



Pfizer Inc
235 East 42nd Street
New York, NY 10017

April 30, 2019

Technical Director
File Reference No. 2019-300
FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: File No. 2019-300 Request for Comment, Proposed Accounting Standards Update, *Business Combinations (Topic 805): Revenue from Contracts with Customers—Recognizing an Assumed Liability*

Dear Technical Director:

Pfizer Inc. is a research-based, global biopharmaceutical company headquartered in New York. We discover, develop, manufacture and market leading medicines and vaccines, as well as many of the world's best-known consumer healthcare products. In 2018, we reported revenues of \$54 billion, pre-tax income from continuing operations of \$12 billion and total assets of \$159 billion.

Pfizer supports the Board's efforts to reduce the diversity that might arise when evaluating whether to recognize a liability from a revenue contract with a customer that is acquired in a business combination after an entity has adopted Topic 606. We agree with the proposed amendments to ASC 805 *Business Combinations*, which the Board has included in the proposed ASU. We believe that the use of the definition of performance obligation better aligns with current guidance already included in the Topic 606 *Revenue from Contracts with Customers* and would provide consistency with Topic 805 for the identification of an obligation in a revenue contract acquired in the business combination. We appreciate the opportunity to provide feedback on the proposed ASU and would be pleased to discuss our perspective on these issues with you at any time.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Loretta Cangialosi".

Loretta V. Cangialosi
Senior Vice President and Controller

cc: Frank A. D'Amelio
Executive Vice President and Chief Financial Officer

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ATTACHMENT – Questions for Respondents

Question 1: *Should entities be required to recognize a contract liability from a revenue contract with a customer acquired in a business combination using the definition of a performance obligation in Topic 606? If not, please explain why and what recognition criteria are more appropriate.*

We believe that the use of the definition of performance obligation better aligns with current guidance already included in Topic 606 and would provide consistency with Topic 805 for the identification of an obligation in a revenue contract acquired in the business combination. We believe that in most cases, the recognition conclusion under either a Topic 606 performance obligation alternative or a legal obligation alternative would be the same. Since the legal obligation concept has been technically superseded in the Codification, we support utilizing the definition of a performance obligation from Topic 606. Additionally, we support the consistency in applying the definition of a performance obligation from Topic 606 to the recognition of an assumed liability since the subsequent post-acquisition accounting for that assumed liability will also be governed by Topic 606.

Question 2: *Is the recognition that would be required by the amendments in the proposed Update operable? If not, please explain why.*

We believe that the definition of a performance obligation in Topic 606 is well understood and entities can apply that definition to assumed liabilities in a business combination.

Question 3: *Would the proposed amendments result in financial reporting outcomes that are appropriate and meaningful to users of the financial statements? If not, please explain why.*

Yes, we believe utilizing the definition of a performance obligation from Topic 606 would provide consistency between the recognition guidance under Topic 805 and the post-acquisition accounting under Topic 606.

Question 4: *Should the proposed amendments be more broadly applied to similar transactions beyond contracts with customers, such as contracts within the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets? If yes, please provide examples of potentially affected transactions.*

Yes, we believe the proposed amendments should be applied to similar transactions that may apply the concepts of Topic 606. For example, if an assumed liability was acquired from a contract for the transfer of a nonfinancial asset with a counterparty that did not meet the definition of a customer as defined by Topic 606, that transaction would be in the scope of Topic 610 *Other Income*, which requires the application of certain

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recognition and measurement principles in Topic 606. We believe that the assumed liability should be recognized in the business combination utilizing the definition of a performance obligation per Topic 606.

Question 5: *The proposed amendments require no incremental disclosures. Should disclosures related to the proposed amendments or transition disclosures be required? If yes, please explain why and provide the additional disclosures that should be required.*

No, we believe the disclosures currently required by ASC 805 provide sufficient information to allow users of an entity's financial statements to understand the nature of assumed liabilities in a revenue contract.

Question 6: *Do you agree with the proposed prospective transition requirement? If not, what transition method would be more appropriate and why? How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Should entities other than public business entities be provided with an additional year to implement the proposed amendments? Why or why not?*

Yes, we agree with the proposed prospective transition requirement. We also believe early adoption should be permitted. We do not think that the proposed ASU, as written, will take significant time to implement for either public business entities or other types of entities.

Question 7: *What would be the implications, if any, of finalizing the proposed amendments on the recognition of a contract liability from a revenue contract with a customer acquired in a business combination without finalizing amendments on measurement and other topics that may result from feedback received as part of the concurrently issued Invitation to Comment?*

As we have described in the above responses, we believe the proposed amendments on the recognition of a contract liability from a revenue contract acquired in a business combination will provide consistency in defining the unit of account in accounting for these obligations. We understand there may be some diversity in practice in applying the principles to the measurement of assumed liabilities. This diversity in practice would continue if the Board does not finalize amendments on measurement.