

Yum! Brands, Inc.

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February 6, 2012

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

File Reference No. EITF 11A

Dear Sir/Madam:

Yum! Brands, Inc. ("YUM") thanks you for the opportunity to comment on the exposure draft of the proposed accounting standards update, Parent's Accounting for the Cumulative Translation Adjustment upon the Sale or Transfer of a Group of Assets That is a Nonprofit Activity or a Business within a Consolidated Foreign Entity, issued on December 8, 2011 ("the Update"). YUM is a worldwide quick service restaurant company that operates, franchises and licenses a system of approximately 37,000 restaurants in more than 110 countries through its three restaurant concepts (KFC, Pizza Hut and Taco Bell). Our consolidated financial statements are presented in U.S. Dollars, and a large percentage of our business is conducted by consolidated foreign entities with non U.S. Dollar functional currencies, resulting in translation adjustments upon consolidation. Accordingly, the Update may have a significant impact on our financial statements.

The Update seeks to resolve diversity in practice about whether sub topic 810-10 Consolidation or 830-30 Foreign Currency Matters applies to the release of cumulative translation adjustment ("CTA") into earnings when a parent no longer holds a controlling interest in a group of assets that is a nonprofit activity or a business (except for the sale of in substance real estate or conveyance of gas or mineral rights) within a consolidated foreign entity. As proposed by the Update, ASC 810 is revised to require the release of CTA upon loss of control of assets that are a business within a consolidated foreign entity. However, sales of in substance real estate that constitute a business are excluded from the scope of the update. Thus, the sale of in substance real estate that constitutes a business would continue to be subject to the provisions of ASC 830 such that the release of CTA would occur only upon the sale or substantially complete liquidation of an investment in a foreign entity, or a pro rata release in the event of sale by a reporting unit of part of its equity method investment in a foreign entity.

From time to time our consolidated foreign entities with non U.S. dollar functional currencies sell company operated restaurants, which constitute a business, to franchisees. In certain instances in the past when we have sold such company-operated restaurants we have retained ownership of other restaurants within the same entity or retained assets (including the underlying real estate) related to the company-







operated restaurants we have sold. The net assets retained prevented such transactions from meeting the threshold for release of CTA under the substantially complete liquidation provisions of ASC 830. Accordingly, in these situations, the full amount of CTA remained on the books despite the sale of a significant portion of the entity's assets that created the CTA. Based on these experiences we agree with the intent of the Update to require release of CTA, measured in a systematic and rational manner that reflects the asset group's relative portion of the cumulative translation adjustment associated with the related foreign entity, upon loss of control or sale of assets in a consolidated foreign subsidiary that constitute a business.

However, we have concerns about the consequences of excluding asset groups that constitute businesses which are in substance real estate from the provisions of the Update. We believe that by excluding in substance real estate from the scope of the Update unnecessary inconsistency will exist in the treatment of CTA upon loss of control of assets that constitute a business. For example, it appears that under the Update if we sell restaurants along with the underlying real estate, which together would constitute a sale of in substance real estate, we have no release of CTA. However, if we sell the restaurants alone subject to a third party lease or retain the underlying real estate ourselves, both of which we believe would constitute the sale of a business, we would release some portion of the CTA.

Additionally, a substantially complete liquidation under ASC 830-30 may occur through a series of transactions. By excluding in substance real estate from the scope of the Update, the current outcome under ASC 830-30 whereby the disposition of a small amount of assets can result in a disproportionately large CTA release remains. In our fact pattern, the sale of additional restaurants that are in substance real estate sales or the sale of retained real estate within an entity could trigger a substantially complete liquidation if certain arbitrary thresholds are crossed upon such a sale. If the Update is amended to apply to all asset groups that constitute businesses, the illogical outcome of the disposition of a small portion of a business resulting in the release of a large amount of CTA would no longer be possible.

Lastly, we have concerns about the potential for inconsistent accounting for similar transactions within comparable financial reporting periods under the prospective method of adoption proposed in the Update. Accordingly, we address our primary concerns with the Update in our responses to Questions 1, 2 and 5 as follows:

Question 1: Scope of Exposure Draft:

Do you agree that the scope of this proposed update should be limited to situations involving the loss of a controlling financial interest over a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of gas or mineral rights) within a consolidated foreign entity? If not please explain why and indicate what other situations, if any, should be addressed by this proposed update.

We do not believe that the sale of in substance real estate that meets the criteria of a business under ASC 805 should be excluded from the provisions in the Update. This proposed scope exception will create inconsistencies in the accounting for commercially similar transactions. Specifically, the relative portion of CTA attributed to the sale of businesses that are in substance real estate of a foreign entity that is sold

separately from other asset groups that constitute a business would remain on the books until a substantially complete liquidation or sale of equity interest contemplated by ASC 830-30 occurred, while the relative portion of CTA attributed to transactions that are the sale of assets that constitute a business other than sales of in substance real estate would be released into earnings. We see no practical reason to retaining the substantially complete liquidation threshold for sales of in substance real estate that constitute a business. We believe it would be preferable if the threshold for CTA derecognition was the same in both transactions.

Question 2: Agreement with Release of CTA as called for by the update

Do you agree that an entity should apply the guidance in Subtopic 810-10, as clarified by the amendment in this proposed Update, for the release of cumulative translation adjustment into earnings upon the loss of a controlling financial interest over a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate of a conveyance of oil and mineral rights) within a consolidated entity? If not, please explain why.

We agree with the intent of the Update to require release of CTA upon loss of control or sale of assets in a consolidated foreign subsidiary that constitute a business. However, as also indicated in our response above to question 1 we do not agree to limiting the scope of the Update to exclude the loss of control or sale of in substance real estate from these CTA release provisions.

Question 5: Prospective Application

Do you agree that the amendments in this proposed Update should be applied prospectively? If not, please explain why?

A sale of a business within a foreign subsidiary occurring prior to the effective date of the Update may have had no CTA released if the sale did not constitute a substantially complete liquidation. A similar divestiture of a business in a foreign subsidiary subsequent to the application date would result in release of CTA. This transition guidance will result in inconsistencies within the financial statements of comparable periods. While we acknowledge full retrospective treatment may not be practicable, we believe that companies should have the choice to apply the Update on a modified retrospective basis, allowing the restatement of presented comparable prior period financial statements. Allowing a modified retrospective transition approach to the Update will allow for more consistent accounting for similar transactions that occur in presented comparable periods.

We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail if requested.

Sincerely,

David E. Russell

Vice President, Corporate Controller

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