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March 13, 2012

Technical Director
File Reference No 2011-230
FASB
401 Merritt 7
P.O. Box 5116
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Subject: Proposed Accounting Standards Update Revised: *Revenue from Contracts with Customers, Revenue Recognition (Topic 605) Revision of Exposure Draft Issued June 24, 2010*

Dear Technical Director:

Pfizer is a research-based, global pharmaceutical company with its principal place of business in New York. We develop, manufacture and market leading prescription medicines for humans and animals, as well as nutritional products and many of the world's best-known consumer products. The Company's 2011 total revenues were \$67.4 billion and its total assets as of December 31, 2011 were \$188.0 billion. We appreciate the opportunity to respond to the FASB Proposed Accounting Standards Update (Revised): *Revenue from Contracts with Customers, Revenue Recognition (Topic 605) Revision of Exposure Draft Issued June 24, 2010* ("the Revised ASU").

Pfizer supports the efforts to improve the understandability and comparability of financial information, the move towards principles-based standards and the goal of convergence, where practicable. With specific reference to revenue recognition, we continue to be supportive of the overall goals of the Boards' joint revenue recognition project: the convergence of U.S. GAAP and IFRS, a more robust framework for addressing revenue recognition issues, improved comparability of revenue across companies and geographical boundaries, providing more useful information to users of financial statements through improved disclosures, and simplification of the preparation of financial statements. Through the extensive redeliberation process, we believe that the Boards have addressed many of our concerns that were expressed in our previous comment letter on the initial Exposure Draft, *Revenue from Contracts with Customers*, and we acknowledge that the Boards have made significant progress on the proposed revenue recognition model. However, there are certain areas where we request additional revisions and/or clarification.

Core Principles

- We generally agree that an entity should recognize revenue when the entity satisfies a performance obligation by transferring promised goods or services to a customer. However, we continue to strongly believe that revenue recognition should be precluded in all cases where the revenue is contingent upon the future sale of the good or service by the customer. We support this prohibition for all transaction types/forms: (i) a license; (ii) a license that is, in substance, a sale; and (iii) a sale of a good or service, including the transfer of a non-financial asset that is not an output of an entity's ordinary activities and including the transfer of a group of assets that constitutes a business. See "Exception to the Reasonably Assured Criteria for Sales-

Based Consideration" below.

- According to the Revised ASU, the transaction price is the amount of the consideration to which the entity expects to be entitled in the exchange. We believe that some modifications to the text would be helpful in strengthening the concept that the customer's commitment to perform its respective obligations does not mean, at contract inception, that the full amount of consideration, or even the majority of the consideration, is expected to be collected. Alternatively, we request that credit risk be a factor in estimating the transaction price and that collectability issues at contract inception be accounted for differently than subsequent collectability issues. See "Collectability" below.
- We appreciate the addition of the concept of 'risks and rewards' to the listing of indicators of control and we believe that 'risks and rewards' is a vital concept for evaluating the appropriateness of recognizing revenue. But, we also recognize that this concept can be a very different filter than other considerations of control and, to avoid unnecessary confusion and diversity in practice, we recommend that the 'risks and rewards' concept be elevated. See "Indicators of a Transfer of Control" below.
- We agree with the Boards' disclosure objective to facilitate a user's understanding of the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. And, we appreciate that the Board has sought a principles-based approach such that the guidance can apply to a wide variety of industries and contract elements, while also recognizing that all of the suggested disclosures may not be necessary or appropriate for some preparers. However, we remain concerned about the level of detail requested in the disclosures and, in particular, we are concerned about applying these disclosure provisions to the interim financial statements. See "Overall Disclosures and Interim Period Disclosures" below.

In addition, there are a number of other areas where we request amendments and/or additional clarification. See "Collaborative Arrangements," "Methods of Estimating Transaction Price," "Consideration of Hyperinflationary Countries," "Consideration Payable to a Customer," and "Government Vaccine Stockpile Programs" below.

