



October 22, 2007

Via email to director@fasb.org

Financial Accounting Standards Board
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Technical Director
File Reference EITF0701
Accounting for Collaborative Arrangements

Johnson & Johnson would like to comment on the Draft Abstract related to the abovementioned topic. We understand that the objective of the Task Force in addressing this topic was to define collaborative arrangements and to establish reporting requirements and we believe that this objective would be met with this guidance.

Comments on the issues that the Task Force and FASB specifically requested comments on follow:

Issue a. Whether the proposed transition and effective date are appropriate? The draft abstract requires retrospective application of all consensus-for-exposure unless impracticable. Will it be impracticable to apply the consensus-for-exposure retrospectively to any arrangements within the scope of the draft abstract?

Response: We believe that companies should have the option to apply this abstract on a prospective basis with appropriate disclosure in the accounting policy footnote describing how these arrangements have been accounted for in prior years and how they are reported as a result of this new guidance. However, if past transactions are significant and comparability is difficult to achieve by describing the past accounting practice in a footnote, retrospective application may be considered. As far as the proposed effective date is concerned, we believe fiscal years beginning after December 15, 2007 is appropriate.

Issue b. Should the disclosure requirements in paragraph 19 of the draft abstract be annual or quarterly and why? If annual, should any specific disclosure requirement be included quarterly? Should any additional disclosures items be required and why?

Response: We believe that the disclosure requirements of the draft abstract should be annual reporting with quarterly requirement for significant changes only. Typically, the nature of these collaborative arrangements are long-term and annual disclosure would be sufficient unless there is a major change in the agreement.

Additionally, we have the following observations that we would like the Task Force to take into account:

The disclosures in paragraph 19 could be enhanced for greater clarity. For instance, this item requires disclosure of the income statement classification and amounts attributable to transactions between participants to the collaborative arrangement. This raises questions in practice about whether to disclose the full value of the agreement over the span of the entire contract period or just the amount reflected in the current period. We suggest that the disclosure should reflect the overall value of the collaboration arrangement and sharing rights (i.e. 60/40, 50/50) to give the statement reader a better understanding of the economics of the agreement rather than just the amounts that are reported in the current period. The accounting policy footnote would describe the income statement classification for these types of arrangements.

We are pleased with the illustrative examples presented in Appendix A. These examples represent the nature and economics of the transactions that are currently happening in our industry. We feel these examples will be helpful to statement preparers as they evaluate their collaborative arrangements.

Thank you very much for taking our comments into consideration.

Sincerely,

Stephen J. Cosgrove
Vice President, Corporate Controller