January 31, 2011

Submitted via email (director@fasb.org)

Technical Director
Financial Accounting Standards Board
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Re: File Reference No. 1890-100, Discussion Paper: Effective Dates and Transition Methods

Apple Inc. ("Apple" or the "Company") is pleased to have the opportunity to comment on the Financial Accounting Standards Board’s ("FASB" or the "Board") Discussion Paper entitled, Effective Dates and Transition Methods issued October 19, 2010 (the "DP").

Apple designs, manufactures, and markets personal computers, mobile communication and media devices, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The Company sells its products worldwide through its retail stores, online stores, and direct sales force, as well as third-party network carriers, wholesalers, resellers and value-added resellers. The Company’s revenue for its most recently completed fiscal quarter ended December 25, 2010 was $26.7 billion, and Apple had over 50,000 employees as of that date.

Apple supports the FASB’s effort to improve the quality and comparability of financial accounting and reporting standards through the Board’s convergence efforts, achieving a single set of global financial reporting standards and the convergence projects aimed at narrowing the gap between US Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"). We have responded to the FASB’s invitation to comment from the perspective of a preparer of its own consolidated financial statements under US GAAP, along with our international subsidiaries that are subject to IFRS for statutory reporting purposes.

The proposed standards represent an unprecedented level of change to the Company’s accounting, processes, controls and financial reporting. As we contemplate implementation, we are striving for a balance that allows for the most efficient path to adoption while balancing the needs of investors and other financial statement users. Given the current state of the convergence projects, analyzing the best method for implementation is challenging. The four standards that are currently exposed are in the process of revision with the FASB and International Accounting Standards Board ("IASB"), while the remainder of the convergence projects are in the preliminary stage of development with no clear timeline for their ultimate completion. Therefore, we offer our comments below with the caveat the standards are not yet complete and it is extremely difficult to assess the best approach for implementation without complete transparency to the resulting interdependencies from yet to be issued standards. Regardless of the ultimate transition methodology, requiring companies to continually restate prior period reported financials for an extended period of time as new standards become effective would be extremely disruptive to preparers and confusing to investors.
Preparing for and Transitioning to the New Requirements

We believe the standards that have been exposed (other comprehensive income, financial instruments, leases and revenue recognition) will have a significant impact on companies’ finance organizations as well as on areas outside finance such as information technology (“IT”), sales, legal, investor relations, research and development and business management. Significant time will be needed to assess the impact, identify implementation strategies, develop system enhancements and train employees. Typical system initiatives are planned out several years in advance. Adding this level of effort would require considerable lead-time and potentially a reprioritization of systems projects. Additionally, Sarbanes-Oxley related processes would need to be revised and documented internally and audited by external auditors.

While the implementation time will vary by company, we believe all companies will face significant challenges in implementing these standards. Thus, we recommend the effective date for each of these standards be at least three years from the first period required to reflect the new standard, whether it’s from the Initial adoption or retrospectively applied. For example, if three years of comparable financial statements were required for a standard that is finalized today, then calendar year 2016 would be the earliest recommended effective date allowing for implementation to begin for calendar year 2014 results. In terms of impact, the other comprehensive income proposal is expected to have the least significant impact for registrants. The financial instruments proposal will likely have a medium impact for registrants. Leasing and revenue recognition are expected to have the greatest impact for registrants due to the broad scope of these two standards, the complexity of the necessary system enhancements, the extensive training that will be needed, and possible third-party involvement of accounting, tax, legal and IT personnel as well as a significant level of effort from external auditors.

The Company expects registrants to incur significant costs related to systems modifications, contract revisions, third-party consultants and increased headcount in a variety of areas. The most significant costs are expected from systems work, especially with respect to the revenue recognition and leasing standards. We also expect registrants to incur the following internal and external personnel costs:

- Additional headcount to create a dedicated implementation team and to maintain parallel sets of accounting records and financial statements for all periods requiring restatement;
- Additional headcount to develop and implement the significant systems and process enhancements we expect will be necessary;
- Costs related to entity-wide training;
- SOX compliance processes will need to be reviewed and revised as a result of the underlying changes in many financial reporting processes brought on by the new standards; and
- Costs related to external audits during the implementation periods.

Additional external costs will be incurred if internal resources are not available. We are concerned that mass implementation of the new standards will result in a limited pool of external resources and, as a result, those resources that are available will be expensive if available at all.

The proposed new standards generally require either retrospective or limited retrospective adoption. In light of the inherent complexity and cost associated with these transition methodologies, we recommend the Board consider a transition methodology similar to that allowed 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 methodology permitted either retrospective adoption or prospective application of these updates upon the date of adoption with the requirement to disclose the estimated impact of the new accounting standard. Allowing prospective application for the proposed new standards would give companies the flexibility to choose a transition method that best fit their specific facts and circumstances. Prospective application would provide companies substantially more time to prepare their systems and personnel for the transition to the new standards rather than restating history.
Effective Dates for the New Requirements and Early Adoption

As noted above, the adoption of these new standards is an unprecedented event for companies. Accordingly, we prefer a single-date approach versus a sequential phased-in approach. A single-date approach would eliminate the need to continually restate the financial statements as several accounting standards are adopted over multiple fiscal periods. We believe this should be the single most important goal when evaluating the practicality of the transition method. If current and historical financial results continue to change for several years, as they would under a sequential approach, we believe the usefulness of the financial information for investors and analysts would be greatly reduced. A single-date approach also has the potential to reduce the overall costs for information systems modifications by making changes for all of the standards once rather than repeating that effort multiple times. Additionally, a single-date approach minimizes the potential for having to rework system changes.

Finally, we believe that all standards should have an early adoption provision. Recognizing each company will have their own obstacles and priorities in adopting these standards, early adoption would let companies choose transition timing in the most effective and efficient way for their particular circumstances.

International Convergence Considerations

We believe the FASB and IASB should have the same effective dates and transition methods for their respective new standards. This is critical for companies to effectively and efficiently manage and implement these new standards without the risk that upon convergence or adoption of IFRS, any recently adopted FASB standard has yet again changed. Additionally, as many companies have subsidiaries that maintain their local reporting records under IFRS, a common effective date and transition method will allow for the most efficient adoption for both consolidated and statutory filing purposes.

We appreciate the opportunity to comment on this important topic. We hope the information provided will assist the FASB in developing an implementation plan for the new standards that helps stakeholders manage the pace and cost of change.

Please contact me at (408) 862-1401 if you have any questions regarding our response or other aspects of the DP.

Very truly yours,

Betsy Rafael
Vice President, Corporate Controller
and Principal Accounting Officer