November 30, 2012

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Re: File Reference No. 2012-220

Ladies and Gentlemen of the Board:

SanDisk Corporation appreciates the opportunity to provide our views on the Discussion Paper, “Disclosure Framework”, (FASB file No.2012-220, Invitation to Comment). We will first provide comments on certain topics in the suggested approaches to disclosure, then, we will address specifically the questions posted in the Discussion Paper in an Appendix to this letter.

SanDisk, a global technology company, is the inventor and largest supplier of NAND flash memory storage solutions. Our products are used in a variety of large markets, and we distribute our products globally through retail and original equipment manufacturer channels. As a financial statement preparer, we support the Board’s objective to establish an overarching framework to provide more consistent and effective disclosures.

We understand the Board’s objective of the project is to make financial statement footnote disclosure more effective by focusing on relevant information and, it could possibly reduce the volume of disclosures by focusing on the most important information, although it is not the primary focus. We support the Board’s effort to make the disclosure more relevant, flexible and better organized and have the following related ideas:

- We understand that the scope of the project is limited to notes to the financial statements (“Notes”), however, by focusing on making the disclosure in Notes more comprehensive, the project could lead to duplicative disclosures. For example, some of the decision questions suggested in chapter 2 require same set of information disclosed in other sections of a Form 10-K. Information required under Questions G1-G4, Questions L5-L6, Question O1, Questions O3-O6 overlaps in certain degree topics a reporting entity discusses in other sections of the 10-K (Business, Risk Factors, MD&A, etc.). We believe the Board needs to align and cooperate with the SEC or other regulatory agencies to streamline all disclosure venues to eliminate duplicative requirements. Our immediate recommendation would be to allow for cross referencing from the footnotes to other sections of a larger document if the information is provided elsewhere in a more comprehensive regulatory document that requires audited financial statements such as a Form 10-K.
- Our current disclosure process is very rules based with prescriptive requirements and checklists to ensure compliance. We believe all parties involved including preparers, audit committees, legal
advisors, regulators (SEC, PCAOB and others) and independent auditors need to be aligned to not promote irrelevant disclosures. It may be difficult in our current environment to move immediately from detailed rules to judgment based disclosures. We believe possibility C in paragraph 3.11 can be a good starting point where the Board sets both a minimum and an expanded disclosure requirement in a standardized but practical format. And as a practical expedient, the Board might set a threshold (such as percentage of: revenue, total or net assets, equity, expenses, cash flow from operations or percentage of expenses) for disclosing either the minimum or expanded requirement for different topics. The reporting entity could select the less prescriptive requirements (paragraphs 3.15 - 3.17) if the minimum threshold measurement is met. As a general rule, footnote disclosures should contain relevant information that is helpful to stakeholders in their decision-making processes. They should help to explain a specific line item in greater detail as to the composition, change over time, cross-reference to other line items and how it might affect future cash flows.

- There are a couple of suggestions in the Discussion Paper that we think will present a challenge and create more burden to the preparers, specifically, the disclosure on alternative measures (Question L.10 and L.16) and the requirement for reporting entities to document the reasons for their decisions about which disclosures to provide.
  - Regarding the disclosure of alternative measurement on a line item, we believe it will create more burden to preparers while adding no value to financial statement users. We believe it is better to describe what was recorded and the reason for the completed transactions. It could be very hard and expensive to quantify and disclose all potential relevant alternatives. As an example, would an entity have to describe the different depreciation methods available (straight-line, accelerated, sum of the years digits, depletion, etc.), quantify the impact and why the current method is appropriate and would this be beneficial to the reader? We believe this requirement would be operationally difficult and costly for all parties involved. The auditors are already required to report to management and the audit committee on alternative measures considered and we believe this process (along with PCAOB inspections) provides sufficient oversight on reasonable disclosure considerations.
  - Regarding the documentation requirement, as the Board stated in the DP, “in many cases, whether an item of information considered for disclosure in notes is relevant or not will be clear”, in these cases, the documentation of reasons for disclosure or not will not add any value. In other borderline cases, where it would be necessary to make potentially difficult judgments and where involved parties cannot reach agreement, then the entities may just choose to make the more extensive disclosure to avoid any controversies. Expanded disclosure of borderline material transactions would be a better solution than documenting why minimum disclosure was used.

