



March 13, 2012

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

Submitted via electronic mail to director@fasb.org

Re: File Reference No. 2011-230; Proposed Accounting Standards Update (Revised), *Revenue Recognition (Topic 605): Revenue from Contracts with Customers*.

To Whom It May Concern:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (the "FASB" or "Board") Proposed Accounting Standards Update (Revised), *Revenue from Contracts with Customers* (the "Revised ASU"), and the respective proposed amendments to the FASB Accounting Standards Codification ("ASC"). We continue to support the Board's objective to clarify the principles of revenue recognition and develop a joint revenue recognition standard with the International Accounting Standards Board for U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards, respectively. We are also encouraged by the Boards' outreach to preparers and investors as a basis for developing the Revised ASU and appreciate the Boards' consideration of concerns expressed in comment letters on the 2010 Proposed Accounting Standards Update, *Revenue from Contracts with Customers* (the "Proposed ASU"). However, we still have some concerns about certain aspects of the Revised ASU as drafted, primarily related to clarity around the concept of "consideration payable to a customer" in the form of cash, credit, or other items that a customer can apply against amounts owed. These activities could include payments for in-store displays, shelf space, slotting fees and other merchandising activities that are intricately linked to the sale of our products.

PepsiCo, Inc. is a leading global food, snacks and beverage company and, either independently or through contract manufacturers, we make, market and sell a variety of products in over 200 countries around the world with our largest operations in the United States, Canada, Mexico, Russia and the United Kingdom.

Consideration Payable to a Customer

In the 2010 Proposed ASU, specifically Example 23 of the Implementation Guidance and Illustrations section, the guidance indicated that slotting fees, although not sold separately, would represent a distinct service for which an expense would be recognized rather than a

reduction from revenue. As discussed in our comment letter in response to the 2010 Proposed ASU (Comment Letter No. 544), we strongly opposed the characterization of slotting fees and certain other merchandising activities as having a distinct function and, therefore, accounted for as an expense. In the Revised ASU, the above example related to slotting fees has been removed. However, since there is no discussion in the Revised ASU as to why the Boards removed the example, it is unclear whether the Boards agreed with respondents who raised similar concerns about the accounting treatment or if the Boards had other intentions. Furthermore, paragraph BC160 in the Basis for Conclusions section of the Revised ASU states that the Boards believe the guidance related to the evaluation will be similar to existing guidance in U.S. GAAP. However, the Revised ASU has superseded existing U.S. GAAP in ASC Topic 605-50, specifically ASC paragraph 605-50-45-4 which stated that slotting fees and similar product development or placement fees generally should be characterized as a reduction of revenue. Given some of the recent changes to the Revised ASU, we believe there could be significant diversity in practice without specific guidance or further clarification. We believe a practical solution would be to retain the guidance in ASC paragraph 605-50-45-4 in the Revised ASU.

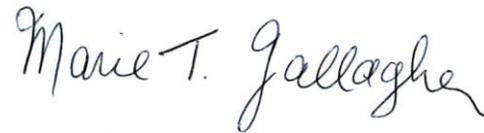
If the Boards' intention is to remove the principles related specifically to slotting fees and similar product development or placement fees contained in existing U.S. GAAP, we believe it will be onerous to capture the data required to perform the analysis under the Revised ASU. Our product development arrangements vary by product and customer whereby evaluating individual arrangements will result in prohibitive costs, with significant implications for system capabilities and resource requirements, while providing little or no benefit. Absent an analysis to determine the appropriate classification of slotting fees and similar product development or placement fees under the Revised ASU, we continue to believe, for all of the reasons outlined in our previously submitted comment letter on the 2010 Proposed ASU, that presentation of such arrangements as an expense is inconsistent with how management and our investors view our business (e.g., whether the transaction price is directly reduced or a separate payment is made to our customers).

We also believe the disclosures, particularly the interim disclosure requirements, in the Revised ASU are prohibitive from a cost vs. benefit perspective. We believe that information currently included in interim financial statements, such as drivers of change described in MD&A, makes it possible for a user to assess significant changes from the prior fiscal year.

Based on the above, we believe that the Boards should continue to allow the principles under current guidance related to slotting fees and similar product or placement fees to apply and should explicitly address such conclusion, particularly given the previous example in the 2010 Proposed ASU, and also consider amending the proposed disclosure requirements particularly for interim financial statements.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that you may have. Please do not hesitate to contact me at (914) 253-3449.

Sincerely,

A handwritten signature in cursive script that reads "Marie T. Gallagher".

Marie T. Gallagher
Senior Vice President and Controller

cc: Hugh Johnston, Chief Financial Officer
Lisa Halper, Vice President and Assistant Controller, Technical Accounting and Policy
Nathan Wells, Director Technical Accounting and Policy