March 13, 2012

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M6xh
United Kingdom

Submitted via electronic mail to director@fasp.org

Re: File Reference: No. 2011-230, Exposure Draft: Revenue from Contracts with Customers

Dear Madam and Sir:

Tyco International Ltd. ("Tyco") appreciates the opportunity to respond to the Revised Proposed Accounting Standards Update, Revenue from Contracts with Customers (the "Revised ASU"). Tyco is a diversified publicly traded company that provides vital products and services to residential and commercial customers around the world. We are a leading provider of security products and services, fire protection and detection products and services, valves and controls, and other industrial products. Tyco had 2011 revenue of more than $17 billion and has more than 100,000 employees worldwide.

We continue to be supportive of the FASB and IASB’s (the "Boards") goal of one revenue recognition model to be applied broadly for all transactions and entities. While we believe the Boards have made significant progress on the proposed revenue recognition model from the previous proposal, we still have concerns with certain areas of the Revised ASU, specifically as it relates to the satisfaction of a performance obligation (i.e., transfer of control), assessment of onerous performance obligations and the proposed disclosure and transition requirements. As expressed in our previous comment letter, we do not believe there is an appropriate balance between the benefits to users of having the information proposed within the disclosures and the cost to entities to prepare and audit this information. Also expressed in our previous comment letter is our concern with the cost and resource strain of applying the Revised ASU on a retrospective basis. We express our views on each of these topics in more detail below, including our comments on the specific questions that were enumerated with the Revised ASU.

Sincerely,

Sam Eldessouky
Vice President and Assistant Controller
Exhibit 1:

The Boards request that constituents provide comments on the following questions:

**Question 1:** Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

We generally agree with the criteria set out in the proposal of evaluating when an entity transfers control of a good or service over time, therefore, satisfying a performance obligation and recognizing revenue over time. However, while the goal is to create one point of accounting reference for different revenue arrangements compared to today’s various revenue accounting standards, we believe the criteria for assessing whether an entity satisfied a performance obligation either at a point in time, over time, or in a bill and hold arrangement for purposes of revenue recognition is inconsistently defined or referenced. This is especially true as it relates to the criteria of transferring risks and rewards of ownership (i.e., risk of loss). We recognize that since the last exposure draft, the Boards did add risk and rewards of ownership as an indicator of when control is transferred at a point in time, as well as adding criteria for determining when a performance obligation is satisfied over time. However, in our opinion there continues to be a disconnect between whether the criteria for assessing the transfer of control at a point in time is applicable to all other situations, including scenarios where control is transferred over time, and in bill and hold arrangements. We recognize that it may instead be the intention of the board, as it relates to risks and rewards of ownership, that any risk coverage should be viewed as a separate performance obligation and a portion of the transaction price should be allocated to it. We therefore ask the Boards to consider these disparities in the Revised ASU (which are described in more detail below) and provide more clarity to avoid diversity in practice.

**Uninstalled materials**

Under the Revised ASU, it appears revenue can be recognized on goods that the customer obtains control of significantly before receiving services related to those goods, if they are significant to the total cost of the project and the entity has not been involved in designing and manufacturing the goods. This scenario appears to be analogous to today’s concept of uninstalled materials which are not “unique” to the project, except that under the Revised ASU it appears revenue can be recognized for these materials assuming control is transferred and certain other criteria are met. However, it is not clear how “control” is defined in this context and whether the criteria of transferring control at a point in time apply (specifically “significant risks and rewards of ownership”). This determination will be important especially in those scenarios where uninstalled materials may be stored at a vendor’s warehouse before being shipped to the job site; therefore, although the project may qualify as transferring control over time, does the requirement of risks and rewards of ownership also apply? On the other hand, under today’s accounting model uninstalled materials that are “unique” to a project whether they are stored at a vendor’s warehouse or at the job site are included within the costs used to measure progress without consideration to all of the SAB Topic 13A criteria. This is due to the fact that contract accounting is not within the scope of SAB Topic 13A. Therefore, risks and rewards of ownership (e.g., risk of loss) was not a significant factor for determining whether these costs should be used to measure progress toward completion. However, it appears the Revised ASU may now include the consideration of some of these criteria (e.g., risks and rewards of ownership) in scenarios when the customer controls the asset that is created or enhanced over time, but not in other scenarios when controls is transferred over time.

**Bill and Hold Arrangements**
Today there are a strict set of rules for recognizing revenue in a bill and hold arrangement and we recognized the Boards attempt to lessen these requirements within the Revised ASU. However, some of the current criteria we would have expected to see as a requirement within the revised ASU are in fact not a requirement, specifically “risks of ownership must have passed to the buyer”. While this consideration appears to exist for the transfer of control at a point in time, it is not a requirement when you have a bill and hold arrangement. Therefore, we would expect any warehousing and risk coverage provided by a vendor to represent a separate performance obligation.

Question 2: Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer’s credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer’s credit risk and why?

We agree with the proposal that amounts of promised consideration an entity assesses to be uncollectible because of a customer’s credit risk would be presented as a separate line item adjacent to the revenue line item.

Question 3: Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity’s experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

We agree with the proposal that the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. We believe applying a qualitative approach (i.e., vendor’s experience with similar types of performance obligations) to assessing “reasonably assured”, rather than defining a quantitative threshold, allows for more professional judgment rather than a strict set of rules.

