



Pfizer Inc
235 East 42nd Street
New York, NY 10017-5755

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Technical Director
File Reference No 1820-100
FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: Proposed Accounting Standards Update: *Revenue from Contracts with Customers, Revenue Recognition (Topic 605)*

Dear Technical Director:

Pfizer is a research-based, global pharmaceutical company with its principal place of business in New York. We develop, manufacture and market leading prescription medicines for humans and animals, as well as nutritional products and many of the world's best-known consumer products. The Company's 2009 total revenues were \$50 billion and its total assets as of December 31, 2009 were \$213 billion. We appreciate the opportunity to respond to the FASB Exposure Draft on Revenue Recognition (Topic 605): *Revenue from Contracts with Customers* (the "ED").

Pfizer supports the Board's efforts to improve the understandability and comparability of financial information, the move towards principles-based standards and the goal of convergence. With specific reference to revenue recognition, we support the four goals listed in IN2 (removing inconsistencies and weaknesses, providing a robust framework, improving comparability and simplifying the preparation of the financial statements), but we also value the concepts of representational faithfulness and conservatism, both of which can require compromises in accounting theory to be achieved.

General Comments on Exposure Draft

We agree with the core principle of the ED which is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration the entity receives, or expects to receive, in exchange for those goods or services. However, we have certain operational and implementation concerns and we strongly oppose recognizing revenue that is contingent upon the occurrence of future events.

In summary, we ask the Boards to reconsider a number of proposals:

- The Use of Expected Value Techniques – We believe requiring a probability-weighted approach as the specific methodology to be used in estimating consideration is contrary to the objective of producing a principles-based standard for revenue recognition. We believe that management's best estimate is the most useful measure of the performance obligations in a contract. An entity's management should be able to determine a best estimate of consideration expected to be received under a contract with a customer. This

best estimate could then incorporate relevant historical experience, management's judgment and, if desired, an expected value technique.

Except for binary outcomes, we believe that a probability-weighted approach would likely produce an estimate of similar quality to those derived from best-estimate methods currently used in practice today. However, entities would be faced with increased documentation requirements, increased complexity and significant costs to reconfigure systems and processes to switch to and utilize a probability-weighted approach. We have considered the significant difficulties that the preparers will have in trying to operationalize the practices outlined in the proposal in a systematic and practical way to allow for efficient, timely processing of transactions that may necessarily reflect varying local practices endemic to the selling process. There are literally thousands of transactions that comprise "revenue." We have substantial concerns with the feasibility of scaling up the contract-by-contract assessment of probability to all transactions across the various geographic regions, political jurisdictions, customers and products that could be required by a global enterprise. And, of equal importance, we do not believe that such monumental efforts would provide any incremental benefit or precision to users of an entity's financial statements.

For binary outcomes, such as contingences based on performance targets where there are only two outcomes — zero and another amount, the use of probability-weighted amounts would almost always result in amounts that are not representative of a possible outcome. For example, under a contract where \$10 million is payable to the entity upon the achievement of a performance target and the probability-weighted estimate of the achieving the target is 30%, the entity would recognize \$3 million in revenue and subsequently adjust the amount recognized to \$10 million or \$0. We fail to see how recognition of an amount of revenue that is not a possible outcome and the probable reversal (70% likelihood) in subsequent periods would present decision useful information to users of financial statements. Disclosure of the gain contingency is likely a better option.

Moreover, we strongly believe that changing to a probability-weighted approach would imply an incremental level of precision that won't be achieved in practice. As such, we are concerned that it would create an "expectation gap" between users and preparers of financial statements.

- The Recognition of Contingent Consideration Prior to the Contingency Being Resolved – In determining the transaction price in a contract with a customer, we are concerned with the potential financial statement impacts of including in revenues an amount of variable consideration that is contingent upon the occurrence of a future event.

We believe that inclusion of contingent amounts in revenue prior to resolution of the related contingency represents a departure from current GAAP addressing gain contingencies included in ASC Topic 450, *Contingencies* ("Topic 450"). Topic 450 is not included in the list of proposed amendments to the *FASB Accounting Standards Codification* in appendix B of the ED. We believe that recognition of variable consideration that is contingent upon a future event and which increases revenue before the contingency is resolved is, in effect, the recognition of a gain contingency. We are extremely concerned that recognizing revenue in this manner will be misleading to a reader of financial statements.

