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Technical Director
File Reference No. 1890-100
Financial Accounting Standards Board
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Via email: director@fasb.org

Re: Discussion Paper – Effective Dates and Transition Methods

E.I. du Pont de Nemours and Company ("DuPont") appreciates this opportunity to provide comments on the discussion paper. DuPont is a world leader in science and innovation across a range of disciplines, including agriculture and industrial biotechnology, chemistry, biology, materials science and manufacturing.

DuPont supports the Boards' efforts to create high quality converged standards. However, we believe it is imperative that the Boards fully understand and consider the operational complexities and challenges associated with implementing multiple converged standards.

We ask that the Board consider the relatively short comment period established for the discussion paper and the significant resource constraints encountered by companies during the comment period due to year-end reporting requirements. The Board should consider our comments in light of these constraints.

Preparing for and transitioning to the new standards

As a global multinational corporation with diverse operations and systems throughout the world, DuPont's implementation of new converged standards that significantly differ from current guidance will require substantial time and resources to complete. This is due to extensive changes required to business processes, internal controls and accounting and reporting systems. In addition, there will be substantial demands on internal and external resources to understand, plan for and implement any new requirements. Initial input from internal constituents indicates that 18 – 24 months will be required before the beginning of the comparative reporting period for adequate business process and system modifications to be implemented. We also anticipate significant financial costs will be incurred to implement the final standards. However, we have not been able to quantify such costs given the limited response time and the fact that the standards are still in exposure form and, therefore, subject to change.

Certain standards, as proposed, represent a paradigm shift in the manner by which certain accounting topics are conceptually understood and operationalized. For example, recognition of revenue will now occur when control transfers to the customer rather than upon the culmination of the earnings process, and leases will be reported as asset and liability acquisitions rather than as off-balance sheet financing arrangements. Time will be needed to gain familiarity with the new guidance at multiple levels of the organization. Initially, internal accounting resources will need to fully understand the new standards and their impacts on the organization. This understanding will then need to be disseminated globally to the broader finance community. Additionally, senior management will need to be briefed on the new standards and the impact these new requirements will have on business performance metrics so that necessary modifications can be made. We foresee this series of activities requiring at least three to six months to complete.

These standards will create the need for many new operating processes. As a result, comprehensive changes to policies and procedures will need to be developed and implemented. New internal controls will need to be established, and existing controls will need to be modified. This will require additional audit procedures by both internal and external auditors, consequently, increasing audit fees. Training on new work processes and internal control requirements will need to be conducted at all levels of the organization. For global companies like DuPont, this will require training in numerous languages and on multiple systems. Collectively, these activities will increase the time required to effectively implement the new standards.

In order to implement the proposed standards with precision, extensive modifications to our current Enterprise Resource Planning (ERP) environment will be required. For example, implementation of the Revenue Recognition Exposure Draft will likely require capturing customer transaction level detail not currently captured. For the Lease Exposure Draft, current operating lease data will need to be compiled from numerous sources to perform calculations for the new accounting and reporting requirements. In some cases entirely new systems will need to be implemented. After the standards are issued, we anticipate that ERP providers will need sufficient time to develop new system solutions capable of complying with the standards' complexities. Additional time will then be needed to integrate these ERP solutions into the company's current ERP environment and perform tests to ensure data accuracy. This work will require IT resources in addition to those required to maintain current operating processes.

If retrospective application is required as proposed, the level of effort and expenses to implement these standards will be compounded significantly since parallel systems will need to be in place for at least two years. If time is of the essence, the Boards may want to consider prospective implementation of the standards, where practical.

Effective dates for implementation

Considering the fact that adoption of these converged standards would represent movement from GAAP that are, at times, industry specific to one common platform, we do not believe there is a "one-size" approach to implementing these standards. However, in principle, we believe that Other Comprehensive Income should be implemented a year later to allow changes to core accounting processes to be implemented prior to changes in presentation. If retrospective application is required, we believe an effective date should allow for a four year time period after the final standards are issued. This will allow sufficient time to understand the standards, develop systems, modify business processes and train personnel.

Transition methods

Given an appropriate window of time to implement, we believe a two year retrospective reporting comparative period is feasible. With respect to the SEC's requirement for five years of Selected Financial Data, we feel a temporary exemption limiting the disclosure requirement to the current and most recent two prior years will be needed in order to facilitate a retrospective adoption of the new requirements.

We hope that these comments will prove useful to the Board during its deliberations on this Discussion Paper.

Sincerely,

Barry J. Niziolek

Barry J. Niziolek
Vice President & Controller
E.I. du Pont de Nemours and Company