify for discontinued operations, we do not believe the proposed disclosure requirements will reduce the number of disposal reported to comply with the proposed standard, but will only shift the activity from the face of the primary financial statements to the footnotes. We believe the same factors, such as a strategic shift in operations, outlined in the proposed standard that led to the revised definition of a discontinued operation justify having different disclosure requirements for disposals reported in the income statement as a discontinued operation or within continuing operations. Furthermore, we believe our proposed level of disclosure will result in sufficient transparency to enable a user of the financial statements to obtain additional information for those disposal activities that may have been previously classified as discontinued operations, which will allow them to make informed investment decisions. We believe the proposed definition will not reduce the level of work necessary to comply with the proposed standard if companies are required to disclose the same level of reporting either in the notes or the face of the financial statement for all disposal activities. Finally, statement 95 currently does not require separate disclosure of cash flows from discontinued operations. It is our understanding the SEC will accept either one of five presentation alternatives for disclosing cash flows from discontinued operations. Whichever alternative a company elects to disclose cash flows from discontinued operations it must be disclosed consistently. As such, we respectfully disagree with the Board's proposal to present the major classes of cash flows (operating, investing and financing) for disposals which do not qualify for discontinued operation presentation, which is also consistent with IAS7 disclosure requirements. To the extent the Board feels strongly about disclosing the major classes of cash flows we would ask the Board to consider making such disclosure requirement optional to the financial statement preparer for disposals which do not qualify for discontinued operations classification similar to the current practice of presenting cash flows for a discontinued operation.

4. Under the disclosure requirements, income tax expense or benefit does not have to be calculated and disclosed for components of an entity that are reported within continuing operations and that have been disposed of or are classified as held for sale. Do you agree or do you believe it would be beneficial to require income tax expense or benefit to be calculated and disclosed for discontinued components of an entity within continuing operations? If so, how would you calculate and disclose the income tax expense or benefit?

We believe that the current requirements under SFAS 144, paragraph 43 regarding income tax expenses (benefit) should continue to be disclosed as a separate component in the notes to the financial statements for disposal activities of an entity that are reported within continuing operations that have been disposed of or are classified as held for sale, for the following reasons:

- a. If Companies are required to disclose major financial statement line items impacts as proposed in paragraph 13, we believe companies should also report or disclose the tax impact of such disposal activities.
- b. Additional significant changes to operations can have a material impact to the Income Tax line item and should continue to be separately disclosed in the notes to investors who need to make informed investment decisions.

In terms of disclosure requirements see response to question #3 above.

5. Do you agree with the disclosure exemptions for a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose and why?

We agree with the proposed disclosure exemptions in the FSP for a business that meets the criteria to be classified as held for sale on acquisition.

6. Are the effective date and transition provisions sufficient for compiling the information needed? Why or why not? If not, what would you propose and why?

We disagree with the transition provisions in the proposed FSP that requires retrospective application to all periods presented, as we believe that this requirement will be confusing to users of our financial statements, as activities that were previously classified as part of discontinued operations will now be back in continuing operations. In addition, we also believe retrospective application may cause significant costs and complexity due to the administrative burden of having to remove numerous disposal activities from prior years that may no longer qualify for discontinued operations reporting under the new standard. Instead, as with recent transition guidance issued by the Board under statement 123(R), we believe that entities should be given the option based on their specific facts and circumstances to retrospectively adjust prior periods presented, as we believe it will be necessary to be disclosed in the notes the impacts of adoption to prior periods regardless of which election is chosen.