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Technical Director
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Financial Accounting Standards Board
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Pfizer is a research-based, global biopharmaceutical company with its principal place of business 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. Pfizer's total revenues and assets reported in its Annual Report for the year ended December 31, 2012 were approximately \$59 billion and its assets were \$186 billion.

We appreciate the opportunity to respond to the FASB Exposure Draft on Presentation of Financial Statements (Topic 205): *Disclosures of Uncertainties about an Entity's Going Concern Presumption*. Our responses are from the perspective of an SEC registrant.

General Comments

Pfizer supports the Board's efforts to provide preparers with guidance in U.S. GAAP about management's responsibilities for evaluating going concern uncertainties and, thereby, reduce existing diversity, but we are concerned about the incremental burden on "financially healthy" entities and we do not support the inclusion of subjective, forward-looking information in the footnotes to the financial statements.

Incremental Burden for "Financially Healthy" Entities – We do not support the requirements to assess, on an interim or annual basis, whether the going concern presumption is appropriate if an entity has a history of profitable operations, strong operating cash flows and liquidity, and ready access to financial resources. Information included within the interim period disclosures should be read in conjunction with the annual financial statements and accompanying footnotes. As such, readers of the interim reports should be able to rely on annual reports; except in cases where there may be a situation in which a condition or event occurs during the interim period, which would be relevant to an entity's assessment of its potential inability to meet its obligations.

Although the Board believes that "financially healthy" entities will incur little or no cost in relation to their assessment of going concern, it also recognizes that the proposed amendments are expected to introduce some new costs to preparers as a result of the requirement for management to assess whether disclosures are required at both annual and interim periods and to SEC filers as a result of the requirement for management to evaluate whether there is substantial doubt about an entity's going concern presumption. Paragraph BC43 states: "Because of the judgments involved, preparers would need to implement and document processes and controls for those assessments. The Board expects that the costs of complying with the proposed amendments would continue to be less for financially healthy entities because there are no new disclosure requirements for those entities." However, as stated, we do not support proposed

amendments that would require “financially healthy” entities and their auditors to do anything more than what they do today in their assessment of going concern.

We also believe that the Board must consider today’s interdependent, complex environment and the impact of PCAOB documentation requirements as it relates to this proposed standard. We believe that management’s documentation under the proposed ASU will be required to satisfy PCAOB documentation requirements for auditors, as many entities will prepare the documentation that will be used to support the auditor’s conclusions. As we know that a premise of the PCAOB is that ‘if it is not documented, then it was not considered,’ we envision that auditors will request documentation related to all potential risks, with explanations as to why those risks do not jeopardize the entity’s ability to meet its obligations. This proposed standard will result in an incremental cost for the vast majority of “financially healthy” entities with no incremental benefit to investors, with the incremental cost increasing with each interim update.

We have proposed a solution to our concern in our Response to Question 5 below.

Inappropriate Inclusion of Forward Looking Information in Footnotes – Paragraph 205-40-50-7 requires an entity to “disclose information that enables users of the financial statements to understand all of the following:

- a) Principle conditions and events that give rise to the entity’s potential inability to meet its obligations
- b) The possible effects those conditions and events could have on the entity
- c) Management’s evaluation of the significance of those conditions and events
- d) Mitigating conditions and events
- e) Management’s plans that are intended to address the entity’s potential inability to meet its obligations.”

As these narratives are subjective, forward-looking disclosures and are not covered by safe-harbor provisions, we believe that these “narratives” belong in Management’s Discussion and Analysis, not the audited financial statements. And, we believe that incremental disclosures are redundant to disclosures already required by the SEC.

Our specific responses to Questions for Respondents follow.

Responses to selected Questions for Respondents

Question 1: The proposed amendments would define *going concern presumption* as the inherent presumption in preparing financial statements under U.S. GAAP that an entity will continue to operate such that it will be able to realize its assets and meet its obligations in the ordinary course of business. Do you agree with this definition? If not, what definition should be used and why?

Response to Question 1:

We agree with the proposed definition of the going concern presumption.

Question 2: Currently, auditors are responsible under the auditing standards for assessing going concern uncertainties and for assessing the adequacy of related disclosures. However,

there is no guidance in U.S. GAAP for preparers as it relates to management’s responsibilities. Should management be responsible for assessing and providing footnote disclosures about going concern uncertainties? If so, do you agree that guidance should be provided in U.S. GAAP about the timing, nature, and extent of footnote disclosures about going concern uncertainties for SEC registrants and other entities? Why or why not?