Overall Disclosures and Interim Period Disclosures

While we understand the reasoning behind the disaggregation of revenue, we believe that current guidance in Topic 280 is inherently more reflective of the manner in which a company manages its business and is therefore the information that is most useful to an investor. Our systems are not currently designed to collect the revenue data by such criteria as government versus non-government, contract duration or sales channels. We believe that the best disaggregated information is the information that management uses to run the company. And, we believe that the reconciliation requirements for contract assets and liabilities will prove very costly for the preparer community and will increase disclosure overload without providing a meaningful, tangible benefit for financial statement users.

With respect to interim periods, we have significant concerns about the continuing burdens placed on interim reporting. The suggested disclosures in the Revised ASU are significant and the burden of collection, compilation, review and tagging cannot be underestimated, especially given the limited time that public companies have to file their financial statements. We believe the information currently required to be disclosed in the interim financial statements, particularly supporting MD&A, which requires a discussion of key performance measures and known material trends and uncertainties, are sufficient. We respectfully request that no additional burdens be placed on the interim financial statements.

Transition Provisions

We request prospective adoption only, with retrospective application encouraged, but not required. Retrospective application could be burdensome for some entities, particularly those with many long-term contracts. The costs to track and report under dual principles for extended periods of time would be prohibitive and the lead times to make required system changes and provide three years (and potentially five years including financial highlights) of comparative financial data would be significant. However, we believe that retrospective application should be encouraged.

We recommend that the Boards allow a transition alternative similar to that allowed for in Update No. 2009-13 *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* and Update No. 2009-14 *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements*. This transition alternative would provide entities the flexibility to apply the guidance prospectively upon the date of adoption with the requirement to disclose comparative information for either the period of change or the period immediately preceding the change. Entities would also have the option of retrospective application. We believe that disclosing at least one period of comparative information about the change in accounting for revenue recognition provides sufficient information to investors about how the change affects a particular entity.

Requests for Amendments and/or Additional Clarification

Exception to the Reasonably Assured Criteria for Sales-Based Consideration

We understand that the exception to the “Reasonably Assured” criteria provided in paragraph 85 for sales-based consideration (i.e. where revenue is not considered to be reasonably assured until the subsequent sales of the customer occur), applies only in cases where an entity licenses intellectual property and does not apply to any license agreements that are in-substance a sale or to sales transactions of any kind. We request that the Revised ASU be amended so that this exception for sales-based consideration (paragraph 85) would apply to all revenue transactions involving additional consideration that is contingent upon the customer’s sale of a good or service. We believe this exception should apply to all of these transactions regardless of whether the transaction with the customer is a license of intellectual property, a license of intellectual property that is, in substance, a sale, or a true sale of a good or service, including a transfer of non-financial asset that is not an output of an entity’s ordinary activities and including a transfer of a group of assets that constitutes a business.

We believe that the Boards’ reasoning for the exception, as provided in paragraph BC203, applies to all revenue transactions where such variable consideration exists. Additionally we do not believe that sales-based consideration should be recognized as revenue in the entity’s financial statements before revenue is recognized in the customer’s financial statements. And, as such, we believe that the exception has been provided too narrowly.

Our proposed amendment to paragraph 85 below would help to ensure that economically similar situations are not accounted for differently. We also believe that our proposed amendment would help reduce the risk of diversity in practice.

We request that paragraph 85 be revised in a manner similar to the following:

“Notwithstanding the requirements in paragraphs 81–83, if an entity licenses intellectual property to a customer and the customer promises to pay an additional amount of consideration that varies on the basis of the customer’s subsequent sales of a good or service...”

Collectability

In paragraph 50, the Revised ASU states that the transaction price is the “amount of consideration to which an entity expects to be entitled...”. Because of current economic conditions in certain European countries, we are proposing amendments to certain other paragraphs in the standard and/or basis of conclusions (see below) to further clarify and emphasize that the phrase ‘expects to be entitled’ is not the same as ‘expects to collect,’ even at contract inception.