Performance Targets

With respect to contingencies based on the achievement of a performance target, we believe that accounting for the revenue in the period in which the performance target is achieved results in the most appropriate recognition of revenue and reporting of the most decision useful information to users of financial statements.

Royalty Income

With respect to royalty income, we believe that the current method of periodic recognition linked to the resolution of the contingency (typically, a sale) results in the most appropriate recognition of revenue and reporting of the most decision-useful information to users of financial statements.

If an entity has licensed a currently marketed product and can reasonably estimate future royalties, it is our understanding that under the proposed guidance, the entity would recognize revenue for the total amount of royalties to be received over the term of the agreement. After this large one-time increase in revenue, the entity would then have to continually re-assess the total royalty revenue expected to be recognized and record adjustments to revenue as appropriate for changes in estimates each reporting period. We believe this accounting would be less transparent to investors and other users of financial statements and would to a certain extent obfuscate actual earnings performance and would, of course, sever the linkage of revenues and cash flows with the actual sales performance of the underlying licensed product.

Also, we object to an entity recognizing royalty income related to the sales of a counterparty where those sales have not yet met the guidelines for revenue recognition.

For these reasons, we believe that the current accounting for royalties in which they are recognized in the period that the third party sales are achieved and the amounts are owed to the licensor results in the most appropriate revenue recognition pattern and most useful information to investors.

General Comments

We believe that application of the proposed guidance for variable consideration that is contingent on a future event is not representationally faithful and will diminish the decision usefulness and predictive value of reported revenues to financial statement users. Further, we are concerned that the approach will be subject to the dangers of management exuberance (whether innocent or malevolent).

- The Extensive Disclosure Requirements - We believe that many of the proposed disclosures in the ED would not provide useful information to users of financial statements and would require significant implementation costs for preparers. We believe that entities will need to incur significant costs in systems and processes to maintain reconciliations of contract assets and liabilities, track onerous performance obligations and provide the total amount of performance obligations along with the expected timing of their satisfaction for contracts with an original

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duration expected to exceed one year to meet the disclosure requirements in the ED.

In addition, despite the costs, we do not believe that disclosure of these items will improve the understanding of the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Any savings for preparers from reducing the amount of literature to be referenced will be lost in the footnote preparation requirements!

- The Retrospective Application Requirement – We believe that retrospective application should be encouraged, but not required.
- The Inclusion of Collaborative Arrangements - It is our expectation that collaboration arrangements would not be included in the scope of the proposed revenue recognition standard. These arrangements are entered into with business partners to share risks and rewards. We do not view business partners as customers. We recommend that the guidance/concepts provided in BC 17 be elevated to the Scope section of the standard, currently paragraphs 6-7.

Our detailed responses to the questions presented in the ED are included in the Appendix to this letter.

We would be happy to discuss these matters further or to meet with you if it would be helpful.

Sincerely,

Loretta V. Cangialosi

Loretta V. Cangialosi
Senior Vice President and Controller

Attachments

cc: Frank D'Amelio
Senior Vice President and Chief Financial Officer

Appendix

Questions for Respondents (We have included only those we have comments on.)

Recognition of revenue (paragraphs 8–33)

1. Paragraphs 12–19 propose a principle (price interdependence) to help an entity determine whether to:

- (a) combine two or more contracts and account for them as a single contract;**
- (b) segment a single contract and account for it as two or more contracts; and**
- (c) account for a contract modification as a separate contract or as part of the original contract.**

Do you agree with that principle? If not, what principle would you recommend, and why, for determining whether (a) to combine or segment contracts and (b) to account for a contract modification as a separate contract?

Yes.

2. The Boards propose that an entity should identify the performance obligations to be accounted for separately on the basis of whether the promised good or service is distinct. Paragraph 23 proposes a principle for determining when a good or service is distinct. Do you agree with that principle? If not, what principle would you specify for identifying separate performance obligations and why?

We generally agree with the concept of “distinct,” but we find the guidance in Paragraph 23(b) to be confusing. For example, we did not understand the conclusion drawn in Example 10 in IG42 and therefore conclude that the guidance in 23(b) is not sufficient and, also, that perhaps more examples may be necessary to clarify the Boards’ thinking.