Response to Question 2:

While we conceptually agree that management has responsibility for assessing going concern uncertainties (as management has a fiduciary responsibility for “managing”), we are concerned about requiring management to provide disclosures about going concern uncertainties in the *footnotes to the financial statements*. As these narrative disclosures would have to be audited if included in the footnotes, we are concerned about operational difficulties with auditors.

We believe that “narratives” belong in Management’s Discussion and Analysis (MD&A), not the audited financial statements, particularly with respect to subjective, forward looking information as MD&A includes safe harbor provisions, which financial statements do not. And, as noted by the Board, if going concern uncertainties are significant, the auditor is required to speak through its audit opinion, which includes assessing going concern risks.

Question 3: Would the proposed amendments reduce diversity in the timing, nature, and extent of footnote disclosures and provide relevant information to financial statement users? If so, would the proposed disclosures for SEC registrants provide users with incremental benefits relative to the information currently provided under other sections of U.S. GAAP and under the SEC’s disclosure requirements?

Response to Question 3:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

Also, we do not believe that the proposed standards would provide incremental benefits relative to the information currently provided under the SEC’s disclosures requirements. See our Response to Question 7.

Question 4: The proposed amendments would require management to evaluate going concern uncertainties and additionally, for SEC filers, to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern. An alternative view is that such evaluations should not be required because management would inherently be biased and, thus, the resulting disclosures would provide little incremental benefit to investors. Do you believe that an entity’s management has the objectivity to assess and provide disclosures of uncertainties about the entity’s ability to continue as a going concern? Why or why not? If not, please also explain how this assessment differs from other assessments that management is required to make in the preparation of an entity’s financial statements.

Response to Question 4:

While management will have conscious and unconscious biases, we also know that there are many objective elements involved in assessing the ability of an entity to continue as a going concern, such as ratios and analytics concerning solvency, liquidity and capital adequacy.

Applying forward-looking, subjective judgment to historical, objective measures prior to decision-making is the very essence of management.

However, we are concerned that this multi-tiered approach to the forward-looking judgments may create an expectation gap; that is, users of financial statements may be led to believe that these judgments, and the terms applied to them, are more precise than they are or ever could be.

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

Question 5: At each reporting period, including interim periods, the proposed amendments would require management to evaluate an entity’s going concern uncertainties. Do you agree with the proposed frequency of the assessment? If not, how often should the assessment be performed?

Response to Question 5:

We do not agree with the proposed frequency of the assessment and believe that the assessment should not be required for all entities. We are concerned that “financially healthy” entities, with no going concern issues whatsoever, will be required to create a level of documentation to satisfy the proposed requirements (as well as the documentation requirements of the PCAOB). This is an unnecessary burden, however “light” stakeholders referred to in paragraph BC42 may believe it to be, and we believe that a slight modification of the proposed rules would eliminate it.

Similar to the impairment rules for a long-lived asset or asset group, which requires impairment testing only when “events or changes in circumstances indicate that its carrying amount may not be recoverable,” we believe that the “going concern” assessment should be required only when there has been events or changes in circumstances that indicate that an entity’s ability to continue as a going concern may be in doubt.

We request that paragraph 205-40-15-1 be modified in a manner similar to the following (with suggested revisions marked with an underline or double strikethrough):

205-40-15-1 When there been adverse events or changes in circumstances that may result in an entity’s potential inability to meet its obligations (see 205-40-55-3 for a non-inclusive list of examples), an entity ~~All entities~~ shall follow the guidance on determining whether disclosures of uncertainties about an entity’s **going concern presumption** are necessary and the guidance on the nature and extent of disclosures at each annual and interim reporting period. In addition, a **Securities and Exchange Commission (SEC) Filer** shall evaluate and determine at each annual and interim reporting period whether there is **substantial doubt** about its going concern presumption and, if there is substantial doubt, disclose that determination in the financial statements.

We request that paragraph 205-40-50-1 be modified in a manner similar to the following (with suggested revisions marked):

Disclosure
> Determining Whether Disclosures Are Necessary
205-40-50-1 To determine whether disclosures are necessary, an entity meeting the requirements described in 205-40-15-1 shall assess at each annual and interim reporting

period the entity's potential inability to meet its obligations as they become due within 24 months after the financial statement date.

We request that the flow chart in paragraph 205-40-55-1 be modified in a manner similar to the following (with suggested revisions marked):

“Is the criteria for the liquidation basis of accounting met (Subtopic 205-30)?”

[If no, proceed. If yes, apply the liquidation basis of accounting (Subtopic 205-30).]

“Have there been any adverse events or changes in circumstances that may result in an entity's potential inability to meet its obligations? (See 205-40-55-3 for a non-inclusive list of examples.)”

[If yes, proceed. If no, stop.]

