



Bristol-Myers Squibb Company

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February 10, 2016

Technical Director

File Reference No. 2015-340

Financial Accounting Standards Board

401 Merritt 7

PO Box 5116

Norwalk, Connecticut 06856-5116

Re: Proposed Accounting Standards Update (ASU), *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance* (File Reference No. 2015-340).

Dear Technical Director:

Thank you for the opportunity to respond to the Exposure Draft *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance* (hereafter the "Proposed Guidance"). Bristol-Myers Squibb Company ("BMS") is a U.S. based Fortune 500 global specialty biopharmaceutical company with total revenues of \$15.9 billion in 2014 and total assets of \$33.7 billion as of December 31, 2014.

We understand that the purpose for the FASB issuing this Proposed Guidance is to increase transparency about government assistance arrangements including:

- 1) The types of arrangements,
- 2) The accounting for government assistance, and
- 3) Their effect on an entity's financial statements.

In the Exposure Draft, the FASB clearly recognizes that there currently exists significant diversity in practice among preparers regarding the recognition, measurement and disclosure of government assistance arrangements because no explicit generally accepted accounting principles (GAAP) exists for government assistance received by business entities. The FASB believes that this Proposed Guidance will result in entities providing information on existing government assistance agreements for annual reporting periods that would enable users of financial statements to better assess the following:

- 1) The nature of the assistance, related accounting principles used to account for government assistance, and the effect of government assistance on an entity's financial statements.
- 2) Significant terms and conditions of the legally enforceable agreement.

The Proposed Guidance would also require the following disclosures about material existing government assistance arrangements for annual reporting periods:

- 1) Information about the nature of the assistance, including a general description of the significant categories and the related accounting policies adopted or the method applied to account for government assistance.
- 2) Which line items on the balance sheet and income statement are affected by government assistance and the amounts applicable to each line item.
- 3) Significant terms and conditions of the agreement, including commitments and contingencies
- 4) Unless impracticable, the amount of government assistance received but not yet recognized directly in the financial statements. The amount of government assistance received but not recognized includes value that was received by an entity for which no amount has been recorded directly in any financial statement line item.

Overall, we do not believe the Proposed Guidance would be meaningful or useful in any significant manner to preparers and users of financial statements and we strongly encourage the FASB to reconsider whether this Proposed Guidance is even necessary or at the very least, significantly narrow the scope of what constitutes Government Assistance. Our belief is based upon the following:

- 1) The FASB clearly recognizes that there is diversity regarding the recognition, measurement and disclosure of government assistance arrangements because no explicit GAAP exists for government assistance received by business entities. The Proposed Guidance fails to provide any new GAAP for the recognition, measurement and disclosure of government assistance received by business entities. As a result, diversity will simply continue and US GAAP based entities will continue to look to the provisions of *International Accounting Standard 20 – “Accounting for Government Grants and Disclosure of Government Assistance”* for authoritative accounting guidance in this area.
- 2) The definition of Government Assistance in the Proposed Guidance is extremely broad and far reaching.
- 3) Companies may not legally be permitted to disclose certain required disclosures about their government assistance programs based upon existing confidentiality agreements with the specific government entity at the national, regional, state, local or providence level.
- 4) Companies could be exposing themselves to significant competitive disadvantages if they are required to disclose certain arrangements with government entities that were not previously required to be disclosed.
- 5) The cost and complexity of tracking, monitoring, collecting, reviewing, and disclosing this information on an annual basis for large multinational corporations would be significant and would not justify the

perceived benefit that users of financial statements would receive from having this information publically disclosed.

- 6) We are not convinced that users of financial statements are either significantly interested in or impacted by the requirements in the Proposed Guidance such that it would have a material influence on their decision making about the financial condition, operations and cash flows of an entity.
- 7) If the Proposed Guidance is approved, entities may simply include boilerplate information about their government assistance programs thereby defeating the very purpose of the Proposed Guidance.

The following are our responses to the twelve questions posed in the Exposure Draft.

Question 1: Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets the applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included or excluded from the scope of the amendments in this proposed Update? Explain why.

As noted above, we believe the definition of Government Assistance in paragraph 832-10-15-3 and 4 of the Proposed Guidance is already too broad and far reaching. For example, we do not believe that certain private arrangements between entities and government authorities at the national, regional, state, providence, or local level should be included within the scope of the Proposed Guidance.

However, we do agree that the scope of the Proposed Guidance should not apply to transactions which the government is either: 1) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets the applicable eligibility requirements that are broadly available without a specific agreement between the entity and the government (like an R&D Tax Credit), or 2) a customer (i.e. the government is the end user customer of an entity's products).

Question 2: Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.

While we generally agree that the proposed disclosure requirements should be the same for both domestic and international government assistance, we are concerned with the cost and complexity of tracking, monitoring, collecting, and reviewing this information on an ongoing basis at the international level. While we know that the substantial majority of our international government assistance programs are individually not material, when aggregating all international government assistance programs for disclosure considerations under the Proposed Guidance, these aggregated programs might be considered material and require disclosure.

