January 28, 2011

Technical Director – File Reference No. 1890-100
Financial Accounting Standards Board
401 Merritt 7
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Comments to Discussion Paper on Effective Dates and Transition Methods

We appreciate the opportunity to provide information to the Financial Accounting Standards Board (“Board”) about the time and effort that will be involved in adapting to several new accounting standards and when those standards should become effective.

Our answers to the Board’s questions for respondents are as follows:

Q1. Please describe the entity (or the individual) responding to this Discussion Paper.

Altria Group, Inc. is a preparer of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Altria Group, Inc. is a large accelerated filer whose common stock securities are registered on the New York Stock Exchange.

Altria Group, Inc. is a holding company incorporated in the Commonwealth of Virginia in 1985. At December 31, 2010, Altria Group, Inc.’s wholly-owned subsidiaries included Philip Morris USA Inc., which is engaged in the manufacture and sale of cigarettes and certain smokeless products in the United States; UST LLC, which through its subsidiaries is engaged in the manufacture and sale of smokeless products and wine; and John Middleton Co., which is engaged in the manufacture and sale of machine-made large cigars and pipe tobacco. Philip Morris Capital Corporation, another wholly-owned subsidiary of Altria Group, Inc., maintains a portfolio of leveraged and direct finance leases. In addition, Altria Group, Inc. held a 27.1% economic and voting interest in SABMiller plc at December 31, 2010.

At December 31, 2009 Altria Group, Inc. and its subsidiaries employed approximately 10,000 people. Net revenues for the nine months ended September 30, 2010 and year ended December 31, 2009 were approximately $18 billion and $24 billion, respectively.
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Below we have documented our preliminary assessment of the degree to which each of the proposed new standards will likely affect Altria Group, Inc. based on what is currently presented in the exposure drafts. If through the Board’s redeliberations, the requirements contained in the final standards are different than what is currently proposed, the cost and time to implement the new standards may change.

**Accounting for Financial Instruments and Revisions to the Accounting for Derivative Financial Instruments and Hedging Activities**

- **Financial Statement Impact:** A very significant financial statement impact is expected related to the amounts recorded as earnings from equity method investments. This impact is due to the proposed guidance that changes the criteria for the application of the equity method of accounting.
- **Process Impact:** We anticipate that there will be a minimal, if any, impact to business processes.
- **Cost Impact:** We expect to incur minimal costs as we do not foresee significant systems costs associated with the adoption of the standard.

**Revenue Recognition**

- **Financial Statement Impact:** The proposed standard is expected to have minimal impact on the financial statements.
- **Process Impact:** A moderate impact is expected related to changes in business processes and data captured for disclosure purposes.
- **Cost Impact:** We expect to incur a moderate amount of costs related to implementing the new standard. Costs would primarily be information technology costs related to capturing additional information needed for disclosures as well as assessment and possible modification of control procedures.

**Leases**

- **Financial Statement Impact:** Significant financial statement impact is expected from the proposed changes to lessee as well as lessor accounting.
- **Process Impact:** We foresee significant ongoing changes to business processes as well as related control procedures to address the proposed standard, especially as they relate to incorporating renewal options and contingent rentals into the remeasurement of the lease term and lease payments.
- **Cost Impact:** We expect that adoption of the proposed guidance will significantly increase our costs of compliance. Costs will include a) work required to capture and incorporate certain lessee data for all leases that is not required under existing US GAAP, b) time and effort to analyze our entire leveraged lease portfolio to determine the appropriate lessor model to apply, c) information technology costs for ongoing lessee and lessor accounting, and d) information technology costs to develop software to perform the one-time calculation associated with the lessor transition adjustment.
Financial Statement Presentation

Financial Statement Impact: We expect the proposed guidance to have a significant impact on our financial statements since it fundamentally changes how we will be required to present our financial information.

Process Impact: We anticipate significant ongoing changes to business processes as well as related control procedures to address new data capture requirements to support proposed reporting and disclosure.

Cost Impact: We expect that adoption of the proposed guidance will significantly increase our costs of compliance. Costs will include information technology costs, manpower and resource costs associated with creating the new financial statements and disclosures, as well as the assessment and the potential modification of control procedures.

Other comprehensive income

Financial Statement Impact: The proposed standard is expected to have minimal financial statement impact.