Paragraph 23(b)(i) – Distinct Function

- We recommend that the guidance in Paragraph 23(b)(i) clarify that there is a staging or timing element associated with the “distinct function” condition specified in Paragraph 23(b)(i).

Based on our understanding of the critical decision point in Example 10, we further recommend that the fifth paragraph of the example be modified as follows (if this is reflective of the Boards’ basis for conclusion):

“In this example, the license is not distinct because it neither is sold separately (that is, without the research and development services) nor could it be, because it does not have a distinct function. The license does not provide utility on its own or together with other goods or services that the customer has received from the entity or that are available from other entities (if comparable services were sold separately by other entities, the license would have a distinct function). Although the single contract provides that

the customer will receive research and development services from the entity as well as the license, as the customer has not yet received these services (a past event) but rather will be receiving them (a future event), the conditions of paragraph 23(b)(i) have not been met."

- We recommend that Example 10 be expanded to include additional complexities and multiple scenarios (perhaps a 10a, 10b, style format) to further illustrate the concept of "distinct function."

Paragraph 23(b)(ii) – Distinct Profit Margin

- We recommend that the guidance in Paragraph 23(b)(ii) be expanded to include indicators of distinct risks. We believe a listing of factors that could indicate the existence of distinct risks would be helpful to operationalize the concept.
- We recommend that the guidance in Paragraph 23(b)(ii) be modified such that the phrase "the entity can separately identify the resources needed to provide the good or service" would read as "the entity would have a reasonable basis for estimating the margin it would expect to receive from providing the good or service (for example, one reasonable basis might be if the entity can separately identify the resources needed to provide the good or service)."

We are concerned that "separately identify[ing] the resources" could prove problematic for some deliverables where revenue is more a function of intellectual property value rather than cost.

3. Do you think that the proposed guidance in paragraphs 25–31 and related implementation guidance are sufficient for determining when control of a promised good or service has been transferred to a customer? If not, why? What additional guidance would you propose and why?

Yes, with the exceptions noted below.

In the implementation guidance (Paragraphs IG44-73), we recommend that less prescriptive language be used. For example, shift the language used from "would determine" and "would identify" to "might determine" and "might identify." We believe that such a change would better serve the goal of a principle-based standard.

Also, the SEC has provided clear guidance as to when an arrangement would be considered to be an "in-substance consignment" and when a registrant could utilize an exception to bill-and-hold guidance to account for goods included in U.S. Government vaccine stockpile programs. If an entity were to apply the guidance provided in the ED instead of the current SEC guidance to these types of arrangements, we believe that an entity could come to a different conclusion as to the appropriate accounting to be applied. Was this the Boards' intention in developing the guidance in paragraphs 25-31? If not, we recommend that the Boards' clarify the guidance with respect to these issues.

With regard to paragraph 30, we believe that more guidance is required to understand the importance of each indicator. For example, subparagraph 30(a) lists "an unconditional obligation to pay" as an indicator for the customer obtaining control of the good or service. It is not clear from the standard how critical this

element is; for example, would the absence of an unconditional obligation to pay mean that control has not been obtained by the customer despite other indicators of control?

Measurement of revenue (paragraphs 34–53)

- 4. The Boards propose that if the amount of consideration is variable, an entity should recognize revenue from satisfying a performance obligation only if the transaction price can be reasonably estimated. Paragraph 38 proposes criteria that an entity should meet to be able to reasonably estimate the transaction price.**

Do you agree that an entity should recognize revenue on the basis of an estimated transaction price? If so, do you agree with the proposed criteria in paragraph 38? If not, what approach do you suggest for recognizing revenue when the transaction price is variable and why?

Generally, yes, but we have a number of concerns in this section. Please see also our comments in the cover letter.

Paragraph 35

We strongly object to a probability-weighted approach for determining the transaction price. We recommend that the proposed standard require management's best estimate of the transaction price and permit, but not require, the use of a probability-weighted approach to a single-number best estimate.

We believe that such a modification would be more principles-based and dramatically reduce operational complexity. Further, we find that while a best estimate approach is subject to estimation risk, so is probability-weighting. But, we believe that the "expectation gap" for expected value approaches is generally wider.

