March 13, 2012

Via electronic mail to: director@fasb.org

Financial Accounting Standards Board
Attn: Technical Director
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

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

Thank you for the opportunity to comment on the Proposed Accounting Standards Update (Revised) entitled, "Revenue Recognition (Topic 605): Revenue from Contracts with Customers", which we will refer to as the "Proposed Standard".

Chrysler Group LLC ("Chrysler Group" or "we") designs, engineers, manufactures, distributes and sells vehicles under the brand names Chrysler, Jeep, Dodge, and Ram. We have formed an industrial alliance with Fiat S.p.A. ("Fiat"), under which we also manufacture Fiat vehicles, which we sell to Fiat or distribute for ourselves throughout North America. Certain of our securities are registered with the Securities and Exchange Commission ("SEC"). In addition, we are a consolidated subsidiary of Fiat, which requires us to prepare our financial information under IFRS. As such, we report concurrently to both the SEC under US GAAP and to Fiat under IFRS.

We would like to comment on the following points related to the Proposed Standard:

1. Maintain consistency between IFRS and US GAAP

We support the Boards' efforts to align IFRS and US GAAP. We encourage the Boards to continue their joint efforts to avoid divergence in the final standard to be issued, to provide additional guidance or examples and to align the method of required adoption and early adoption of the Proposed Standard.

2. Determination of performance obligations

We believe the Proposed Standard's guidance on identifying separate performance obligations is unclear, and as a result it is difficult for us to determine how to apply it to transactions that are common within the automotive industry.

While we agree with the concept of separating performance obligations that are economically distinct, we believe principles in the Proposed Standard do not provide a clear framework on how to account for free or discounted goods or services that are separately contracted with, and will benefit, the retail customers of the independent dealers, our customers. These free or discounted goods or services may be bundled or otherwise combined with the vehicle and are offered for the purpose of incentivizing the retail customer to

purchase the vehicle from the independent dealer. For example, we may offer free maintenance (such as free oil changes) to retail customers as an incentive to purchase our vehicles. We may also sell those same maintenance services separately. The offer of free maintenance to the retail customer may be introduced (or discontinued) after the vehicle is sold to the dealer in order to incentivize sales of dealer inventory. Further, the retail customer has the right to have the free maintenance performed at any dealership, not just the dealership that purchased the vehicle from us. In addition, the sale of the vehicle to the dealer is not connected to, and does not occur at the same time as the sale to the retail customer. We believe there are three ways to interpret the Proposed Standard as written.

- View A – It is implied that the dealer benefits from the bundled package of goods and services (vehicle with free maintenance), even though the contract for the free or discounted good or service is a separate contractual arrangement with the retail customer and not the dealer (our customer). As the free or discounted good or service may also be sold separately, it would be considered a performance obligation to which a portion of the transaction price (and inherently profit margin) should be allocated without regard to the separate counterparties for the bundle of goods and services. Said differently, the free or discounted good or service is being offered by us to our customer's customer and would be considered a separate performance obligation within the sale contract even though this performance obligation has been entered into with a different counterparty than the counterparty in the original sale contract.
- View B – The contract for the free or discounted good or service is with a different counterparty than the contract to sell our vehicle (i.e., the retail customer versus the dealer). As these counterparties are not related and as the offer to provide the free or discounted good or service was made separately, these contracts would not be combined based on the guidance in paragraph 17 in the Proposed Standard. This view suggests the free or discounted service provided to the retail customer would be treated as a separate transaction for which no consideration is deemed to have been received. This would result in expense being recognized and a contract liability being recorded.
- View C - The free or discounted good or service is an incentive to our customer's customer to purchase our vehicles and this incentive should be treated as a reduction of revenue similar to cash provided to our customer's customer analogous to the guidance in paragraph 65 of the Proposed Standard.

We believe that the Proposed Standard as written is unclear and believe there are valid arguments for, or against, each of the above views within the Proposed Standard. For example:

- View A appears to be consistent with the overall principles in the Proposed Standard, particularly when considering the discussions in BC64 - BC72. However, this view is inconsistent with the guidance on combining contracts in paragraph 17 of the Proposed Standard.
- View B appears to be consistent with the guidance on combining contracts in paragraph 17. However, View B appears to be inconsistent with the guidance in paragraph 65 that suggests

an entity needs to consider consideration (incentives) made to a customer *or to other parties that purchase the entity's goods or services from the customer*. If the same fact pattern were to include, at the retail customer's option, either cash or a free or discounted good or service, the result could be either a reduction of revenue or recognition of a separate performance obligation. This view appears to result in inconsistent treatment for similar incentives offered to retail customers who purchase our vehicles.

- View C is consistent with the guidance in paragraph 65 on providing cash to parties that purchase our goods or services from our customers. However, it appears to be inconsistent with the guidance to identify performance obligations and the general principles in the Proposed Standard.

