Exxon Mobil Corporation
5959 Las Colinas Boulevard
Irving, TX 75039-2298
972-444-1202 Telephone
972-444-1221 Facsimile

Patrick T. Mulva
Vice President and Controller

January 30, 2012

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

Sent by email to director@fasb.org

Re: File Reference No. EITF-11A - Cumulative Translation Adjustment

Exxon Mobil Corporation appreciates the opportunity to respond to the proposals ("Proposed Update") in the Exposure Draft outlining an approach to accounting for the cumulative translation adjustment ("CTA") on disposal of a group of assets within a foreign entity.

We commend the Board for its efforts to reduce the diversity that may exist under guidance contained in Topics 810 and 830, and in particular fully support scoping out conveyances of oil and gas mineral rights. However, the application of the Proposed Update will lead to greater diversity in reporting, less meaningful financial statements, and higher costs for preparers. Even more importantly, we are concerned that adequate due process and discussion have not yet occurred for a proposal that fundamentally alters the conceptual basis of such a long-standing and well-accepted standard as FAS 52 (now ASC 830). Therefore, we urge the FASB to expand its outreach to and engagement with the user, preparer, and auditor communities to ensure a more reasoned approach is developed.

Greater Diversity in Reporting

Contrary to the explicit objective of the FASB, the Proposed Update will increase diversity in reporting for CTA releases into earnings. Instead of representing a substantial reduction of exposure to a given currency as provided under ASC 830, the release of CTA into earnings under the Proposed Update will be dependent on a host of subjective judgments that will, undoubtedly, be assessed differently across the spectrum of preparers. Under the Proposed Update, each asset sale will involve judgments regarding whether or not the set of assets is a "business" (as defined under U.S. GAAP), and then, if so, how to allocate some portion of CTA to the transaction. Opportunities to structure transactions to achieve a desired accounting result will proliferate. In contrast, existing ASC 830, which requires at least a "substantially complete liquidation" to release CTA, minimizes subjectivity, reduces the frequency of CTA release through the income statement, and provides markedly more consistent accounting across preparers.

Effects on Financial Statements

Accounting for CTA release under the Proposed Update will create less meaningful financial statements. In FIN 37, an interpretation of FAS 52 (now ASC 830), the Board unanimously agreed that "the information provided by recognizing realized translation adjustments in net income is probably marginal". On this basis, CTA release has been restricted to complete or substantially complete liquidations, which are not only rare (relative to asset or business sales), but also apparent in the financial statements through the disclosure of Accumulated Other Comprehensive Income changes. Under the Proposed Update, this "marginal" information would flow through the income statement with much greater frequency, and in larger amounts, than under current standards since the recognition criteria have been relaxed. Furthermore, as explained in the paragraph above, this "marginal" information can be measured very differently across the range of preparers. A brief example illustrates the arbitrary nature of earnings recognition under the Proposed Update:

> *Consider a foreign entity that purchases two identical empty office buildings at the same time, for the same price. A year later, the entity sells one of the buildings, which by that time is full of long-term leasing tenants and has a complete administrative staff operating and maintaining the building. The other building, however, has remained vacant. The Proposed Update requires that CTA be released to earnings since the building with tenants meets the definition of a "business". However, if the entity instead elected to sell the vacant building, no CTA would be released, since it is not a "business".*

Not only might preparers, in good faith, come to different conclusions regarding whether or not a set of assets represents a business, but they also could devise materially different approaches for measuring the magnitude of CTA recognition. Furthermore, even if a reporter already "traces" CTA precisely by asset, the Proposed Update can lead to counterintuitive and misleading results. Consider this brief example:

> *A reporter has the ability to "trace" CTA for its assets. It purchases a business when the exchange rate is very low. Later in the year, it purchases a business when the exchange rate is much higher. The following year, because the exchange rate is somewhere in between, the total CTA is exactly zero, but the "traced" CTA for each business is not. The reporter then sells one of the businesses. The Proposed Update could require the reporter to release the CTA associated with the disposed business, even though no net CTA exists.*

An accounting standard will never be able to express a general rule for CTA release that contemplates all the permutations of facts and circumstances that a company faces in the course of its business. The current principles underlying ASC 830 which delay CTA recognition until substantially complete liquidation more faithfully represent a reporter's financial statements and reduce the frequency of arbitrary amounts flowing through the income statement.

Increased Cost to Preparers

Under the Proposed Update, preparers will be required, for each disposal, to determine whether or not the subject assets represent a "business". If so, the preparer must expend further efforts and costs to arrive at a rational approach to measuring the amount of CTA released. With the degree of manual intervention it requires due to these subjective judgments, the Proposed Update does not support a "systematic" approach that can be programmed into existing accounting systems. These additional efforts and costs are not a reasonable approach to account for an item (CTA release) that the Board has classified as "marginal" in information value. As noted in the paragraph above, even if a reporter is able to "trace" CTA in its financial statements, the CTA release criteria and timing under the Proposed Update can lead to meaningless and arbitrary results.

Further Due Process Necessary

Public companies have billions of dollars in CTA on their collective statements of financial position *(ExxonMobil: $3.9B credit at 3Q 2011)*. The release of CTA into net income, therefore, will alter the timing of billions of dollars of earnings or losses compared to current practices. However, despite these potentially significant consequences, the Board ratified the EITF's conclusions and exposed the Draft Proposal for comment with relatively little deliberation. By contrast, FAS 52 was debated for years prior to its implementation. In addition, the Board's decision to expose the proposal and its choice of deadline fall at an inopportune time of year. Because of other pressing year-end reporting concerns, preparers deeply affected by implementation of this Draft Proposal may not have had sufficient time to analyze it nor develop comments for submission.

The Draft Proposal changes long-standing and well-accepted practices of releasing CTA when exposure to a foreign currency is substantially reduced or eliminated. Such a change has great potential to result in numerous unintended reporting consequences. The Board should conduct field testing of the Proposed Update with a range of different preparers and users in order to identify unforeseen issues with implementation before issuing final guidance. This approach will also provide further insight into the costs and benefits associated with the various facets of the proposal, and whether or not the Board's objective of resolving diversity in practice will be met.

We appreciate the Board's consideration of these concerns and welcome the opportunity to discuss them.

Sincerely,

Patrick T. Mulva