Paragraph 36

We request that Paragraph 36 be modified to remove the reference to contingencies. We believe that contingent consideration is very different than other types of variable consideration and should be addressed and accounted for differently.

We have significant concerns about the inclusion of contingent consideration at the time of contract inception, particularly when that revenue is contingent upon the occurrence of a future event. A primary example of this type of contingency is royalty income, which is contingent upon the customer's achievement of a certain amount of future sales.

We object to recording royalty income (or any other income) that is based on another party's sales that haven't yet met the conditions for revenue recognition or when that income is otherwise tied to a future event that may or may not occur. Further, we do not believe that the uneven recognition that would result from this requirement would advance the Boards' goal of providing useful information to users of its financial statements about the amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer. Specifically, for recurring royalties that are generated from recurring sales, we think it would be more reflective of the economics to recognize the revenues on a periodic basis.

We recommend that consideration associated with a substantive contingency in a revenue contract be recorded only when the contingency is resolved.

Paragraphs 38-39

We generally believe that the guidance in paragraphs 38-39 is operational, except in the case of contingencies (see also our discussion about paragraph 36 above). However, we believe that an entity would be considered to have "experience" only if it has experience with selling similar goods or services.

We recommend that paragraphs 38-39 be expanded to clarify that experience with the specific good or service is required in order to meet the concept of "experience."

As a suggestion, we recommend the modifications below:

- 38(a) the entity has experience with selling similar goods or services and with similar types of contracts;
- 39(e) the contract is for goods or services that are unique or that have unique risks.

In the pharmaceutical industry, among others, an entity may routinely deal with unique goods and services (goods = unique compounds for the treatment of diseases; services = unique research and development protocols for the advancement of knowledge in unexplored areas) with high failure rates. But, our contracts have standard compensation elements. As such, we believe that this clarification is important.

Our concern could also be alleviated by revising the standard to state that contingent consideration as part of a revenue contract should be recorded only when the contingency is resolved or is deemed to be perfunctory.

Paragraph 41

Paragraph 41 of the ED says "if an entity can reasonably estimate some, but not all, of the consideration amount ..., the transaction price includes only the amount that the entity can reasonably estimate."

We find that wording confusing. We suggest that the Boards' provide further implementation guidance to clarify whether "some, but not all" applies to the individual elements of consideration (e.g., a regulatory milestone payment versus a royalty stream in a contract) or to a partial estimate of one element of the consideration (e.g., the first two years out of a ten year royalty stream) or both.

As noted above,

- With respect to contingencies based on the achievement of a performance target, we believe that accounting for the revenue in the period in which the performance target is achieved results in the most appropriate recognition of revenue and reporting of the most decision useful information to users of financial statements.
- With respect to royalty income, we believe that the current method of periodic recognition linked to the resolution of the contingency (typically, a sale) results in the most appropriate recognition of revenue and reporting of the most decision-useful information to users of financial statements.

5. Paragraph 43 proposes that the transaction price should reflect the customer's credit risk if its effects on the transaction price can be reasonably estimated. Do you agree that the customer's credit risk should affect *how much* revenue an entity recognizes when it satisfies a performance obligation rather than *whether* the entity recognizes revenue? If not, why?

Yes, with the following suggestion.

We recommend that a threshold be implemented for transactions with customers that pose a high-risk of non-payment.

For example,

An entity sells \$100 product to a customer where the cost is \$5 since pricing is more a function of intellectual property value versus cost.

The customer is viewed as a high credit-risk customer and the entity estimates that there is a 55% likelihood that the customer will not pay at all and a 45% chance that the customer will pay varying amounts.

According to the ED's proposed guidance, the entity could record a revenue of up to \$45. Under current guidance, the entity would be precluded from recognizing the revenue as collectibility is not assured.

We believe that the current guidance provides more representationally faithful information to financial users since the \$45 revenue under the ED has a 55% chance of being reversed. This could also be viewed as recording a gain contingency.

As such, we believe that the use of a threshold in these situations would provide a better result.

6. Paragraphs 44 and 45 propose that an entity should adjust the amount of promised consideration to reflect the time value of money if the contract includes a material financing component (whether explicit or implicit). Do you agree? If not, why?

Yes, but we would like the Boards' to clarify that the estimate of the impact of the time value of money is a one-time adjustment at the initial determination of the transaction price.

