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2011-230
Comment Letter No. 144

Richard Tarapchak
VP & Corporate Controller

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Technical Director
File Reference No. 2011-230
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

Re: Proposed Accounting Standards Update (Revised), *Revenue Recognition*

Navistar International Corporation (“Navistar” or “we”) wishes to offer its comments on the Financial Accounting Standards Board’s (the “Board”) proposed update to Topic 605 “Revenue Recognition” (the “Exposure Draft”). Navistar appreciates the Board’s objective to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. Navistar (NYSE: NAV), is the nation’s largest combined commercial truck, school bus and mid-range diesel engine producer.

Sales to dealers

Products we manufacture are sold through an independent dealership network. In some situations, the dealer’s customer ultimately obtains lease financing through our captive finance affiliate. The existing guidance under ASC 605-15-25-5 provides specific conditions under which a manufacturer may recognize a sale at the time the product is transferred to the dealer. We understand that the existing guidance would be eliminated and the manufacturer would need to consider the Exposure Draft’s provisions regarding control transfer. In this example, the dealer may be deemed to have a put option as addressed beginning in Paragraph IG38 of the Exposure Draft requiring the manufacturer (via its finance affiliate) to repurchase the product for lease to the dealer’s customer. It is not clear to us whether the manufacturer’s sale transaction would thus be deemed a sale with a right of return which would result in a deferral of revenue. We believe the guidance under ASC 605-15-25-5 appropriately addresses the substance in this example and control has transferred. We do not believe it was the Board’s intent to change existing practice for such transactions. We suggest that the guidance in the Exposure Draft be clarified in this respect.

Disclosure requirements

The Board specifically requested comments on the level of disclosures required in interim financial statements (if material). We do not believe that the proposed interim disclosures strike an appropriate cost-benefit balance. We believe the emphasis of interim disclosures should be on those items that have changed since the most recent annual report. The specified requirements and format for material changes as proposed in the Exposure Draft may unnecessarily add complexity to disclosures with little benefit. Furthermore, we do not believe that the forward looking information as specified in Paragraph 119 should be required in annual or interim financial statements.

Thank you for your consideration of our comments. If requested, we would be pleased to discuss our comments with you at any time.

Sincerely,



Richard Tarapchak
VP & Corporate Controller