January 9, 2006

Ms. Suzanne Bielstein, Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

File Reference No. 1235-001

Dear Ms. Bielstein,

We would like to take this opportunity to respond to the Invitation to Comment, “Selected Issues Relating to Assets and Liabilities with Uncertainties.” Emerson is a diversified manufacturer of electrical and electronic products with a market capitalization in excess of $30 billion.

General

We do not believe the approach suggested in the Invitation to Comment produces clearly superior financial information when compared to the existing approach. The current approach under FAS 5, based on a reasonable estimate of amounts likely to occur, is well understood and far more likely to provide relevant information to users than the proposed approach. Further, the proposal to dissect or re-label liabilities into conditional and unconditional rights is overly theoretical and complex and cannot be applied in a practical manner, while the existing approach in FAS 5 is more operational and simpler to apply.

Retain Probability Recognition

The probability criterion in FAS 5 should be retained for recognition of contingent liabilities. Contingent liabilities, especially those involving litigation, do not lend themselves to separating these obligations into conditional and unconditional components as they are highly subjective in nature, may involve legal cases that may last several years and are difficult to estimate the outcome. If the issue arises from past events, a company can directly determine the appropriate liability to record by estimating the probable payment, rather than attempting to dissect the obligation into conditional and unconditional components which adds no further insight to the analysis.

Complexity

The Invitation to Comment re-labels contingencies as “conditional” and “unconditional” without much guidance, adding further confusion to an already complex area. The FAS 5 model has been employed for numerous years and is well understood. We urge the Board not to ignore relative simplicity for the sake of change or convergence. If we understand the IASB’s proposal, it seems to create unnecessary complexity to arrive at the amount to record.
We have questioned the relevance of recording liabilities that are not expected to be paid and that cannot reasonably be measured, as noted in our previous comments on FAS 143, FAS 146, FIN 45, FIN 47 and the Business Combination Exposure Draft. These rules will result in recording liabilities in many cases where it is highly unlikely that any cash outflows will occur, or if cash outflows do occur, the amount recorded is inaccurate.

**Clearer Guidance**

The Invitation to Comment lacks sufficient examples that would assist companies in understanding how the proposed changes would impact current practice and to which situations they would apply. The proposal is not specific enough to determine whether it is just explaining the underlying theoretical premise of FAS 5 or whether it would actually change how contingent assets and liabilities are determined and recognized.

Further, we are not sure when the proposal would recognize a contingent asset. We believe contingent assets should not be recorded until they are realized or realizable, consistent with existing GAAP. Also, the three brief examples provided in the proposal apply to contingent assets only. It would be helpful to provide detailed examples regarding contingent liabilities because this is the area where most companies could be profoundly impacted.

**Measurement**

Although we are not clear how the proposal would value contingencies, we believe that they should not be measured at fair value. Contingent assets and liabilities do not lend themselves to fair value measurement and should be recorded at the probable amount to be paid consistent with FAS 5.

**Conclusion**

The current approach under FAS 5 for contingencies is simpler and understood. Therefore, the existing method based on a reasonable estimate of amounts likely to occur should be retained. As the Board deliberates this and other issues, we urge the Board to strive for simplicity and reduced complexity in accounting and financial reporting.

We appreciate the opportunity to respond to the Invitation to Comment and trust that our comments will be seriously considered in future Board deliberations on this issue.

Sincerely,

Richard J. Schluster
Vice President & Chief Accounting Officer

Cc: Walter J. Galvin
    Senior Executive Vice President & Chief Financial Officer