January 31, 2011

mailto:
Technical Director, File Reference No. 1890-100

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

Via email to director@fasb.org

Re: Discussion Paper, Effective Dates and Transition Methods

NIKE, Inc. ("NIKE") appreciates the invitation to comment on the Discussion Paper, Effective Dates and Transition Methods (the "Discussion Paper") issued on October 19, 2010, by the Financial Accounting Standards Board ("FASB," "Board"). We support the convergence efforts of the FASB and the International Accounting Standards Board ("IASB") and believe that such efforts will result in a consistent set of high quality global financial accounting and reporting standards. While we are supportive of the convergence process, the quantity and magnitude of the proposed changes is unprecedented. We expect the adoption of the proposed standards to be complex and costly, requiring significant investments in information technology ("IT") infrastructure, education and training, increased headcount and use of consultants, and broad changes to internal controls.

NIKE’s principal business activity is the design, development, and worldwide marketing of high quality footwear, apparel, equipment, and accessory products. We are the largest seller of athletic footwear and apparel in the world, employing over 34,000 people worldwide. Revenues for our fiscal year 2010 ended May 31, 2010, were $19 billion. We sell our products to retail accounts, through NIKE-owned retail including stores and internet sales, and through a mix of independent distributors and licensees, in over 170 countries around the world. NIKE prepares consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and files financial statements with the Securities and Exchange Commission ("SEC"). Our securities are listed and traded on the New York Stock Exchange.

Based on our preliminary assessment, we anticipate that the Leases, Financial Instruments, Revenue Recognition and Financial Statement Presentation standards will have the most significant impact on our business processes and financial results. Implementation of new accounting standards that require Enterprise Resource Planning ("ERP") system changes will, at a minimum, require a two year period for preparation and implementation. Accordingly, we believe we need at least two years from the date of issuance of the final standard to be able to prepare the first comparative period for external reporting purposes for these significant projects.
We generally agree with retrospective transition method (or slight modifications thereof) as proposed for each project. Retrospective application provides for comparability and consistency across all periods presented, especially where implementation of the proposed rules results in significantly different financial results. Although the quantity and magnitude of the proposed accounting changes is unprecedented, we prefer the single date implementation approach for the three significant exposure drafts that are the subject of this Discussion Paper (Leases, Financial Instruments, and Revenue Recognition).

Under a single date approach, assuming the final standards are issued in 2011 and allowing two years for implementation and three years of “dual reporting” to meet current SEC financial statement reporting requirements, we believe the mandatory effective date should be no earlier than for calendar year end periods ending December 31, 2016. We do not believe an early adoption election is appropriate outside of entities transitioning to IFRS during the period between issuance of the final standard and the effective date. Further, we believe the FASB and IASB should require the same effective dates and transition methods for their comparable standards to promote earlier consistency and comparability.

Although the Board has asked us to respond to the discussion paper without regard to the possibility of International Financial Reporting Standards (“IFRS”) being incorporated into the U.S. reporting system, we are unable to ignore the potential impacts of adopting IFRS in the near future. From an implementation standpoint, we have to consider both the impacts of the convergence standards and the existing IFRS standards holistically to ensure the most cost effective and efficient implementation strategies are adopted, most notably for our IT infrastructure planning and resource allocation. We encourage the FASB and IASB to continue to work together to develop fully converged standards and eliminate differences between the standards to minimize multiple restatements of our financial statements.

We have included our detailed responses to selected questions raised in the Discussion Paper in the attached Appendix. Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (503) 671-6453.

Sincerely,

Bernard F. Pliska
Vice President, Corporate Controller, Principal Accounting Officer
Appendix – Response to Selected Questions

Question 1e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

Based on our analysis of each of the proposed standards performed to date, the expected impact to NIKE is as follows:

• *Leases* - This project will have the largest impact on our financial results and require significant implementation efforts in capturing, analyzing and reporting lease data. We have over 1,000 real estate leases as well as over 600 equipment leases maintained by more than 100 different business units around the world. Our operating lease commitments as disclosed in our fiscal 2010 financial statements are over $1.6 billion, with annual rent expense of approximately $350 million.