We believe that our proposed modifications are important as Revenues are one of the most important metrics to investors and as this element of the Revised ASU represents a significant departure from current practice (both in the U.S., under SAB Topic 13, *Revenue Recognition*, and under IFRS in IAS 18, *Revenue*.)

In BC171, the Boards comment that “an entity typically would not recognize a loss on initial recognition.” Unfortunately, especially in today’s current economic climate, the word ‘typically’ seems to be too strong. In the pharmaceutical industry, in certain economies, we know that it is currently more and more ‘typical’ that the consideration to which we are entitled on initial recognition will, in fact, be more than the amount we expect to collect. Notwithstanding, we believe that these transactions meet all of the paragraph 14 criteria, including paragraph 14(b).

In BC34(b) the Boards comment that if there is significant doubt at contract inception about the collectability of consideration from the customer, that doubt may indicate that the parties are not committed to perform their respective obligations under the contract and thus the criterion in paragraph 14(b) may not be met. As stated above, in the pharmaceutical industry, in troubled European entities, upon contract inception there can be significant doubt about collecting a large portion of the non-contingent consideration from the customer. However, we believe that revenue should be recognized together with an initial adjustment for collectability, as these customers are legally committed to make the payments and, based on past experience, a substantive portion of the consideration will be collected.

Since credit risk is not an element of transaction price and because economic instability exists and is growing, we want the standard to be clear that there is a difference between the ‘commitment to perform’ and an ‘ability to fully perform’ and that revenue recognition should not be precluded even if a large portion of the transaction price is not expected or likely to be received (as evaluated at the inception of the contract).

As such, we would like the assumption that is mentioned in paragraph BC171 (i.e., that it would not be typical to recognize a loss on a receivable at initial recognition) to be revised to acknowledge that such situations do exist and may not be unusual. We believe that this will reduce diversity in practice and increase the understanding that a large portion of non-contingent revenue may not always be (and is not required to be) reasonably assured of collection, even at the inception of the contract.

We request that paragraph BC171 be revised in a manner similar to the following:

~~“... The Boards decided that any loss that arises on initial recognition of a receivable should be presented adjacent to the revenue line in profit or loss similarly with any impairment losses. The Boards expect that losses that arise on initial recognition would be carefully considered to ensure that the associated transaction/contract meets all of the criteria for revenue recognition.” an entity typically would not recognize a loss on initial recognition because the receivable normally would initially be measured at the original invoice amount if the contract with a customer does not include a financing~~

Further, we would propose amending paragraph BC34(b) to explain that the criterion in paragraph 14(b) may not be met from the perspective of collectability only if there is significant doubt at contract inception about the collectability of all or virtually all of the consideration. In that case, an entity should question whether the customer is committed to perform their respective obligations under the contract. This will clarify that an entity would not be precluded from recognizing in its earnings the amounts of consideration that it does expect to collect, even if these amounts constitute only a portion of a contract.

We request that paragraph BC34(b) be revised in a manner similar to the following:

“However, if there is significant doubt at contract inception about the collectability of all or virtually all the consideration from the customer, that doubt may indicate that the parties are not committed to perform their respective obligations under the contract and thus the criterion in paragraph 14(b) may not be met. ”

* * *

Alternatively, we request that credit risk be a factor in estimating the transaction price and that collectability issues at contract inception be accounted for differently than subsequent collectability issues.

We suggest that the proposed standard be revised so that an entity would recognize revenue at the amount that the entity expects to receive from the customer. Based on the current proposed guidance, the transaction price for variable consideration is estimated using either the expected value method or the most likely amount, depending on which method the entity expects to better predict the amount of consideration. We propose that these methodologies be used in estimating the transaction price for the effect of variable consideration as well as inception-date credit risk.

