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Russell Golden Technical Director File Reference No. 1790-100 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1790-100, Comprehensive Income

We would like to take this opportunity to comment on the FASB Exposure Draft of the *Proposed Accounting Standards Update of Topic 220, Comprehensive Income.* Emerson is a diversified Fortune 100 global manufacturing company. It is our view that comprehensive income is not a meaningful performance measure, and while we agree that an understanding of non-owner changes in equity is important, giving comprehensive income the same credence and prominence as net income is artificial and potentially misleading.

- Income commonly means earnings, and the existing definition of income is the proper measure for the current operating performance of a company. Using the term comprehensive income in a single statement of performance will confuse or potentially mislead investors. Maintaining the segregation between income and the elements of other comprehensive income provides the most useful information for investors.
- Existing balance sheet presentation and other disclosure requirements for other comprehensive income provide users appropriate and relevant information about the various elements of this category, without mixing this information with performance results.
- There have been no fundamental changes since constituents and the FASB itself first rejected the view that comprehensive income is on a par with net income.
- In our experience, analysts and investors give no regard to comprehensive income either as a current period performance measure or as an indicator of future results.

From the onset, the discussion regarding comprehensive income has always been overly theoretical and not driven by practical, real user demand. We believe elevating comprehensive income to the level of net income will satisfy the academics but provide no practical benefit to users of financial statements. Nothing has fundamentally changed since FAS 130 was finalized in 1997 in either the make-up of comprehensive income, or its relationship to operating performance, that now warrants a change in reporting.

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Analysts and other financial statement users are interested in current period operating results and cash flow, and insight regarding the future levels of these items. Periodic changes in the elements of comprehensive income, while important to understand, will cause confusion about the entity's performance when combined with current period operating results. Elevating comprehensive income to the level of net income will not meet the FASB's stated goal of simplifying or improving financial reporting if it causes investor confusion or misunderstanding.

Fluctuations in the elements of other comprehensive income can be significant from period to period yet the ultimate recognition in earnings and impact on cash flow from these changes is typically numerous periods in the future. It is also not practical to accurately forecast the periods or order of magnitude in which these impacts will be incurred. Given this volatility and lack of forecast ability, referring to non-owner changes in equity as "income," which commonly means "earnings," is confusing at best and potentially misleading.

An example of this lack of near-term decision usefulness is the significant declines in the value of pension assets experienced by most companies beginning in 2008 and the subsequent recoveries. Although the declines in values may have had an impact on short-term cash contributions or the amortization of deferred actuarial differences, it clearly is not a one-to-one basis and the fluctuations were wholly unpredictable. Including these movements in some measure of current period operating income would have potentially led investors to the wrong conclusion.

Given the issues discussed above, we believe the income statement, as currently constituted, must remain the primary vehicle for reporting operating results, and that net income must remain free of the confusion that will result from subsuming it into a statement of comprehensive income. Further, there are more than adequate disclosure requirements in place around the future earnings and cash flow impacts from pensions, retiree medical plans, foreign currency translation and derivatives to assist users in understanding their impact on a company's financial position.

Regarding the FASB's specific questions, we offer the following:

Re: Question 1. For the reasons noted above, we do not agree that a continuous statement of comprehensive income will improve comparability, transparency or understandability of financial statements. The information required is already disclosed so comparability and transparency are simply not issues. As discussed, we believe the proposed change will diminish, rather than enhance, understandability.

Re: Question 2. Yes, we believe preparers should have a choice of reporting the tax effects for the various components of comprehensive income in the footnotes versus only on the face of a separate financial statement. However, we do not support the separate statement approach.

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Re: Question 3. We do not believe displaying reclassification adjustments from other comprehensive income to net income is useful or provides any clarity. This requirement amounts to making preparers "show their work" which may be useful for accountants and auditors, but it is not useful for investors to prove the accounting was done correctly.

Re: Question 4. We do not believe changes in the calculation of earnings per share are needed. As outlined, we are opposed to the notion of comprehensive income as a performance measure. We believe it would be a significant step in the wrong direction to modify the earnings per share calculation to incorporate elements of non-owners changes in equity and strongly discourage the FASB from proposing any such changes.

In summary, we do not support the changes outlined in the Exposure Draft as we consider them highly theoretical and not supported by genuine financial statement user demand, and therefore suggest that rather than this Update being issued, it should be dropped altogether. If the FASB elects to move forward, then we believe this issue should be addressed with the broader Financial Statement Presentation convergence project. Existing requirements already provide appropriate and useful disclosure for the elements of other comprehensive income and we believe the proposed changes could have the unintended effect of reducing, rather than clarifying, the understanding of financial statement users.

We trust our views will be seriously considered in future deliberations on this subject.

Sincerely,

Richard J. Schlueter

Vice President & Chief Accounting Officer

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C: Frank J. Dellaquila

Senior Vice President & Chief Financial Officer