• *Financial Instruments* - This project will also require significant implementation efforts. We anticipate that the proposed guidance will require adjustments to our hedging program processes, necessitate additional documentation, and impose the development and delivery of training around the new rules on our accounting and treasury groups. Moderate financial statement impact is expected. We are also concerned about the differences between the current proposed requirements under the U.S. GAAP and those under IFRS. It seems that further divergence between the U.S. GAAP and IFRS has been created by the exposure draft issued by the FASB which is not consistent with the ultimate goal of the convergence projects. We believe that a converged standard is imperative for financial instruments in order to increase the comparability and consistency of the financial statements prepared under the U.S. GAAP and IFRS.

• *Revenue Recognition* – While the proposed revenue recognition guidance does not impact our business model as significantly as the other standards, the proposed disclosure requirements will require significant changes to existing processes and controls as well as Enterprise Resource Planning (“ERP”) system modifications. Implementation will also require extensive worldwide user training, impacting both operations and finance teams, in order to properly capture the necessary data for disclosure.

• *Financial Statement Presentation* - As this project has been delayed by the Board, we have not performed a comprehensive analysis of the impacts that this proposed standard will have on our business. Currently, however, we do not capture the necessary information in our ERP system to prepare the direct method of cash flows and to provide the proposed supplemental rollforward disclosures. Achieving these reporting requirements would require ERP and consolidation system modifications (and possibly upgrades) as well as extensive worldwide training and education in order to properly capture the necessary data.

• *Comprehensive Income* - Implementation efforts will focus primarily on internal and external stakeholder education on the items recorded in and impacting other comprehensive income due to the more prominent display required in the proposed standard.

The proposed *Financial Instruments with Characteristics of Equity and Insurance Contracts* standards are not expected to have a significant impact due to the nature of our business.
Question 2. 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 the new standard?

We operate in an ERP environment with an established two year rolling IT Roadmap that includes a cadence of normal technical updates and upgrades that are completed on a semi-annual basis. We do not make changes to the ERP system outside of these twice yearly scheduled changes and any change to the ERP system requires extensive planning, testing, implementation efforts, and training. Implementation of new accounting standards that require ERP system changes, potentially including a multi-GAAP/dual reporting period solution for standards requiring retrospective application, will, at a minimum, require a two year period for preparation and implementation.

Accordingly, we believe we need at least two years from the date of issuance of the final standard to be able to prepare the first comparative period for external reporting purposes for Leases, Financial Instruments, and Revenue Recognition. This time will be required to appropriately assess, train and educate personnel, and implement the proposed guidance. The accounting changes proposed in the Financial Instruments standard are extremely complex and will impact our hedging and derivative program and will require modifications to our system maintained by a third party vendor. The Revenue Recognition and Leases standards impact every one of our business operations in over 170 countries and will not only require ERP system modifications, but extensive user training and education. The two year transition period will ensure we have the appropriate resources in place to effectively implement the proposed standards. Further, the vendors for our financial instruments and leasing systems will need an appropriate amount of lead time to develop a solution prior to our implementation and testing. In addition to the system upgrades required, we will need to develop detailed procedures, controls, and testing to ensure our financial data related to leases (rents, lease term, renewal options, service charges, etc.) and financial instruments is accurate.

As the Comprehensive Income project proposes presentation changes only, we believe implementation within a year from the date of issuance of the final standard would not be unreasonable.

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?

We anticipate that investment in systems modifications and training will likely be the most costly components. The primary costs we expect to incur in implementing the proposed standards relate to system upgrade costs, training existing personnel, and costs to hire and retain additional personnel. As mentioned previously, the proposed rules require significant changes to our ERP system, not only to address new accounting and reporting requirements, but also to capture dual reporting/multi GAAP periods where retrospective application is required. These changes will require a high level of investment from our existing accounting and IT teams, use of outside consultants, and worldwide training and education.

From a personnel standpoint, our existing teams do not have the capacity for broad implementation of the four new proposed rules either under a single date or sequential date approach. Additional internal resources as well as external consultants will be required to assist us in implementation and training. As mentioned previously, the proposed revenue and leasing
standards will impact each of our 100 plus business units and will require detailed training of our existing personnel on the on the new rules, policies, and processes.

