

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95052-8119
Tel: 408-765-8080
Fax: 408-765-8871



January 31, 2011

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 1890-100, Discussion Paper: *Effective Dates and Transition Methods*

Dear Madam:

Intel is pleased to respond to your request for comment on the Discussion Paper, *Effective Dates and Transition Methods*. We support the FASB's mission to establish and improve financial accounting and reporting standards to provide decision-useful information to users of financial statements. We believe that to accomplish this mission, preparers must be able to manage the implementation of the Board's current roadmap. The unprecedented breadth and complexity of the new standards, and the associated systems and processes that companies must implement to apply these new standards presents significant challenges and risks to a high-quality implementation.

To allow for a more effective implementation of the new standards, we recommend that the Board employ a sequential approach to the effective dates. The Board's current roadmap seems to indicate that a natural sequencing will occur, however, the effective dates of the new standards are dependent on when the Board issues a final standard and the required method of transition for each respective final standard. To ensure that preparers are able to plan properly and achieve appropriate levels of efficiency, and given the cost and risk in implementing the changes, we agree with the Board that a definitive schedule for when each of the final standards will be complete, their respective effective dates and the method of transition is essential. We believe that in determining this schedule, there is an inherent grouping of the new standards that should occur based upon the areas they impact. The effective dates of these groupings should then be staggered appropriately to provide companies with the opportunity for a high-quality implementation of each of the new standards. Because no one approach will meet the needs of all companies, we believe the Board should also allow for early adoption.

We also think that the financial statement user's need for comparability should be balanced with an assessment of the costs and benefits of transitioning to a new standard. In setting an effective date, we encourage the Board to understand and appreciate the following factors:

- The relationship between new standards;
- The complexity of the accounting changes;

- The extent to which a new standard requires management judgments and estimates;
- The time required to implement a new standard; and the
- Comparative periods required by a standard.

For each year of comparative information that is required by the Board to retrospectively transition to a new standard, companies will need an additional year for implementation, which then pushes the effective date by one year. A prospective transition would inherently reduce the time required to implement and report under a new standard but depending on the disclosure requirements, may reduce the comparative information provided to users. We believe that a balance of all of these factors should impact when a new standard is effective.

Our detailed responses to the questions presented in the Discussion Paper are included in the Appendix to this letter.

Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Liesl Nebel, Accounting Policy Controller, at (971) 215-1214.

Sincerely,

James G. Campbell
Vice President, Finance Corporate Controller
Intel Corporation

Appendix

Question 1

Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

- a. We are a preparer of financial statements. The preparation of our consolidated financial statements is in conformity with U.S. GAAP.
- b. We are the world's largest semiconductor chip maker, based on revenue (\$43.6 billion in 2010). We develop advanced integrated digital technology products, primarily integrated circuits, for industries such as computing and communications. We also develop computing platforms, which we define as integrated suites of digital computing technologies that are designed and configured to work together to provide an optimized user computing solution compared to components that are used separately. As of December 25, 2010, we had approximately 82,500 employees worldwide. Our securities are registered with the NASDAQ.
- c. Not applicable.
- d. Not applicable.
- e. Generally, the most significant impacts of the proposed new standards are the changes to our financial statements, reporting systems and business processes. The effect of each proposed standard covered by the Discussion Paper is highlighted below. However, when you look at the extent of the changes collectively and consider resource, system and process dependencies,

managing and implementing the change has a much more significant impact and becomes much more complex.

Financial Instruments: The proposed changes will result in substantial changes to our financial position and results as most of our financial instruments would be required to be measured at fair value with changes in value presented in net income.

Revenue Recognition: The proposed changes, while not expected to have a significant impact to our reported financial position and results, would require considerable business process changes.

Leases: Similar to revenue, although the proposed changes to Lease accounting are not expected to have a significant impact to our reported financial position and results, they are expected to result in a sizable increase in systems and resources needed to be able to identify, track and report leased assets.

Financial Statement Presentation: The changes proposed in the staff draft of this ED would require significant changes to our systems and business processes.

Financial Instruments with Characteristics of Equity: The impact of this project will depend on the Board's determination of what is a liability and as a result, what is subject to the conclusions of the Financial Instruments project.

Insurance Contracts: We do not expect this project to have significant impact to our reported financial position and results.

Other Comprehensive Income: The proposed changes are not significant.

Question 2

Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

- a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
- b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

See our response to Question 2 in the table below. Please note that the estimated time that is expected for implementation represents the time needed to make the necessary system and process changes in order to begin capturing the required information in the first comparative reporting period. This information is based on the method of transition that is proposed in the respective ED.

Exposure Draft	Estimated Time for Implementation	Cost	Types of Costs	Cost Drivers
Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities	2-3 years	\$2 Million	<ul style="list-style-type: none"> • Systems changes to accommodate level of detail and fair value • Business process changes • Training 	<ul style="list-style-type: none"> • Volume of data required and people impacted
Revenue Recognition: Revenue from Contracts with Customers	2-3 years	\$2 Million	<ul style="list-style-type: none"> • System reporting changes • Business process changes • Training 	<ul style="list-style-type: none"> • Volume of data required and people impacted • IT requirements
Leases	2-3 years	\$6Million	<ul style="list-style-type: none"> • Systems infrastructure to manage and track leases • Business process changes 	<ul style="list-style-type: none"> • Volume of leases • IT requirements
Comprehensive Income	1 Quarter	Nominal	Not applicable.	Not applicable.