Process Impact: We foresee minimal impacts to business processes.

Cost Impact: We expect to incur minimal costs with the adoption of the standard.

We have not addressed Financial instruments with characteristics of equity nor the Insurance contracts project in any of our responses as we currently do not anticipate that these projects will have an impact on Altria Group, Inc.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each new standard?

b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Accounting For Financial Instruments and Revisions to the Accounting for Derivative Financial Instruments and Hedging Activities

Minimal time and costs will be required for Altria Group, Inc. to adapt to this standard.

Comprehensive Income

Minimal time and costs will be required for Altria Group, Inc. to adapt to this standard.

Revenue Recognition

A moderate amount of time and costs may be required to adapt to this standard. Costs would primarily be information technology costs required to
configure systems to collect certain types of additional information for disclosure. However, other costs to be incurred include training finance and operating personnel, developing work processes to perform probability weighted measurements for variable consideration, as well as the resource investment to develop disclosures.

**Leases**

A significant amount of time and costs will be required to adapt to this standard. Costs would primarily be related to employee costs related to data gathering, assessing leases and training of personnel. Additionally, significant information technology costs will be incurred to develop and modify systems to perform ongoing accounting, as well as one-time systems costs to calculate the transition adjustment for lessors.

**Q3.** Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

We anticipate that there will be additional impacts related to the adoption of these new standards. For example, Altria Group, Inc. has certain debt covenants that require specific calculations to be performed under previous U.S. GAAP if there has been a material change in the financial statements as a result of adopting new accounting standards. Consequently, we may need to develop system infrastructure to comply with debt covenant requirements. In addition, given the proposed changes to lease accounting, we may need to expand or enhance our tax processes and systems to track and report on the book vs. tax differences. The development of additional subsystems to provide the increased level of tracking and reporting will increase the complexity of our reporting and control infrastructure.  

As previously mentioned, Altria Group, Inc. is a large accelerated filer; consequently, we are required to concurrently file XBRL interactive data exhibits with our financial statements and footnotes. The expansion of the footnote disclosures within the proposed standards will require expanded detail data tagging. Furthermore, the Financial Statement Presentation project will essentially require companies to start over to identify and tag all elements within the financial statements and a large majority of the footnotes.

For companies with active registration statements, the retrospective adoption of the new standards may require incremental filings for the financial statements to be current as of the registration filing date as is required within United States Securities and Exchange Commission ("SEC") Form S-3, Item 11. If the Board ultimately decides to follow a sequential approach for the adoption of the proposed standards, the requirement to comply with this rule increases the burden and ultimate cost of the adoption of the new standards.
Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Altria Group, Inc. generally agrees with the broad implementation plan covering all the new requirements. However, as we previously communicated in our December 9, 2010 comment letter on the Lease exposure draft, we recommend that the Board allow lessees and lessors flexibility to determine the most cost effective and appropriate method of retrospective adoption of the new guidance, as elaborated below.

From a lessee perspective, we agree with the Board’s view that it is not practical or feasible to go back numerous years to gather information on operating leases that was not previously required to be maintained and reported. Therefore, we agree that the simplified retrospective approach is appropriate for lessees.

Specific to lessors with leveraged leases, we believe that the present accounting guidance should remain in place since the proposed standard does not improve the transparency of financial reporting for leasing transactions. However, if implemented, a lessor should have the option for full retrospective application so that existing software can continue to be used. Financial software used in the industry is geared to the multitude of calculations related to leveraged lease investments, including the accounting treatment. The costs and complexity are extremely burdensome for developing software that will only benefit a one-time transition adjustment of lessors. Put simply, by permitting full retrospective application, entities could not only achieve more comparable information, but the cost would be relatively less than requiring the simplified retrospective approach.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

b. Under a single date approach, what should the mandatory effective date be and why?

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your
recommended adoption sequence, such as the impact of interdependencies among the new standards.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Altria Group, Inc. is responding to this question based on the anticipated impact of the specific proposed standards on our financial statements and the need to manage the amount of change that our stakeholders will be required to absorb. Given the minimal and moderate impact that a number of the proposed standards will have on our financial statements, we are grouping the effective dates of those standards together because we feel that the amount of change at a single point in time is manageable. However, we recognize that other companies who may be more significantly impacted by multiple standards may have considerably different views.