We thank you for providing us with the opportunity to provide our comments on the Discussion Paper and you can reach me directly at (408) 801-1856 to discuss these issues further.

Sincerely,

Donald F. Robertson, Jr.
Vice President and Chief Accounting Officer
SanDisk Corporation

CC: Judy Bruner, Executive Vice President, Administration and Chief Financial Officer
APPENDIX

**Question 1** - The details of the Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board’s decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes for financial statements?

Response: No comment.

**Question 2** - Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements and is necessary to assess entities’ prospects for future cash flows?

Response: The decision questions in this chapter and the related indicated disclosures seem very thorough and comprehensive. However, in the U.S. legal and regulatory environment, we believe it may lead auditors and legal advisors to prefer retaining existing disclosures rather than cutting back and selecting to disclose the most relevant information. Also, some of the decision questions suggested in this chapter require same set of information disclosed in other sections of the 10-K. Information required under Questions G1-G4, Questions L5-L6, Question O1, Questions O3-O6 overlaps in certain degree topics a reporting entity discusses in other sections of the 10-K (Business, Risk Factors, MD&A, etc.). We believe the Board needs to align and cooperate with the SEC to streamline all disclosure venues to eliminate duplicative requirements, hence improving the relevancy of disclosures. Our immediate recommendation would be to allow for cross referencing in the footnotes if the information is provided elsewhere in a more comprehensive regulatory document such as a Form 10-K. The cross-referencing would be subject to audit.

**Question 3** - Do the decision questions in this chapter and the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities’ prospects for future cash flows?

Response: See our answer to Question 2.

**Question 4** - Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and instead, establish a single overall requirement similar to the questions in this chapter?

Response: The Board should still be the party to excise judgment and identify essential disclosure to ensure consistency and comparability. We believe an overarching framework on essential disclosure in a standardized format will promote consistency and relevancy. With the overarching framework as a base, the Board can determine on a case-by-case basis additional detailed disclosure requirements in each project within the framework of minimum and expanded requirement (par 3.11.C) to allow flexibility on the reporting entity to select the detail level that is most appropriate to the entity.

**Question 5** - Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

Response: We support the Board’s effort to establish an overarching disclosure framework and we believe the current decision process would be helpful. If minimum and expanded type disclosures are implemented by the Board, the framework may become more simplified as less judgment would be applied. Please see detail comments in the main body of our letter.
Question 6- Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

Response: We believe possibility C in paragraph 3.11 can be a good starting point where the Board sets both a minimum and an expanded disclosure requirement in a standardized but practical format. And as a practical expedient, the Board might set a threshold (such as percentage of: revenue, total or net assets, equity, expenses, cash flow from operations or percentage of expenses) for disclosing either the minimum or expanded requirement for certain topics. The reporting entity could select the less prescriptive requirements (paragraphs 3.15-3.17) if the minimum threshold measurement is met. As a general rule, footnote disclosures should contain relevant information that is helpful to stakeholders in their decision-making processes. They should help to explain a specific line item in greater detail as to the composition, change over time, cross-reference to other line items and how it might affect future cash flows.

Question 7- If more than one approach would be practical and effective, which would work best?

Response: We believe possibility D can also work, but prefer possibility C for the comparative simplicity. See detail in our answer to Question 6.

Question 8- Are there other possibilities that would work better than any of the ones discussed in the chapter?

Response: No comment.

Question 9- This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgment. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

Response: We understand the Board’s objective of promoting the underlying principle for disclosure as relevant disclosure that would “change users’ assessments of prospects for future cash flows by a material amount”. However, is future cash flow the only criteria important to the users? Is there a range for “magnitude”? Different parties will have different interpretation of the framework. We believe all parties involved including preparers, audit committees, legal advisors, and independent auditors, need to be aligned and not promote irrelevant disclosures.

Question 10- Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

Response: See our answer to Question 9.