In the automotive industry, a bundled free or discounted good or service is usually only used to incentivize the end customer to purchase a vehicle. We support the concept of separating performance obligations from bundled contracts where those goods or services are regularly sold by an entity to a particular class of customer or in a geographic market. In order to clarify the Boards' intent regarding the requirement to separate performance obligations, we believe paragraphs 28, 29 and 65 should be clarified to clearly indicate separation *only* for those performance obligations that are sold separately, on a regular basis, by the entity.

3. Accounting for warranties

We do not agree with the requirement under the Proposed Standard to separate non-assurance type services from warranty that may be incidental to the warranty and would not be sold separately. We believe that these services would not individually meet the definition of revenue as they are not part of our primary on-going operations. In addition, these services are not sold separately. We recommend that the Proposed Standard be rewritten to require that only those services that are both (i) not incidental to the warranty and (ii) that are sold separately by the entity, to be accounted for as separate performance obligations to which a portion of the transaction price (and profit margin) is allocated and recognized over the applicable service period.

We believe that the requirement in IG 14 to default to a performance obligation if a service included within a warranty cannot be separated could result in revenue recognized that is not reflective of the economics of the transaction. We recommend the Boards allow reference to the qualitative aspects of the warranty to determine if the combined service and warranty cannot be separated. If qualitatively the obligation is predominately the warranty, we believe an entity should be allowed to default to the cost accrual model provided for accounting for warranties.

We believe that the length of the warranty period is not determinative in separating a warranty from a service. In the automotive industry, warranties are generally based on time and/or mileage. The length of the warranty is determined using a variety of considerations, including market factors, the period of time certain parts of the vehicle are expected to last and other factors. We believe that including this consideration in the Proposed Standard (in IG 13(b)) may require us to analyze our warranties based on a factor that is not relevant for our industry. If we were required to separate a performance obligation from

our warranty based purely on the length of the warranty, we believe this would not reflect the economic reality of the automotive industry.

4. Time value of money

We disagree with the requirement in the Proposed Standard to apply the time value of money to the amount of consideration received. We believe this does not meet the core principle of the Proposed Standard, as stated in paragraph 3, in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We believe applying the time value of money concepts, as outlined in the Proposed Standard, will yield results that will be difficult to explain to investors and users of financial statements. We believe that recognizing more revenue than the actual amount of cash consideration received misrepresents the underlying economics of our transactions. In addition, more reconciling items will be required to be presented in the statement of cash flows for investors to understand the relationship between cash flows and revenue recognized in the statement of operations. We also believe that this requirement creates significant operational challenges to implement. We recommend that the Boards remove this concept and requirement from the Proposed Standard.

5. Accounting for a repurchase agreement

We believe that the Proposed Standard would require different revenue recognition for economically similar transactions where a manufacturer sells a vehicle to a commercial customer for use during a specified period and the manufacturer either agrees to pay the difference between the resale price and a guaranteed value, or pays the guaranteed value in exchange for the return of the vehicle, which is then resold. The economics are the same, with the key difference being a timing of the cash flows. However, we believe that application of the Proposed Standard on such agreements would require accounting for the first arrangement as a sale with a guarantee (that would be recorded in accordance with ASC 460) and the second arrangement as a lease, subject to the yet to be finalized Leasing guidance. This would result in differences in timing of revenue recognition for economically similar transactions with the same level of required performance by the manufacturer.

6. Onerous contracts

We do not agree that the assessment of whether or not a contract is onerous should be at the performance obligation level. We believe this will be operationally difficult to implement, track and report in a controlled manner without significant cost and burden. In addition, we believe that an assessment at this level would not appropriately reflect the economics of a bundle of performance obligations, some of which may have significant discounts causing it to be an onerous contract on an individual basis, in an overall profitable contract.

7. Presentation of customer credit risk

We disagree with the presentation required under the Proposed Standard. We believe that the current method of reporting impairments of receivables, including information required to be disclosed within the footnotes, is sufficient for an investor to adequately understand impairment of receivables and for those contract assets which may be recorded as required under the Proposed Standard.

8. Disclosures

We believe that the additional required disclosures will require significant additional cost, effort and time to implement in a controlled manner, particularly those required in interim financial statements. We also believe that the additional level of disclosure will not provide additional, useful information to investors and other users of our financial statements. We recommend that the Boards focus on the principles underlying what should be disclosed in the financial statements rather than being prescriptive. Specifically, we recommend that the Proposed Guidance provide principles of disclosure that would allow entities to provide qualitative and quantitative disclosures that are more relevant to the entity's specific revenues, performance obligations and contract assets and liabilities.

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Thank you for the opportunity to comment on the Proposed Standard. We would be pleased to discuss further any of the details of our letter with the Boards or their respective staffs.

/s/ Bonnie S. Catlin

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