Within the Discussion Paper it states that our response should be made without regard to the possibility of International Financial Reporting Standards (“IFRS”) being incorporated into the United States reporting system and that the FASB recognizes that it may need to reconsider the effective dates and transition methods of newly issued standards once any decisions about incorporating IFRS have been made. However, we want to stress that the SEC’s decision on the timing and approach for adoption of IFRS within the United States is critical and may fundamentally change our perspective and the recommendations we have put forth in this letter.

Additionally, we want to highlight that it is imperative that all of the proposed standards be fully converged between U.S. GAAP and IFRS prior to their issuance and adoption within their respective jurisdictions. Altria Group, Inc.’s recommendations put forth below are built on the assumption that full convergence is achieved for each proposed standard. If full convergence cannot be achieved, we recommend that the effective date of the proposed standard be delayed to coincide with the adoption of IFRS. We do not believe that there is a benefit to users of financial statements for companies to adopt a new accounting standard under U.S. GAAP, and then, within a relatively short period of time, implement new (and different) accounting guidance upon the transition to IFRS. By achieving convergence on the standards that are issued, the adoption of the standards will further move companies to consistent global accounting, with or without the United States adoption of IFRS.

Furthermore, given the far reaching impacts of the proposed standards, we recommend that there be a moratorium on the issuance of any new standards outside of the projects addressed by this Discussion Paper for a period of three years prior to their effective date. Given the level of data collection and potential systems changes, companies need to be given time to incorporate these standards into their reporting systems and control environments without the added burden of implementing new and unrelated accounting pronouncements.
Below we have presented our recommended approach for the adoption of the proposed standards. We feel that the implementation of the standards should be grouped into two distinct phases to permit companies time to focus on the multiple standards, while minimizing the amount of perpetual change.

**Phase I**
We recommend that the following standards be grouped together for a single adoption date: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Financial Instruments and Hedging Activities; Revenue Recognition; Leases; and Other Comprehensive Income.

We feel that one of the biggest benefits to having a number of standards effective at a single point in time is to eliminate the need for multiple restatements, both from a cost and preparation perspective as well as reduced confusion for financial statement users. However, as we noted earlier, the Lease proposal is the only project we identified for this phase as having a significant systems and process impact on Altria Group, Inc.; consequently, we feel that this is a reasonable level of change to manage at a single point in time.

Given the amount of effort required for retrospective adoption, and the requirement to comply with the United States Securities and Exchange Commission disclosure requirement to report selected 5-year financial data, we feel that the effective date should be no earlier than January 1, 2016.

While we did not include the Financial Statement Presentation project within this first phase, we feel that it is critical for the reporting requirements of the Financial Statement Presentation project to be fully defined prior to the adoption of the other standards. As we make systems changes to accommodate the accounting and reporting requirements of the other standards, it is essential that we have a clear understanding of the future financial statement reporting framework to minimize potential rework costs.

**Phase II**
With respect to the timing of the adoption of the Financial Statement Presentation project, we feel that it would be cost prohibitive and onerous for most companies to implement new financial statement reporting requirements, and then, within a relatively short period of time, adopt IFRS. Consequently, we recommend that, for U.S. companies, the adoption of a new format for the presentation of the financial statements and related footnotes coincide with the transition to IFRS.

Given the complexity of the proposed financial statement changes as well as the adoption of IFRS, we recommend that the effective date should be no earlier than January 1, 2018.

**Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption**
(for example, are there related requirements that should be adopted at the same time)?

To ensure comparability across all companies, adoption of new standards before their mandatory effective date should not be permitted. These standards are proposing fundamental changes which will significantly change companies’ financial statements as compared to those prior to their adoption. Therefore, it is important that all companies adopt the standards at the same time.

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Altria Group, Inc. has no response.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

While we do not have a strong view regarding whether the FASB and IASB should require the same effective dates for their comparable standards, we believe that it is essential, as we noted in question 5, that any standards issued should be fully converged standards. Additionally, we feel that it is important that the Board follow sufficient due process to ensure that any standards issued are high quality standards which improve existing guidance.

Q9. How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

Altria Group, Inc. has no response.

Sincerely Yours,

Linda M. Warren
Vice President and Controller
Altria Group, Inc.