Question 3

Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

We believe that the new standards will have an effect on the broader financial reporting system. This effect, however, depends on the accounting requirements of the new standards, the transition requirements and effective dates and if they represent significant differences with regulatory, compliance and statutory reporting requirements.

There are many instances where the requirements promulgated by the SEC would exacerbate or conflict with the requirements of the new standards. The Revenue Recognition project highlights some of these concerns. For example, the Revenue Recognition project currently requires preparers to apply the proposed changes retrospectively. This would not, however, be limited to the two years of comparative information provided on the face of the income statement but would also extend to the SEC's requirement

for registrants to provide selected financial data, including that for revenue, for five years. Another example is the SEC's requirement in Regulation S-K Item 101 for a company to disclose backlog. The definition of backlog provided by the SEC is not consistent with the Board's requirement that a Company disclose outstanding performance obligations. We would recommend that the Board work with the SEC to conform and reduce onerous and conflicting disclosure requirements.

We would also expect the new standards to have a significant impact on corporate governance. In particular, all participants in the accounting and financial reporting chain – from those that prepare source data and ensure that the appropriate control structure is in place to those that ensure the systems infrastructure and business processes align with the reporting requirements and review financial information to ensure its integrity – will require varying levels of training. Our operating procedures require that our Audit Committee review financial information and changes to our critical accounting estimates prior to our regulatory filings with the SEC. The FASB's current project roadmap will place stress on corporate governance and require Audit Committee members to undergo training to understand the voluminous and complex accounting changes. Further, the financial information and critical accounting estimates would need to be reviewed with the Audit Committee.

The new standards, to varying degrees, will have an effect on tax compliance as well, specifically the time we believe we need to understand, educate and implement the required changes. For example, we expect that the FASB's Financial Instruments ED, as written, will result in increased temporary differences between the tax basis and the carrying value of debt instruments. This will require extra time to develop processes, train employees and prepare for tax compliance under the new standard. The transition method of the new standards will also have an effect on tax reporting. The FASB's Financial Instruments ED requires a cumulative effect approach to transition. The retroactive application of the provisions of this ED, which requires fair value gains/losses for nonmarketable and AFS equity securities to be recognized in net income, will likely result in a significant portion of the effects of the deferred tax asset valuation allowances being recognized in net income in prior comparative periods rather than in future periods.

We also believe that the new standards will have a significant effect on the local reporting process for our entities that do not report in accordance with US GAAP. To the extent that the new standards do not result in a convergence between US GAAP and IFRS, either in technical guidance or timing, we would expect an added complexity to statutory reporting requirements and processes as incremental work will be necessary to reconcile US GAAP reporting to IFRS reporting for those entities that report in compliance with IFRS. We would also expect, however, that even if US GAAP and IFRS are aligned in the projects that are within the scope of this DP, there will be a significant impact on local reporting requirements and process as there will be a new US GAAP basis that will be used to reconcile to the required local reporting requirement for those jurisdictions that have not yet adopted IFRS.

Question 4

In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

We generally agree with the proposed transition for projects covered by this Discussion Paper, with the exception of the proposed retrospective adoption of the changes to revenue recognition. As we stated in our Comment Letter on the Revenue Recognition ED, we recommend that the Board implement 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 upon the date of adoption with the requirement to disclose comparative information for either the period of change or the period immediately preceding the change. However, retrospective application would be permitted. We believe that providing at least one period of comparative information about the change in accounting for revenue recognition provides sufficient information to investors about how the change affects a particular entity while balancing the significant investment that will be required to a preparer's systems and process design.

Although the transition method for the *Financial Instruments with Characteristics of Equity* project is yet to be determined, we believe that the effective date and transition for this project should follow that of the Financial Instruments project. Some companies can have a dramatic shift in their debt and equity, so period over period ratios could swing without an underlying change in economics. Transition methods and effective dates that mirror each other would give the greatest degree of comparability.

As mentioned in our cover letter, in setting an effective date, we encourage the Board to understand and appreciate the following factors:

- The relationship between new standards;
- The complexity of the accounting changes;
- The extent to which a new standard requires management judgments and estimates;
- The time required to implement a new standard; and the
- Comparative periods required by a standard.

For each year of comparative information that is required by the Board to retrospectively transition to a new standard, companies will need an additional year for implementation, which then pushes the effective date by one year. A prospective transition would inherently reduce the time required to implement and report under a new standard but depending on the disclosure requirements, may reduce the comparative information provided to users. We believe that a balance of all of these factors should impact when a new standard is effective.

The Board also needs to recognize that not one transition method will work for every type of company. There needs to be a balance between the extent of accounting change, the cost to a preparer and the user's need for comparability.