7. Paragraph 50 proposes that an entity should allocate the transaction price to all separate performance obligations in a contract in proportion to the standalone selling price (estimated if necessary) of the good or service underlying each of those performance obligations. Do you agree? If not, when and why would that approach not be appropriate, and how should the transaction price be allocated in such cases?

Yes.

Disclosure (paragraphs 69–83)

10. The objective of the Boards' proposed disclosure requirements is to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Do you think the proposed disclosure requirements will meet that objective? If not, why?

No, and we believe that the cost of the proposed disclosures outweigh any possible benefit.

We believe the costs and administrative burden of some of these requirements will be significant, as enormous systems efforts will have to be employed to collect and summarize the requested information, and we do not think these disclosure requirements will improve financial reporting.

We recommend that the following requirements be removed:

- reconciliation of contract balances (paragraphs 73(b), 75 and 76);
- total amount of performance obligations along with the expected timing of their satisfaction for contracts with an original duration expected to exceed one year (paragraph 78), and
- reconciliation of onerous performance obligations (paragraph 80).

We believe the remaining disclosure requirements included in the ED will be sufficient to assist financial statement users in understanding the magnitude, potential timing and uncertainty of an entity's revenues and cash flows arising from contracts with customers.

11. The Boards propose that an entity should disclose the amount of its remaining performance obligations and the expected timing of their satisfaction for contracts with an original duration expected to exceed one year.

Do you agree with that proposed disclosure requirement? If not, what, if any, information do you think an entity should disclose about its remaining performance obligations?

Please see our response to question 10 above.

12. Do you agree that an entity should disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors? If not, why?

Yes.

Effective date and transition (paragraphs 84 and 85)

13. Do you agree that an entity should apply the proposed guidance retrospectively (that is, as if the entity had always applied the proposed guidance to all contracts in existence during any reporting periods presented)? If not, why?

No. We believe that retrospective application should be encouraged, but not required.

As a result of the significance of these proposed changes and the operational challenges they present, we believe that entities will incur significant costs in complying with the requirement to apply the proposed guidance retrospectively. Many companies, especially those with complex multiple-element arrangements, would be required to maintain dual reporting systems for three years to restate their income statements and up to five years including the effect of retroactive application to the financial highlights table. Significant lead time between approval of the new standard and its effective date would be required. We believe that retrospective application will add unnecessary complication to what could already be a fundamental change in how entities account for revenue.

Given the importance of revenue to the user community, we believe that preparer's with significant impacts will choose to retrospectively adopt and/or to provide significant comparative disclosures to ensure that trends and relationships are not distorted. However, we note that it is likely that the retrospective years will be subject to an unsustainable level of precision as a result of an entity's ability to utilize hindsight and subsequent events as to probabilities and other judgmental factors. The actual precision level will be less because of the significant level of unknowns and estimates that are implicit in the proposal.

Is there an alternative transition method that would preserve trend information about revenue but at a lower cost? If so, please explain the alternative and why you think it is better.

We recommend prospective adoption only, with retrospective application encouraged, but not required.

However, we recognize that a transition alternative similar to that provided in Update No. 2009-13 *Revenue Recognition* (Topic 605): *Multiple-Deliverable Revenue Arrangements* and Update 2009-14 *Software* (Topic 985): *Certain Revenue Arrangements That Include Software Elements* could be employed.

We note that in paragraph BC232, the Boards' acknowledged that requiring retroactive application could be burdensome for some entities, particularly for those with many long-term contracts. The Boards' offered that the concept of practicality contained in ASC Topic 250, *Accounting Changes and Error Corrections* ("Topic 250") would address this concern, but we believe that the threshold to which regulators and auditors hold public companies with regard to impracticality would be so high that Topic 250 would not provide relief.

Implementation guidance (paragraphs IG1–IG96)

14. The proposed implementation guidance is intended to assist an entity in applying the principles in the proposed guidance. Do you think that the implementation guidance is sufficient to make the proposals operational? If not, what additional guidance do you suggest?