“Assess entity's potential inability to meet obligations within 24 months after the financial statement date (paragraphs 205-40-50-1 through 50-4). The assessment shall not consider the mitigating effect of management's plans that are outside the ordinary course of business (paragraphs 205-40-50-5 through 205-40-50-6).”

Question 6: For SEC registrants, the proposed footnote disclosures would include aspects of reporting that overlap with certain SEC disclosure requirements (including those related to risk factors and MD&A, among others). The Board believes that the proposed footnote disclosures would have a narrower focus on going concern uncertainties compared with the SEC's disclosure requirements. Do you agree? Why or why not? What differences, if any, will exist between the information provided in the proposed footnote disclosures and the disclosures required by the SEC? Is the redundancy that would result from this proposal appropriate? Why or why not?

Response to Question 6:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

Question 7: For SEC registrants, would the proposed footnote disclosure requirements about going concern uncertainties have an effect on the timing, content, or communicative value of related disclosures about matters affecting an entity's going concern assessment in other parts of its public filings with the SEC (such as risk factors and MD&A)? Please explain.

Response to Question 7:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

SEC registrants are already required to disclose forward-looking information regarding liquidity, capital resources and results of operations, as follows:

- Liquidity – Entities are required to identify any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the entity's liquidity increasing or decreasing in any material way.

- Capital Resources – Entities are required to describe any known material trends, favorable or unfavorable, in the entity’s capital resources, indicating any expected material changes in the mix and relative cost of such resources. The discussion is also required to consider any changes between equity, debt and any off-balance sheet financing arrangements.
- Results of Operations – Entities are required to describe any known trends or uncertainties that have had or that the entity reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the entity knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship must be disclosed.

Further, under Regulation S-K, Item 303, an entity must “focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition” and Item 503(c) requires that an entity provide a discussion of “the most significant factors that make the offering speculative or risky.”

As such, we do not believe that the proposed standards would have an effect on the timing, content and communicative value of related disclosures about matters affecting an entity’s going concern assessment in other parts of its public filings with the SEC and would be redundant.

Question 8: The proposed footnote disclosures about going concern uncertainties would result in disclosure of some forward-looking information in the footnotes. What challenges or consequences, if any, including changes in legal liability for management and its auditors, do you anticipate entities may encounter in complying with the proposed disclosure guidance? Do you foresee any limitations on the type of information that preparers would disclose in the footnotes about going concern uncertainties? Would a higher threshold for disclosures address those concerns?

Response to Question 8:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

Question 10: Do the expected benefits of the proposed amendments outweigh the incremental costs of applying them?

Response to Question 10:

We are concerned about the unnecessary burden on “financially healthy” entities and do not see how the standard, as written, meets the cost benefit test. See our Response to Question 5.

Disclosure Threshold

Question 11: Under the proposed amendments, disclosures would start at the *more-likely-than-not* or at the *known or probable* threshold as described in paragraph 205-40-50-3.

- a. Is the disclosure threshold appropriate? What are the challenges in assessing the likelihood of an entity’s potential inability to meet its obligations for purposes of determining whether disclosures are necessary?**
- b. Are there differences between assessing probability in the context of transactions and assessing probability in the context of the overall state of an entity that are**

- meaningful to determining the appropriateness of a probability model for assessing substantial doubt?
- c. Do the proposed amendments adequately contemplate qualitative considerations? Why or why not?
 - d. Do you believe that the guidance in paragraph 205-40-50-4 about information on how an entity should assess the likelihood of its potential inability to meet its obligations and the implementation guidance within the proposed amendments are helpful and appropriate? Why or why not?
 - e. Are your views the same for SEC registrants and non-SEC registrants?

Response to Question 11:

We are concerned about the unnecessary burden on “financially healthy” entities. See our Response to Question 5.

Question 15: Do you agree with the nature and extent of disclosures outlined in paragraph 205-40-50-7? Should other disclosure principles be included?

Response to Question 15:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

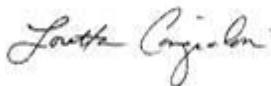
Question 17: Do you agree that an SEC filer’s management, in addition to disclosing going concern uncertainties, should be required to evaluate and determine whether there is substantial doubt about an entity’s ability to continue as a going concern (going concern presumption) and, if there is substantial doubt, disclose that determination in the footnotes?

Response to Question 17:

We do not believe that such disclosures should reside in the footnotes to the *historical* financial statements. See our Response to Question 2.

We appreciate your consideration of these comments. We would be happy to discuss these matters further.

Sincerely,



Loretta V. Cangialosi
Senior Vice President and Controller

Cc:

Frank D’Amelio
Executive Vice President, Business Operations and Chief Financial Officer