**Question 3.** 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?

There will certainly be implications beyond accounting and financial reporting arising from these new standards. While the full impacts are not yet known, we would expect impacts to existing contracts and future contract structuring (debt covenants, form of lease arrangements), taxes (state and local tax is generally driven by property valuation – the question arises whether a ‘right to use’ asset will be subject to state and local tax as well), and auditing practices and procedures due to incremental assessment of several judgmental estimates in the proposed standards.

**Question 4.** 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.

We generally agree with the retrospective transition method (or slight modifications thereof) as proposed for each project. Retrospective application provides for comparability and consistency across all periods presented, especially where implementation of the proposed rules results in significantly different financial results.

**Question 5.** 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).

Although the level of accounting change over a single time period is unprecedented, we prefer the single date implementation approach covering the three significant exposure drafts that are the subject of this Discussion Paper (*Financial Instruments, Leases, Revenue Recognition*). We will need to augment our resources and utilize consultants for a period of time to implement the proposed rules and we feel it is more cost effective than a sequential approach. The single date approach provides for less time to maintain three sets of books (existing U.S. GAAP, proposed U.S. GAAP, and Local GAAP) and will minimize confusion from investors. With our established IT Roadmap and limited windows for ERP system changes, we believe it is more cost effective and efficient to consider all ERP system related changes holistically and implement the changes at one time. The clear disadvantage of the single date approach is the resource needs to complete the larger volume of challenging implementations over the same time period.

As discussed previously, we are indifferent on the implementation date of the proposed Statement of Comprehensive Income as this information is already prepared and disclosed today and will not require significant implementation efforts or costs.
b. Under a single date approach, what should the mandatory effective date be and why?

Under a single date approach, assuming the final standards are issued in 2011 and allowing two years for implementation and three years of 'dual reporting' to meet current SEC financial statement reporting requirements, we believe the mandatory effective date should be no earlier than for calendar year end periods ending December 31, 2016. Should the FASB and IASB desire an earlier implementation date, we encourage the SEC to consider a temporary one year-reprieve from the three year income statement requirement or to make adoption prospective with selected qualitative and quantitative disclosures. We are also concerned about the SEC’s Five-year Summary of Financial Results requirement in the MD&A section of the annual report on Form 10-K. If we are required to retrospectively present the full five years in this Summary Financial Results table, we request an additional two years (i.e. an implementation date for calendar year end periods ending December 31, 2018) to allow for five years of dual/multi-GAAP reporting.

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.

While we are not supportive of a sequential approach, should the sequential approach be required, we believe Comprehensive Income should be implemented first, as it will require the least effort and cost to implement. We believe Leases and Revenue Recognition should be implemented together as the standards reference each other. We believe Financial Instruments should be implemented last to allow the FASB and IASB additional time to converge the standards as much as possible to minimize differences. For Leases, Revenue Recognition and Financial Instruments, we believe the mandatory effective dates should follow a similar timeline as mentioned above allowing at least two years from the date of issuance of the final standard before the start of the first comparative period.

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

We are supportive of the single date approach as mentioned above and do not believe that another approach would be preferable.

Question 6. 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)?

We do not believe an early adoption election is appropriate outside of entities transitioning to IFRS during the period between issuance of the final standards and the effective date. A primary objective of the new standards is to enhance consistency and comparability and an early adoption option would not support this objective.
Question 7. 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?

We feel it should be the goal of the FASB and IASB to determine an appropriate effective date that will allow all preparers and stakeholders to effectively implement and respond to the proposed standards at the same time. We do not support any implementation delay for certain standards or for particular industries; as such delay would prevent consistency and comparability for the delayed periods.

Question 8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

We believe the FASB and IASB should require the same effective dates and transition methods for their comparable standards to promote earlier consistency and comparability. Appropriate changes should be made to IFRS 1, "First-time Adoption of International Financial Reporting Standards" to address any timing or transition issues for the U.S. or other reporting jurisdictions.