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July 8, 2015

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-260, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments*

Dear Director:

Eli Lilly and Company ("Lilly") appreciates the opportunity to comment on the Financial Accounting Standards Board's (the "Board") Proposed Accounting Standards Update, *"Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments*" (the "Exposure Draft"). Lilly is a multinational pharmaceutical and animal health company with legal entities in over 50 jurisdictions.

We fully support the proposed guidance in this Exposure Draft which we believe achieves the objective of the Board's Simplification Initiative. The proposed changes would reduce costs and complexity while maintaining the usefulness of the information provided to users of the financial statements. Following are responses to selected questions in the Exposure Draft:

Question 1: Should adjustments to provisional amounts and the corresponding adjustment to goodwill that are identified during the measurement period be recognized in the reporting period in which the adjustment amount is determined? Why or why not?

Yes, we are in favor of the Board's proposal that adjustments to provisional amounts and the corresponding adjustment to goodwill that are identified during the measurement period should be recognized in the reporting period in which the adjustment amount is determined. We highlight the Board's conclusions that, in many instances, revisions to provisional amounts do not have a significant effect on financial statements and, as such, retrospective application does not significantly improve comparative period information. The proposed changes would alleviate the current burden and related costs for preparers to provide evidence to their auditors that the effects of changes to the provisional amounts are not material to the financial statements in order to justify the preparer's decision to not adjust the comparative financial information. We believe the benefits from the proposed change outweigh any concerns of the potential unintended consequence that entities would not be as diligent about finalizing the initial accounting for a business combination as they have been under existing guidance (we think there is a low likelihood of this occurring, therefore, do not view this as a significant risk).

Question 2: If adjustments to provisional amounts as of the acquisition date would have affected earnings in periods subsequent to the initial accounting for the business combination, should the effect on earnings, in periods prior to the adjustment period, of changes in depreciation, amortization, or other income effects be recognized in the income statement in the reporting period in which the adjustment to the provisional amount is determined? Why or why not?

Yes. We agree with the Board's conclusions that recognizing the full effect of the adjustment would be more effective in highlighting the effect that revisions to provisional amounts have on earnings in the period the adjustment is determined (compared to retrospectively accounting for any change in income effects as a result of an adjustment to provisional amounts). The proposed requirement to disclose the nature and amount of measurement period adjustments recognized in the current period will also serve to highlight the effect of these revisions.

Question 3: Should the proposed guidance be applied prospectively to adjustments made to provisional amounts that are identified after the effective date and that are within the measurement period? Why or why not?

Yes, we are in favor of prospective application of the proposed guidance. Under a retrospective application method, the reversal of adjustments that were recorded in prior periods would seem to provide little benefit to stakeholders, if any, and would not justify the costs.

Question 4: How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Under the proposed prospective application method, amendments in this proposed Update could be adopted immediately with minimal effort. We are in favor of permitting early adoption as we believe preparers will be eager to adopt the proposed guidance as soon as possible.

Conclusion

We applaud the Board's proposal to simplify the accounting for measurement period adjustments. The legacy guidance associated with this proposed Update is an excellent candidate for revision under the Simplification Initiative and we believe the proposed changes will provide relief to preparers while maintaining the usefulness of the information provided to users of the financial statements. We encourage the Board to make these proposed changes available to preparers as soon as possible.

We appreciate the opportunity to express our view and concerns regarding the discussion paper. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 651-2310.

Sincerely,

ELI LILLY AND COMPANY

/s/Donald A. Zakrowski

Donald A. Zakrowski
Vice President, Finance and
Chief Accounting Officer