We believe that such treatment would reflect a more representationally faithful revenue amount, as it will not gross-up revenue by the portion of consideration that is not expected to be received (as evaluated at the inception of the contract) and revenues will depict only those amounts that are expected or likely to be received at time of recognition.

Regarding the effects of subsequent changes in the assessment of credit risk associated with the receivables, we believe that since the receivables collection function is typically managed separately from the sales function, the more appropriate classification of such changes would be in an expense line.

Indicators of a Transfer of Control

The Revised ASU lists indicators to consider (paragraph 37) in the determination of whether there has been a transfer of control at a point in time, none of which are determinative or weighted with more importance than another. In addition, the Boards have newly added ‘risks and rewards of ownership’ as an indicator of when control is transferred at a point in time.

We appreciate the principles-based nature of the guidance. However, we are concerned that diversity in practice could develop in this critical area of the guidance as the indicators of a transfer of control are varied and it may not be unusual for these indicators to point in different directions for the same transaction.

We appreciate the addition of the concept of 'risks and rewards' to the listing of indicators and we believe that 'risks and rewards' is a vital concept for evaluating the appropriateness of recognizing revenue. But, we also recognize that this concept can be very different from control. For example, in some situations, the customer may have the ability to direct the use of and obtain the benefits from the asset, but the customer may also be protected from the risks of ownership (partially or fully) or can't receive the full benefits from the asset, such as when the customer may be required to ultimately pay the entity consideration that constitutes a percentage of the proceeds received from *its* customers.

Without some guidance that some indicators should be weighted more heavily, similar transactions may be accounted for differently. To avoid unnecessary confusion, we recommend that the 'risks and rewards' concept be elevated.

We request that paragraph 37 be revised in a manner similar to the following:

"If a performance obligation is not satisfied over time in accordance with paragraphs 35 and 36, an entity satisfies the performance obligation at a point in time. To determine the point in time when a customer obtains control of a promised asset and an entity satisfies a performance obligation, the entity shall consider the guidance on control in paragraphs 31–33. In addition, an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:

(a) ...

(b) ...

(c) ...

~~(d) The customer has the significant risks and rewards of ownership of the asset—The transfer of the significant risks and rewards of ownership of an asset to the customer indicates that control of the asset has been transferred. However, when evaluating the risks and rewards of ownership of a promised asset, an entity shall consider any risks that may give rise to a separate performance obligation in addition to the performance obligation to transfer the asset. For example, an entity may have transferred control of an asset to a customer but not yet satisfied an additional separate performance obligation to provide maintenance services related to the transferred asset.~~

~~(d)(e)~~

In all cases, the customer should have the significant risks and rewards of ownership of the asset—The transfer of the significant risks and rewards of ownership of an asset to the customer indicates that control of the asset has been transferred. However, when evaluating the risks and rewards of ownership of a promised asset, an entity shall consider any risks that may give rise to a separate performance obligation in addition to the performance obligation to transfer the asset. For example, an entity may have transferred control of an asset to a customer, but not yet satisfied an additional separate performance obligation to provide maintenance services related to the transferred asset."

Collaborative Arrangements

Many companies enter into collaborative arrangements that are not limited to product development. As such, we request that paragraph 10 not limit the collaborator or partner to one that shares the risk and benefits of developing a product to be marketed. There may be collaborators or partners that share risk and benefits of various operating activities, such as distributing and marketing a product. We are concerned that if collaborators and partners of various operating activities are not scoped out, companies may recognize revenue resulting from these operating activities upon fulfilling a performance obligation to the collaborator or partner, rather than waiting to recognize

revenue upon fulfilling the performance obligation to the end customer of the operating activities.