No, as mentioned in the response to various questions above, certain guidance and examples in the implementation guidance section have points which we would like the Boards' to clarify further. Also, the examples are very simplified and do not always address the complexity in applying certain of the principles in the ED. For example, we believe the Boards' should provide a comprehensive example of how transaction price should be calculated (both initially and in subsequent reporting

periods) and allocated among the performance obligations, and how the refund liability should be calculated if probability-weighted consideration has to be applied to a contract, which has multiple types of variable consideration, right of return, as well as adjustments for the time value of money and/or collectibility. Many companies have contracts that contain some or all of these items and may struggle with the application of the iterative impacts on the probability-weighted calculations, with regard to the amount of revenue to be recognized, where multiple variables are involved. One comprehensive example might prove immeasurably helpful.

16. The Boards propose the following if a license is not considered to be a sale of intellectual property:

- (a) if an entity grants a customer an exclusive license to use its intellectual property, it has a performance obligation to permit the use of its intellectual property and it satisfies that obligation over the term of the license; and**
- (b) if an entity grants a customer a nonexclusive license to use its intellectual property, it has a performance obligation to transfer the license and it satisfies that obligation when the customer is able to use and benefit from the license.**

Do you agree that the pattern of revenue recognition should depend on whether the license is exclusive? Do you agree with the patterns of revenue recognition proposed by the Boards? Why or why not?

No, we believe that the determining factor for revenue recognition should be based on an entity's performance obligation in an arrangement. Once the performance obligation has been fulfilled, revenue should be recognized.

In the case of a license for intellectual property, which is not considered to be a sale, we do not believe that the pattern of revenue recognition should depend on whether the license is exclusive. We believe that an entity has fulfilled its performance obligation to transfer the right to use the intellectual property when the customer is able to use the license and this should be the point where revenue is recognized. The underlying economics of the transaction do not differ depending on whether the license is granted on an exclusive or non-exclusive basis. We do not believe these criteria should impact the timing of revenue recognition. In our view, exclusivity will impact the valuation of the licensed product but should not affect the pattern of revenue recognition.

The ED is unclear on whether restrictions an entity may place on a license, such as prohibiting the licensee from sub-licensing the intellectual property, or whether an entity keeping certain rights associated with the intellectual property would indicate that control has not been transferred even when the license is granted on an exclusive basis for the full economic life of the intellectual property. We would ask the Boards' to clarify paragraphs IG33 - IG35 of the ED to address whether there are any considerations in addition to exclusivity over the life of the intellectual property, which an entity should take into account in determining whether control of a license has been transferred to a customer.

Consequential amendments

17. The Boards propose that in accounting for the gain or loss on the sale of some nonfinancial assets (for example, intangible assets and property,

plant, and equipment), an entity should apply the recognition and measurement principles of the proposed revenue model. Do you agree? If not, why?

We generally agree that the recognition and measurement principles of a future adopted revenue model should be applied to accounting for gain or loss on sale of nonfinancial assets. As previously noted, we have certain reservations and objections to the proposed principles including the recognition of variable consideration that can be reasonably estimated where the consideration is contingent on occurrence of future events (e.g., royalties in a licensing arrangement). In general, the objections noted in our response to the ED would apply to the accounting for the gain or loss on sale of intangible assets or property, plant and equipment. Also, we do not see a basis to apply different revenue recognition principles to the licensing of an intangible asset and the sale of intangible asset when both transactions can have a similar economic result.

However, we recommend that the Boards clearly define the scope of the model.

Other Issues

Additional Implementation Guidance Requested

In accounting for consideration payable to the customer, we feel that additional implementation guidance should be provided in determining whether the payment is a reduction of the transaction price, a payment in exchange for distinct services, or a combination of both. For payments to a customer such as slotting fees and other product placement services (refer to Example 23), it is unclear how practically an entity would be able to determine whether the services have distinct risks and what resources would be needed to provide the good or service. The example does not indicate why the slotting fees have a distinct function and how the entity is able to establish that the slotting fees have distinct profit margin. We would ask the Boards' to enhance Example 23 to clarify how the entity can estimate a stand-alone selling price for these services.

Collaboration Agreements

It is our expectation that collaboration arrangements would not be included in the scope of the proposed revenue recognition standard. These arrangements are entered into with business partners to share risks and rewards. We do not view business partners as customers. We recommend that the guidance provided in BC 17 be elevated to the Scope section of the standard, currently paragraphs 6-7.