

Income Taxes (Topic 740): I. Intra-Entity Asset Transfers and II. Balance Sheet Classification of Deferred Taxes.

Question Text	Response
* Please select the type of entity or individual responding to this feedback form.	Preparer
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
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<p>1. Should the current and deferred income tax consequences of an intra-entity asset transfer be recognized when the transfer occurs? If not, why?</p>	<p>We do not support this approach. We believe existing concepts are logical and understood: no tax impact for these intercompany transactions that are eliminated in consolidation.</p> <p>The Board deliberated the accounting for taxes on intra-entity transfers when it issued FAS 109 and concluded that although the excess of the buyer's tax basis over the cost of transferred assets as reported in the consolidated financial statements technically meets the definition of a temporary difference, the result of accounting for it as such is to recognize income taxes related to intercompany gains that are not yet recognized in the consolidated financial statements. We do not believe making this change will improve financial reporting for these transactions.</p>
<p>2. If the income tax consequences should not be recognized when the transfer occurs, should the income taxes payable or paid upon transfer be expensed as incurred? If not,</p>	

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<p>how should income taxes payable or paid be recognized?</p>	
<p>3. Should the proposed guidance be applied on a modified retrospective basis? Are the transition disclosures appropriate?</p>	<p>If this proceeds, apply on a prospective basis only.</p>
<p>5. What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?</p>	
<p>Please provide any additional comments related to I. Intra-Entity Asset Transfers:</p>	<p>The objective of the Board's Simplification Initiative is to improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users. We do not believe the proposal achieves these objectives, and therefore should not be changed. Companies already have complex procedures to capture and account for taxes on intra-entity transfers that are well-established and understood. The proposal will require preparers to implement new, but equally-complex procedures without the benefit of improved financial reporting. Without such a benefit, we believe preference should be given to the approach that is already in place.</p>
<p>1. Should all deferred income tax liabilities and assets be presented as noncurrent in a classified statement of financial position? If not,</p>	<p>Yes, we support this proposal and believe it will reduce complexity and cost, and increase users understanding of deferred income taxes presented in the balance sheet and cash flow. This is a relatively easy change to implement.</p>

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<p>why, and what alternatives should the Board consider, and what is the conceptual basis for the alternatives?</p>	
<p>2. Should the proposed guidance be applied on a prospective basis?</p>	<p>Yes</p>
<p>4. What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?</p>	
<p>Please provide any additional comments related to II. Balance Sheet Classification of Deferred Taxes:</p>	<p>We would also support changing accounting for deferred taxes on items reported in Other Comprehensive Income. If income tax rates change, the entity should be permitted to report the tax effect of the change for items reported in OCI through OCI, not net operating income.</p>
<p>Please provide any comments on the electronic feedback process:</p>	
<p>Below is a printable summary of your responses to the questions in this feedback form.</p> <p>You can revise your responses by clicking the "Back" button.</p>	<p>Not Answered</p>