Question 11- Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

Response: We do not agree that reporting entities need to document the reasons for their decisions about which disclosure to provide. We believe this will not add value to users’ decision-making process while presenting significant challenges to entities and auditors. Regarding the documentation requirement, as the Board stated in the DP, “in many cases, whether an item of information considered for disclosure in notes is relevant or not will be clear”, in these cases, the documentation of reasons for disclosure or not will not add any value. In other borderline cases, where it would be necessary to make potentially difficult
judgments and where involved parties cannot reach agreement, then the entities may just choose to make the more extensive disclosure to avoid any controversies. Expanded disclosure of borderline material transactions would be a better solution than documenting why minimum disclosure was used.

Typically for public companies, a disclosure checklist is prepared by the entity which documents compliance with current disclosure requirements and this could include reasons for the level of disclosure which are auditable. The auditor would audit the checklist, to ensure the judgments are reasonable or if not reasonable, reported to the audit committee. The audited checklist would remain confidential as a record of the decisions reached by the preparer. If one potential goal is to simplify disclosure, then adding new incremental documentation why certain disclosure are included or not included does not seem like a meaningful improvement. As indicated, there is already a system employed by all the Big 4 audit firms which would allow the auditors to receive the documentation in an auditable format and provide assurance to users of the financial statements.

**Question 12-** Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

Response: Yes, we agree that all the suggestions would help to improve the effectiveness of disclosures and some of the suggestions, such as a common point of reference for maturity dates, should be mandatory for comparability. We believe cross-referencing can be an effective tool to help connect different line items or between different statements. As we stated, cross-referencing may extend outside the financial statements to other portions of regulatory documents. The Board is probably able to make changes faster than governmental agencies and the Board should consider whether it should take the first step to simplify by allowing cross-referencing from financial statements to other portions of a regulatory document where audited financial statements are provided including the Form 10-K.

**Question 13-** What other possibilities should be considered?

Response: No comment.

**Question 14-** Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

Response: We agree that a standard order of Notes may be helpful to improve effectiveness including using the order of the primary statements (similar to IFRS) or using pre-defined general themes with a consistent ordering. While we do not have a preferred method, we are concerned that transactional-based footnotes may significant decrease comparability among reporting entities and obscure the ability to extract information from financial statements. Grouping inventory, inventory hedging and supplier risk in one location would make understanding comparable derivative risk or enterprise risk very difficult.

**Question 15-** Are there different ways in which information should be organized in notes to financial statements?

Response: No comment.

**Question 16-** Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

Response: Due to the current financial reporting deadline for US public companies and the ongoing XBRL and SOX work, we do not believe additional disclosure in the interim period is feasible. Due to the nature of the interim reports, reporting entities typically would not provide the same level of detail as an annual
report. We believe a framework established by the Board would be useful for preparers and interim
disclosures should be based upon key changes in estimates or business from the most recent annual period
to the current interim period.

**Question 17** - If you think that a framework for the Board’s use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

Response: The objectives in par. 6.17(a) appear to be a reasonable set of guidelines in approaching interim
financial statement disclosure requirements. We do not agree with par. 6.17(b) as stated in the main body
or our letter as this will only increase the complexity of existing disclosures.

**Question 18** - If you think that a framework for reporting entities’ use in deciding on disclosure for interim
financial statements would improve the effectiveness of interim reporting, what factors should reporting
entities consider when providing disclosure requirements for interim financial statements?

Response: No comment.

**Question 19** - What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

Response: No comment.

**Question 20** - Would the change to the requirements described in paragraph 7.8 for disclosure of the
summary of accounting policies improve the effectiveness of disclosure?

Response: As we have indicated, we do not believe L10 to be a practical solution. More disclosure should be focused around what was recorded and why and not on potential alternatives.

**Question 21** - Should the summary of accounting policies include information about industry-specific
accounting policies?

Response: As indicated in our main response and our answer to Question 20, there should continue to be robust disclosures over the accounting treatment for material recurring or unique transactions. Many times, this disclosure will cover attributes of industry-specific accounting policies such as Oil & Gas, Motion Pictures or Software Revenue. It is not clear that there is any benefit to calling out specific accounting policies as industry specific, but we believe it is clear there should be robust disclosures over key accounting policies, whether industry-specific or not.

**Question 22** - Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

Response: No comment.