We request that paragraph 10 be revised in a manner similar to the following:

“... but rather a collaborator or partner that shares with the entity the risks and benefits of certain operating activities, as contemplated in Topic 808 ~~developing a product to be marketed~~. Such contracts are not in the scope of this proposed guidance”

Methods of Estimating Transaction Price

Paragraph 55 allows an entity to use one of two methods to estimate the transaction price when there is variable consideration: the expected value or the most likely amount. The choice of the method would depend on which method the entity expects to better predict the amount of consideration to which it will be entitled.

We request that the examples included within paragraph 55 (the sentences that indicate which method may be more appropriate in different situations) be removed from the standard as we believe that this determination would depend on the specific facts and circumstances of an entity, and that putting these examples in the standard could create a bias towards using a certain method, even if less appropriate. For example, in a case where an entity has a large number of contracts with similar characteristics, it still may be that the most likely amount would better predict the amount of consideration to which an entity will be entitled due to the long history and experience that the entity may have.

We propose that paragraph 55 be revised in a manner similar to the following:

“To estimate the transaction price, an entity shall use either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled:

(a) The expected value—The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. ~~An expected value may be an appropriate estimate of the transaction price if an entity has a large number of contracts with similar characteristics.~~

(b) The most likely amount—The most likely amount is the single most likely amount in a range of possible consideration amounts (that is, the single most likely outcome of the contract). ~~The most likely amount may be an appropriate estimate of the transaction price if the contract has only two possible outcomes (for example, an entity either achieves a performance bonus or does not).~~”

Consideration of Hyperinflationary Countries

Paragraph 60 states that as a “practical expedient, an entity need not adjust the promised amount of consideration to reflect the time value of money if the entity expects at contract inception that the period between payment by the customer ... and the transfer of the promised goods or services to the customer will be one year or less” We suggest that the standard explicitly acknowledge that the practical expedient would likely not be appropriate for hyperinflationary environments.

We request that paragraph 60 be revised in a manner similar to the following:

“As a practical expedient except in hyperinflationary environments, an entity need not adjust the promised amount of consideration ...”

Consideration Payable to a Customer

The Revised ASU would require a vendor that is making cash payments (or issuing credits) to its customer to evaluate whether that payment is in exchange for distinct goods or services. Under current U.S. GAAP, there is an assessment as to whether there is an identifiable benefit that is sufficiently separable from the sale transaction between the vendor and the customer.

We are unclear how the criteria of a product or service being distinct in paragraphs 28 and 29 of the proposed standard (especially the criterion in 28(b)) should be applied in the case of a vendor making a cash payment to a customer and evaluating if the vendor received a distinct good or service. Paragraph 28(b) widens the criteria for a distinct good or service to any good or service that the receiving party can benefit from, either on its own or together with other goods or services. As such, this could be interpreted by some to mean that any benefit the vendor receives for the cash payment made could be considered a distinct good or service.

Aside from creating diversity in practice, we do not believe the financial statements would be representationally faithful if a vendor could characterize, as an expense, the estimated fair value of benefits received from a customer (and as such record higher revenues), even when this benefit does not represent a separable benefit that could be purchased on a stand-alone basis in a separate transaction from the sale transaction with the customer.

We note that the 2010 Proposed ASU provided an example of a product placement ("slotting") fee paid to a customer and concluded that the fees were attributable to a distinct service and should therefore be accounted for as the purchase of goods and services (versus current practice which requires that slotting fees be characterized as a reduction of revenue). Pfizer and other respondents to the 2010 ASU had pointed out that the guidance was unclear as to how the determination was reached that the slotting fees were for distinct services. In the 2011 Revised ASU, the slotting fee example has been deleted and there is no discussion in the Basis for Conclusion. It is unclear why the Boards deleted the example and whether or not they believe slotting fees do not represent a distinct service.

Based on the above, we propose that for purposes of applying paragraph 65, a distinct good or service should be defined as a good or service that is regularly sold by the customer or other third parties and is able to be purchased on a stand-alone basis in a transaction separate from the sale transaction with the customer. We believe that such guidance will be easier to apply and will result in the financial statements being more representationally faithful to the economics of the transactions.

