January 28, 2011

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

Request for Comments on Effective Dates and Transition Methods
(File Reference No. 1890-100)

McDonald’s Corporation appreciates the opportunity to provide our perspective on the FASB’s Discussion Paper, Effective Dates and Transition Methods. We have included our responses to the questions in the Discussion Paper as referenced below. In addition, as requested, we did not take the possibility of IFRS being incorporated into the U.S. reporting system into account when providing our comments.

Question 1
McDonald’s Corporation is a preparer of financial statements in accordance with U.S. GAAP. We are a large accelerated filer in a business that operates and franchises more than 32,000 restaurants in more than 100 countries and generates revenue of approximately $24 billion. Most of the proposals will have a direct impact on McDonald’s. Specifically the lease, revenue recognition, and financial statement presentation proposals would have a very significant impact on both our financial statements as well as our financial and human resources as noted below.

Question 2
Many of the proposals are highly complex and will require a substantial amount of time to understand and determine the effects on financial reporting and disclosures for all constituents. Since McDonald’s consolidates results from over 50 countries and has over 14,000 leases as a lessee, over 19,000 leases as a lessor and about 26,000 franchised locations worldwide, it would be an enormous undertaking of time and cost for just the lease and revenue recognition proposals in their current forms. We believe it will take a minimum of three years to implement the lease proposal. Due to our worldwide presence and the importance of our business connecting with various local constituents, we operate in a decentralized environment from both an information system and business perspective. Therefore, we believe it would take over a year to gather facts about our leases and franchise agreements to develop our policies and training, and then execute the training across the globe to ensure that the expertise from an accounting, process, and control side is replicated in each of our markets. This obviously would cost a significant amount in terms of human capital and financial resources.

Since a technology solution for the lease and revenue recognition proposals would need to be developed, we would also incur substantial time and costs to implement a technology solution for a number of platforms prior to completing our long term migration to a global platform. In addition, the complexities around contingent revenues that exist in the lease and revenue recognition proposals will also contribute substantially to the costs that would be incurred to implement the proposals. We believe that the collective costs for information systems would be about 60 to 80% of the total implementation costs for these proposals.

Question 3
We believe that these proposals will have a significant effect on the broader financial reporting systems as well. The proposed changes to leases, revenue recognition and financial statement presentation would introduce dramatic change to McDonald’s financial statements, which would have a direct effect on financial ratios that are used by our investors and rating agencies. This will, therefore, require a substantial amount of time and effort to educate these groups about the changes. In addition, since both the lease and revenue recognition proposals rely on significant estimates of future results to arrive at current financial statement impact, we believe this would mandate significant increases in the amount of time and support provided by companies to assist the auditors in performing their audits.
Question 4
We are generally comfortable with the transition methods proposed. However, for the lease proposal, we believe companies should be allowed to choose between the limited retrospective approach and full retrospective approach. Given the length of our lease terms and if the “linked approach” is not used in the final standard, we would prefer making a decision on whether the cost of a full retrospective approach (versus the proposed limited retrospective approach) supports the benefit of mitigating the issues related to the pattern of recognition currently called for in the proposal.

Question 5
We strongly believe that the sequential approach is the most practical method. A single date approach would cause significant strains on the human and information system resources of preparers that would cause disruption to their business. A sequential approach would allow us to be strategic in how we manage the cost and human resource needs these proposals require. Therefore, we believe that it is important that the FASB stagger the effective dates to allow implementation of these changes. Of course, the sequential approach will cause the implementation effort to be ongoing for a longer period of time than the single date approach. However, we believe it is the most practical method that will allow McDonald’s to manage the impact on our people and systems while also allowing us time to educate our investors on the effect of these proposed changes on our financial results.

In our situation and given the substantial time needed to implement the lease proposal in its current form, we believe the leases and revenue recognition proposals should be implemented together but only after giving companies adequate lead time to develop processes and information systems to effectively and efficiently implement the standard. We also believe that the financial statement presentation proposal should not be implemented until after leases and revenue recognition as it will be more efficient to implement the changes included in the financial statement proposal once the other proposals and their impacts have been understood by users and preparers. Since the other proposals do not have a material impact on our company, we do not have a strong point of view on the timing of their implementation.

Question 6
We believe companies should be provided flexibility to adopt a standard early, which will allow them to be more strategic in their approach to adoption of any of the proposals that best fits their business model and needs. While we understand that comparability between companies is important, it may not be appropriate to focus on that aspect only. Appropriate disclosures with the adoption of new standards should help with that issue.

Question 7
We are open to the use of different effective dates for particular types of entities when appropriate for that group of entities.

Question 8
We believe it is critical that the FASB and IASB require the same effective dates and transition methods given their desire for convergence.

Question 9
We do not have an opinion on this question.

We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail if requested.

Sincerely,

/s/ Kevin M. Ozan
Kevin M. Ozan
Corporate Senior Vice President - Controller