Question 3: Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.

We believe that the scope of the Proposed Guidance should exclude government assistance agreements that are already within the scope of Topic 740 as Topic 740 already currently requires these significant arrangements be disclosed.

Question 4: Do you agree that the scope of the proposed amendments should exclude NFP entities? Alternatively, should any proposed disclosure requirement(s) be applied by NFP entities? If so, specify which proposed disclosure requirement(s) and explain why.

We agree that the scope of the Proposed Guidance should exclude NFP entities.

Question 5: Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?

We do not believe the scope and disclosure requirements of the Proposed Guidance are operable and auditable without significant incremental effort to establish policies, update information technology tracking systems, enhance existing internal controls, train employees, monitor, track, collect and review this information. The reason for our belief is that while this information exists currently on a market by market basis, it has never been previously required to be collected, aggregated and disclosed on a consolidated basis under US GAAP. Furthermore, we believe the specific requirements of 832-10-50-3d are particularly cumbersome as entities would have to track, monitor and disclose government assistance received but not yet recognized directly in the financial statements on a consolidated basis.

Question 6: Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.

No, we fully agree with the viewpoint of Russel G. Golden (*FASB Chairman*) as outlined in BC31 of the Proposed Guidance that the requirements to disclose government assistance received but not recognized directly in any financial statement line item would prove challenging to estimate and costly to implement, and do not justify the benefits. Determining the "value" of any such government assistance will require significant judgment and may not be overly meaningful to users of financial statements.

Question 7: For preparers, are there any restrictions (legal or otherwise) that exist in government assistance agreements that would preclude an entity (for example, confidentiality or proprietary reasons) from disclosing the information required by the amendments in this proposed Update? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.

Yes, there exists in certain government assistance arrangements confidentiality clauses whereby we are prohibited from discussing or disclosing the nature of the arrangement with any third party. Therefore, the

requirements of 832-10-53-3 specifically as it relates to requirement “a.” to include the “*nature of the assistance and the form in which the assistance has been received*” would prove difficult in these circumstances.

Beyond just legal confidentiality restrictions, there are other types of restrictions, whether implicit or explicit, that should be considered including:

- ⊕ Competitive Restrictions – For example, what if an entity is receiving significant government assistance in one foreign market that one of their competitors is not receiving from the same government entity in that same foreign market and this entity is now required to disclose this information in annual SEC filings.
- ⊕ Social Restrictions – For example, what if an entity receives significant state government assistance (incentive grants) to open up a new large scale manufacturing plant in a particular state and that is one of the specific reasons why the entity concluded to shut down and cease manufacturing operations at a legacy large scale manufacturing site in another state that does not provide that same type of incentive grant.

Question 8: For users, do you agree that the information required by the proposed amendments would improve transparency about government assistance agreements? Is the information required by the proposed amendments important for your analysis of an entity? If so, specify which disclosures and why. If not, identify the disclosures and explain why. Is there additional information that should be required to be disclosed in the notes to financial statements? If so, be specific.

No. For the legal, competitive, social and reputational restrictions noted in Question # 7 above, we believe that the information that preparers would end up disclosing on an annual basis would simply include generic boilerplate information about their government assistance programs thereby defeating the very purpose of the Proposed Guidance.

We also do not believe that users of financial statements are thoroughly concerned with the nature, timing and extent of government assistance entities receive (except perhaps in the Financial Services industry.) We believe that users of financial statements are more focused on an entities effective tax rates and the reconciliation to the statutory tax rate that is disclosed on an annual basis as required by Topic 740 than they are about the type and amount of government assistance that entities receive.

Question 9: The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

No, the Proposed Guidance will already be extremely burdensome and costly to implement on just an annual basis, so any additional requirement for interim disclosures would only increase that burden and cost to preparers. To the extent there is a material change in an interim period occurring since the most recent annual period, we would not object to being required to disclose such change in the interim period.

Question 10: Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.

Yes, we agree with the application to existing and new arrangements is appropriate as long as the effective date of the ASU provides a reasonable and sufficient amount of time for preparers to ensure the applicable information is available for adoption, implementation and ongoing compliance with the ASU.

Question 11: The proposed amendments would apply to both public business entities and nonpublic business entities (private companies). Should the proposed amendments be different for nonpublic business entities? If so, describe why and how you think they should be different.

Not applicable.

Question 12: How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

As noted in our response to Question # 10, we believe it is appropriate to permit a reasonable and sufficient amount of time for preparers to ensure the applicable information is available for adoption, implementation and ongoing compliance with the ASU. Specifically, we believe that if the scope of the Proposed Guidance is maintained in the final ASU, that a period of at least two years be provided to preparers of financial statements to comply with these new disclosure requirements.

We greatly appreciate your consideration of our comments and invite you to contact us if you have any further questions regarding our above comments on the Proposed Guidance.

Sincerely,



Robert Owens
Vice President & Assistant Controller



Tim Kocses
Director, Corporate Technical Accounting