We request that paragraph 65 be revised in a manner similar to the following:

"Consideration payable to a customer includes amounts that an entity pays, or expects to pay, to a customer (or to other parties that purchase the entity's goods or services from the customer) in the form of cash, credit, or other items that the customer can apply against amounts owed to the entity. An entity shall account for consideration payable to a customer as a reduction of the transaction price and, hence, of revenue unless the payment to the customer is in exchange for a distinct good or service ~~(as described in paragraphs 28 and 29)~~ that the customer transfers to the entity. For the purposes of this paragraph, a distinct good or service is a good or service that is regularly sold by the customer or other third parties and that is able to be purchased on a stand-alone basis in a transaction separate from the sale transaction with the customer."

Government Vaccine Stockpile Programs

The SEC, in Interpretive Release No. 33-8642 (ASC 650-15-S99) provided guidance for U.S. companies participating in certain Federal Government vaccine stockpile programs. That guidance provided exceptions to existing guidance on Bill and Hold transactions and allowed companies to recognize revenue at the time that certain vaccines are placed into government stockpiles, if the arrangements meet the applicable revenue recognition criteria, other than for the requirements associated with product delivery (i.e., a fixed delivery schedule of the goods) and inventory segregation. The guidance was necessary as, given the nature of the stockpile program, there typically is no fixed delivery schedule and there typically is no physical segregation and stockpiles may be used to fill other orders (vaccine stockpiles generally must be rotated to ensure that the vaccines do not expire).

The Revised ASU does not require a fixed delivery schedule, but the transfer of control of inventory may not be met if the stockpile inventory is not separately identified as belonging to the customer and is subject to rotation.

We believe that it is unclear as to whether the SEC exception will be carried forward upon adoption of the Revised ASU. This has the potential to alter long standing practices in the pharmaceutical industry and to penalize companies for participating in these critical programs of national and international importance.

We request that the Boards consider modifying the proposed guidance to explicitly include the current SEC exceptions to the general Bill and Hold guidance for government vaccine stockpile programs. Otherwise, although entities will continue to have a performance obligation to the government to manufacture and hold the stockpile vaccines, they may be required to indefinitely defer revenue recognition, for the reasons explained above. Such an outcome would not reflect the economics of the transaction, would not be representationally faithful and, we believe, would not represent the intention of the standard.

* * *

Our responses to questions 2, 3, 5 and 6 are included in the Appendix to this letter.

We would be happy to discuss these matters further or to meet with you if it would be helpful.

Sincerely,

/s/ Loretta V. Cangialosi

Loretta V. Cangialosi
Senior Vice President and Controller

Attachment

cc: Frank D'Amelio
Executive Vice President and Chief Financial Officer

Appendix

Questions for Respondents

Question 2

Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

Response

See our comments in "Collectability" above.

Question 3

Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

Response

Yes, we generally agree with the proposed constraint. See our comments in "Exception to the Reasonably Assured Criteria for Sales-Based Consideration" above.

Question 5

The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

- 1. The disaggregation of revenue (paragraphs 114–116)**
- 2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)**
- 3. An analysis of the entity's remaining performance obligations (paragraphs 119–121)**
- 4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)**
- 5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128).**

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

Response

See our comments in "Overall Disclosures and Interim Period Disclosures" above.

Question 6

For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

Response

We agree with the proposal to extend the ED's proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities. This will enhance consistency between entities accounting for transactions with similar characteristics and provide very useful guidance to account for such transactions. While we can think of no compelling reason for any other conclusion, we do recommend that the Boards clearly define the boundary for where revenue recognition guidance ends and other guidance begins. For example, there are standards governing certain aspects of the sale of a business and we believe that any guidance in the final amendments to other standards should make it clear where the revenue recognition guidance applies and where it does not.