March 29, 2016

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

Sent by email to director@fasb.org

Re: File Reference No. EITF-15F – Classification of Certain Cash Receipts and Cash Payments

Exxon Mobil Corporation appreciates the opportunity to respond to the proposals ("Proposed Update") in the Exposure Draft outlining approaches to reducing the diversity in practice in classifying certain cash receipts and payments under Topic 230, Statement of Cash Flows, and other Topics. In particular, we focus our comments on the proposals related to “Distributions Received from Equity Method Investees” where we do NOT support the preliminary conclusion of the Emerging Issues Task Force ("EITF").

We commend the Board and EITF for undertaking an effort to reduce the diversity that may exist under guidance contained in Topics 230 and other Topics. However, the application of the Proposed Update related to distributions from equity companies could INCREASE diversity among investors, even in the same investee, and will certainly generate higher costs for ExxonMobil, and perhaps other reporters. Therefore, we urge the FASB to remove the guidance regarding distributions from equity companies, or alternatively offer the guidance in the Proposed Update only as a practical expedient when the character of the distribution (return of investment or dividends) is not easily determinable by an investor.

Responses to Specific FASB Questions

Question 8: Should distributions received from an equity method investee when an investor applies the equity method be presumed to be returns on investment and classified as cash inflows from operating activities unless the investor’s cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized by the investor? When such an excess occurs, should the current-period distributions up to this excess be considered a return of investment and classified as cash inflows from investing activities? If not, what approach is more appropriate and why?
ExxonMobil response:

We do not believe it is generally a good accounting practice to ignore the known facts surrounding a specific transaction, which are typically readily available, in order to align the accounting between two otherwise different transactions (i.e., a dividend vs. a return of capital). The classification of a distribution from an equity company often has a high degree of importance to an investor. Many sovereign countries tax distributions that are dividends, but do not tax returns of capital. Far from adding “a layer of complexity” as the EITF notes in BC 23, in these situations, an investor is required to know the classification of the distribution in order to properly file a tax return. In addition, the nature of a distribution is usually agreed by the equity company’s board of directors in advance and communicated to investors via a board resolution.

Furthermore, the Proposed Update has the potential to INCREASE diversity among investors in the same equity company. If one of the investors was involved from the initial formation of the equity company, but another investor acquired its own share after the equity company had been operating for some time, then the test described in the Proposed Update and summarized in Question 8 above could lead to different classifications for the investors of the same distribution. One investor could classify the distribution as a dividend, and the other investor classify it as a return of capital. This asymmetry could also occur in situations where the equity company has a different set of accounting standards for local books other than U.S. GAAP. A distribution that initially appears to be a dividend based on the test described above when applied to the local, non-U.S. GAAP books could appear to be return of capital when the investee’s financials are classified according to the Proposed Update.

Finally, the guidance in the Proposed Update will be MORE difficult to implement than the alternative ExxonMobil suggests of classifying distributions based on their underlying nature. Accounting under U.S. GAAP for equity method companies does NOT require the split of retained earnings vs. other elements of equity to be disclosed. The Proposed Update would therefore REQUIRE the collection of both that split and the cumulative distributions from investees that have occurred. On the other hand, as noted in the first paragraph of the response to this question, collection of information regarding the nature of a distribution is already required to enable filing of local investor tax returns.

In summary, we do NOT support the guidance in the Proposed Update related to Distributions from Equity Method Investees. We suggest the EITF thoughtfully consider an approach that allows an investor to classify distributions from an investee according to the investee’s characterization of the distribution. If that information is not readily available, then we suggest that investors be allowed to apply the classification method as described in the Proposed Update as a practical expedient.

Question 12: Should the proposed amendments for all eight cash flow issues be applied using a retrospective transition method? If not, what transition approach is more appropriate and for which specific cash flow issues and why?

ExxonMobil response:

We do NOT believe the proposed amendments should require companies to follow a retrospective transition method. Instead, we believe the proposed amendments should be applied prospectively, with an optional election to apply retrospectively.
Summary Comments

While we commend the Board and EITF for undertaking an effort to reduce the diversity that may exist under Topics 230 and other Topics, the approach outlined in the Proposed Update for Distributions from Equity Investees will neither substantially reduce diversity nor create a more faithful representation of business results. We appreciate the Board’s consideration of the concerns we outlined above and welcome the opportunity to discuss them.

Sincerely,

[Signature]

D. J. Rosemold