Question 4: For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

We do not agree with the proposed scope of the onerous test. We understand the Boards believe applying the onerous test to individual performance obligations will ensure adverse changes in circumstances are reported on a timely basis. However, we do not believe that this information reflects the economics of the arrangement. That is, financial decisions on whether to enter into contractual arrangements are not necessarily made on an individual performance obligation level. Many times these decisions are based on the overall profitability of the contract. If losses are expected to be realized on early performance obligations followed by profits on later performance obligations, we do not believe up front recognition of the anticipated losses would be a good reflection of adverse changes in circumstances, nor provide decision useful information to investors. Rather, we
believe the onerous test should be applied at the overall contract level, as this is a reflection of management’s decision making and the economics of the arrangement.

**Question 5:** The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

1. The disaggregation of revenue (paragraphs 114–116)
2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)
3. An analysis of the entity’s remaining performance obligations (paragraphs 119–121)
4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)
5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

We do not agree that an entity should be required to provide all of the above disclosures in its interim financial statements. In our previous comment letter, we expressed concerns that certain of the proposed disclosure requirements, specifically the disaggregation of revenue, tabular reconciliations and analysis of remaining performance obligations (discussed in more detail below) will drive increased costs and an administrative burden for the preparers that will far outweigh perceived benefits for the users of financial statements. Preparers will also face these challenges on annual basis, which we anticipate will further be compounded by a condensed timeline for quarterly reporting.

We however believe that the proposed qualitative disclosures are adequate enough to provide meaningful information to users of the financial statements, and therefore meet the Boards’ objectives without the need for the proposed increase in detailed quantitative information.

**Disaggregation of revenue**
We believe the disaggregation of revenue provides useful information to the users of financial statements. In fact, disaggregation of revenue by geography is currently required under ASC 280-10-50-41. Therefore, this proposed disclosure is already provided at some level by most companies as a result of existing disclosure requirements. We recommend the Boards remove this disclosure requirement.

**Reconciliations**
The proposed disclosures require a reconciliation of contract assets and contract liabilities, as well as a reconciliation of any liability recognized for onerous performance obligations. We believe gathering and maintaining the information necessary to prepare these reconciliations will result in both significant effort and cost as most entities do not currently produce or use this information. Also, many companies store this information in multiple repositories, whether manual or automated. Therefore, aggregating this data for the reconciliations will be a challenge. Additionally, we believe the principal inputs to the reconciliation of contract balances, such as revenue and cash flows, are already presented in the Statement of Comprehensive
Income and the Statement of Cash Flows. The remaining line items required within the reconciliation may also be disclosed elsewhere in the footnotes (e.g., effects of a business combination). Therefore, it appears components of this disclosure requirement are redundant with existing disclosure requirements.

**Remaining Performance Obligations**
We do not believe the proposal requiring an entity to disclose the amount of its remaining performance obligations and the expected timing of their satisfaction will provide valuable information to users of financial statements. The amount allocated to the remaining performance obligations is subject to variability over period, and is therefore speculative in nature. For example, at the inception of a five-year contract, the amount disclosed as allocated to the performance obligation for year two may differ than what is actually recognized in year two. This variability may be due to several factors (some of which are outside of the preparer’s control), such as fluctuations in currency, contract amendments or cancellations. Additionally, preparers will incur significant costs to gather and maintain this information due to the significant number of transactions, including multiple performance obligations. Most companies do not currently have the procedures and systems in place to capture the necessary data. We believe that the objective of this disclosure is served today through the disclosure of order backlog information as required by the SEC’s Regulation S-K 101, which is generally supplemented with analysis provided through MD&A.

**Question 6:** For the transfer of a nonfinancial asset that is not an output of an entity’s ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity’s ordinary activities? If not, what alternative do you recommend and why?

We do not object to the Revised ASU being applied to the transfer of a nonfinancial asset that is not an output of an entity’s ordinary activities. We recognize today there is guidance surrounding the sale of a business and the presentation on the balance sheet and income statement (held-for-sale, discontinued operations) for sales of assets. However, we do not believe there exists today much guidance on the accounting for derecognition of nonfinancial assets when they are not an output of an entity’s ordinary activities that do not constitute a business. Therefore, providing guidance in this area may provide for a more consistent application of measurement and derecognition for these nonfinancial assets than exists today.

**Other Comments:**
We do not agree with the proposed transition for retrospective application of the guidance. As a large multinational organization with multiple reporting systems, the requirement for retrospective application places an unnecessary burden on us, from both a cost and resources perspective, in complying with the requirements of the proposal. Specifically, for our business whose revenue recognition policies include a combination of significant multiple element transactions and long-term contracts, retrospective application would likely require dual systems to track revenue during the period of transition. Inherent within the need for dual systems will be increased time spent reconciling between the systems, duplicative internal control processes, additional audit procedures and fees, as well as the costs of establishing, testing and maintaining the systems during the transition period.

While we understand the value in providing historic trend data for revenue, we do not believe such value outweighs the costs to the Company in complying with the proposal. Accordingly, we believe that similar value
can be captured without the use of retrospective application. As an alternative, we recommend that the Boards consider implementing a transition alternative similar to that allowed for 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 alternative would require prospective application for all new arrangements entered into and those materially modified after the date of adoption with the requirement to disclose comparative information for either the period of change or the period immediately preceding the change. Retrospective application would be permitted, but not required. We believe that providing at least one period of comparative information about the change in accounting for revenue recognition provides sufficient information to investors regarding how the implementation affects a particular entity.

We also recognize that the Boards acknowledge the proposed transition for applying the new guidance would be burdensome and provide practical expedients. However, we do not feel that operationally these expedients will significantly lessen the overall burden in retrospectively applying the guidance.

Additionally, we believe that with the number of new and revised accounting standards forthcoming it is critical that the Boards consider the challenges of multiple effective dates and implementation efforts collectively, so as to develop a plan that balances the needs of investors with the resources and capabilities of a Company to adopt multiple significant new standards concurrently.