Pfizer Inc
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May 29, 2015

Technical Director
File Reference No. 2015-240
FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: Proposed Accounting Standards Update: Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date, issued April 29, 2015

Dear Technical Director:

Pfizer Inc. is a research-based, global biopharmaceutical company. We discover, develop, and manufacture medicines and vaccines, as well as many of the world's best-known consumer healthcare products. In 2014, we reported revenues of $49.6 billion. We appreciate the opportunity to respond to the FASB Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date.*

We appreciate the extensive outreach program conducted by the Board relating to implementation timing concerns of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and we are pleased that the Board is committed to providing financial statement preparers with sufficient time to implement the new guidance. While we previously believed that the effective date of ASU 2014-09 should be deferred for at least one year, we now recommend that the Board defer the effective date of ASU 2014-09 in a manner consistent with the Board's intent when it set the original effective date of the ASU. That is, we recommend that the ASU become effective for fiscal years beginning after December 15, three years after the **final** guidance is issued. We note the following:

- The FASB has recently issued Proposed Accounting Standards Update—*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* The proposal is open for comment through the end of June, which means guidance will not be issued until the second half of 2015, at the earliest. Also, as the proposed Update is not converged with the IASB's proposed guidance changes in that area, those differences add another dimension to the necessary deliberations, which could also add time to the process.
- The Transition Resource Group (TRG) continues its work and has numerous questions outstanding, which will likely take time to resolve. Thus far, the TRG has identified several issues that have been added to the agendas of the FASB and the IASB, respectively.
- While the FASB may view these projects as "narrow" in scope, and as "not changing the core principles of the Standard, but rather as providing additional implementation guidance or reducing complexity", given the importance and pervasive potential impacts of the new standard and the need to analyze the new guidance (even when the intent is to reduce complexity) both domestically and internationally, in all countries where sales are conducted, we believe sufficient time is needed in order to implement the new guidance.

- Based on the current effective date, the start of the earliest comparative period for an entity that is required to present two comparative annual periods is 2016. Given that the final guidance has not yet been issued and that, as outlined above, there are potentially additional updates that may be issued, we do not believe there is sufficient time prior to the beginning of 2016 to evaluate the final guidance and be prepared to implement the guidance beginning in 2016.
- We have begun our implementation work, including reviewing data from 80 markets, beginning detail reviews of contracts as well as documenting our findings. This is a significant work effort for a global company operating in multiple markets with varying local terms or restrictions. We have already seen that the changes currently being proposed will have an impact on how the contracts would be treated and therefore, we may need to re-perform some of this work and our preliminary conclusions may change. As a result, any actions needed to change technology systems, revise contracts, educate our global colleagues and ensure consistent judgments are made are also likely to change, and this will take time. Final conclusions cannot be reached and implementation plans cannot be settled until we have a final standard.

As members of the preparer community, we value the role of standard setters, preparers, users and regulators in ensuring that U.S. capital markets are strong, resilient and transparent. We have included in Appendix A (Response to Questions for Respondents) and in Appendix B (General Comments) some detailed thoughts that support our request for the extended implementation deadline.

To summarize, while we appreciate the Board's recognition of the need for at least an additional year for the implementation effort, we recommend that the Board defer the effective date of ASU 2014-09 so that the ASU becomes effective for fiscal years beginning after December 15, three years after the final guidance is issued. Given that the standard's requirements have not yet been finalized, we believe that our recommendation would enable sufficient time to be ready to implement the final guidance for the beginning of the first comparative period (for entities that are required to present two comparative annual periods) when applying the guidance retrospectively.

Sincerely,

/s/ Loretta V. Cangialosi

Loretta V. Cangialosi
Senior Vice President and Controller

Attachment

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

Appendix A

Questions for Respondents

Question 1

Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

Response

We support a delay in the effective date, but we are concerned that the one-year proposal is insufficient given that the guidance has not yet been finalized. We recommend that the Board defer the effective date of ASU 2014-09 so that there is sufficient time to confidently implement the final guidance for the first comparative period for entities that are required to present two comparative annual periods. That is, the ASU should become effective for fiscal years beginning after December 15, three years after the final guidance is issued.

When implementing new accounting guidance, we must rely on final, written guidance in developing our implementation plan, in performing our impact reviews and in documenting our findings. Further, as the new guidance introduces new areas of judgment, we must rely on final, written guidance to ensure that our policies and procedures are developed in a manner to ensure consistent application of judgment throughout our company. Given the importance that the capital markets place on revenue and their need to understand future trends, we believe that implementation must be done in a thoughtful, deliberate manner. An implementation date that relies on the issuance of final, written guidance will better promote that outcome. No one, not investors, preparers, regulators or auditors will benefit from a rushed implementation, which could result in inconsistency and restatements.

See also our comments above and in Appendix B attached.

Question 2

Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other companies? Please explain why?

Response

No objection.

Question 3

In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why.

Response

As discussed above, we support a longer deferral period since we believe that all entities should be given the maximum flexibility with respect to the implementation method and sufficient time necessary to implement the final guidance for the beginning of the first comparative period when applying the guidance retrospectively. In order to improve comparability and provide all entities with such maximum flexibility, we support providing a longer deferral period for all entities irrespective of the implementation method chosen. The actual choice will be governed likely by expectations for the industry by analysts, what others in the industry intend to do and the actual impact of the new standard on revenues. And, to understand the impact on revenues, a preparer will need to have completed the assessment.

Question 4

Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

Response

Pfizer does not object to allowing companies to adopt the provisions of Update 2014-09 as of its original effective date. However, we believe that approach could result in lack of comparability among companies for revenue during the transition period.

Appendix B

General Comments

We recommend that the Board defer the effective date of ASU 2014-09 in order to enable sufficient time to implement the final standard for the first comparative period, when applying the guidance retrospectively. That is, the ASU should become effective for fiscal years beginning after December 15, three years after the final guidance is issued for the following **summarized reasons**:

- We wish to provide maximum **flexibility with respect to the implementation method** in making an assessment as to the most appropriate presentation for investors. As such, our implementation planning currently encompasses the full retrospective method. However, we believe that the current implementation date and the proposed implementation date are biased against the full retrospective method.
- We believe that the most prudent and effective manner to implement the standard would be to assess the accounting for customer contracts on a **"real-time basis,"** as much as possible. To achieve this goal, the current implementation date would require that as of January 1 of the 3-year retrospective window (i) all implementation issues would have to be identified, resolved, documented and communicated, (ii) all system and process changes would have to be designed, implemented and tested, (iii) all training programs would have to be developed, delivered and understood throughout the worldwide organization, and (iv) a dual reporting system would have to be developed, implemented and "ring-fenced." Given that the final guidance has not yet been issued and that many implementation issues have already surfaced and may require additional updates to the guidance, we do not believe that with the proposed effective date there is sufficient time to achieve the aforementioned goal.
- We would like to have the time to understand potential implications of the rules and to **modify existing contracts**, if desired, and/ or develop contracts for new transactions in advance of the 3-year retrospective window.
- **The U.S. is a litigious market**. We want all potential changes to the amount, timing and pattern of revenue recognition to be handled with deliberate care and maximum transparency -- both of which can take time.
- A number of implementation issues have already been identified and we believe that many more may surface over the next few years, given that many of the models and concepts in the new standard do not currently exist in U.S. GAAP. We would like to **maximize the likelihood that all significant issues are identified prior to the adoption date** and that there is sufficient time for preparers, standard setters, auditors and regulators to consider the implications of potential solutions before a consensus takes hold or before an approach is mandated.