Question 5

In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
 - b. Under a single date approach, what should the mandatory effective date be and why?
 - c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
 - d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.
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- a. As stated in our cover letter, we recommend that the Board employ a sequential approach to determining the effective dates of the new standards to allow for a more effective implementation. The Board's current roadmap seems to indicate that a natural sequencing will occur. A sequential approach is preferable to us as we believe it will allow for more effective implementations of the converged standards. The risk to this approach is that a future project requires subsequent systems and operational changes that have been made in implementing an earlier project. This, however, highlights the need for the Board to properly sequence and group the standards. For example, as mentioned in Question 4 above, the determination of what is classified as a liability or equity in the *Financial Instruments with Characteristics of Equity* project will dictate the types of assets and liabilities that are accounted for under the scope of the Financial Instruments project.
 - b. Not applicable.
 - c. The interdependencies among the standards are an important consideration when determining the sequence and effective dates of the new standards. In addition to the example provided in a. above, the Financial Statement Presentation project will dictate the type of information that a preparer will need to gather to present the financial information accounted for under the other convergence standards. Issuance of a new standard on Financial Statement Presentation prior to implementation of other new standards is necessary to ensure that the information that is captured is complete. However, an effective date on this project that precedes the effective date of all the other standards would drive inefficiencies as preparers would need to rework the design of business processes and systems.

We also believe that the implementation of the Leasing project can be optimized through a simultaneous implementation of the Revenue Recognition project since they share many conceptual foundations and one transaction may be impacted by both standards. For example, many

arrangements will have multiple elements. Some elements will be subject to the revenue recognition standard and other elements will be included within the scope of the lease standard.

As we noted above, the Board’s current roadmap seems to indicate that a natural sequencing will occur, however, the effective dates and the transition methods of the new standards are wholly dependent on when the Board issue a final standard. To ensure that preparers are able to plan properly and achieve appropriate levels of efficiency, and given the cost and risk in implementing the changes, the Board needs to publish a definitive schedule for when final standards will be complete and their respective effective dates. We believe that in determining this schedule, there is inherent grouping of the new standards that should occur based upon the similarity of areas impacted by a new standard. Based on the current technical requirements of each of the respective projects, the stated method of transition and the current roadmap, we believe the new standards should be sequenced, grouped and effective as presented in the table below. Because no one approach will meet the needs of all companies, we believe the Board should also allow for early adoption of a new standard. We believe that this would better allow companies to plan and execute an effective implementation of the significant amount of changes. We recognize that the dates in the table below may not align with the SEC’s statement that a minimum of four years would be needed if IFRS were to be incorporated into the US financial reporting system, however, this is the amount of time we believe we would need to make the required system, process and business changes and capture the required comparative information.

However, as mentioned in response to Question 4, when determining the appropriate method of transition and effective dates for each of the new standards, we encourage the Board to understand and balance the relationship between many factors that impact when and how a standard becomes effective.

Exposure Document	Grouping	Estimated Date of Final Standard (FASB)	Effective Date
Comprehensive Income	None	Q1 2011	FY 2012
Revenue Recognition: Revenue from Contracts with Customers	Leases	Q2 2011	FY 2016
Leases	Revenue Recognition: Revenue from Contracts with Customers	Q2 2011	FY 2016
Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities	Financial Instruments with Characteristics of Equity	Q2 2011	FY 2017

Financial Instruments with Characteristics of Equity	Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities	Project Suspended	FY 2017
Financial Statement Presentation	None.	Project Suspended. To meet the needs of system and process changes for other projects, we would need the final standard by Q2 2012.	FY 2017
Insurance Contracts	None.	No date indicated.	No preference. Low impact to Intel.

d. Not applicable.

Question 6

Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Yes, we believe that the Board should give companies the option of adopting some of the new standards before their mandatory effective date if the time-frame between early adoption and the required effective date is within 1-2 years. We believe that this should be allowed for the standards that require fundamental changes in existing accounting guidance, as opposed to those that require changes in presentation. Companies will require time to digest and implement the information presented by the converged standards as applied to their specific business model. Providing an option to early adopt the new accounting standards may allow companies to thoughtfully identify the impacts, develop approaches that respond to the change, implement and test solutions, and conduct the necessary training to impacted internal and external individuals specific to their company and industry needs. We realize that the trade-off for this option is lack of comparability. However, by allowing companies to select the implementation date, the Board would enable companies to make their own determinations about how to achieve a high-quality implementation. Any lack of comparability is temporary.

Question 7

For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Although we are not a private company, we believe that the Board should provide private companies a delay to the effective dates of the new standards. This is consistent with the FASB's current practice to allow for the delay of an ASU's effective date for one year for private companies. However, private companies should be allowed to early adopt the requirements of the new standards. We do not believe that any other entities should be allowed a delayed effective date.

Question 8

Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

In the interest of convergence, we do not see why the FASB and IASB would provide different effective dates and transition methods for comparable standards.

Question 9

How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

As noted in the response to question 7, we believe that private companies should be allowed an extra year to adopt the new accounting standards. We think that private companies should not be subject to different accounting requirements than public companies.