MCKESSON

August 13, 2015
Susan M Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference Number 2015-270, Proposed Accounting Standards Update, Compensation – Stock Compensation (Topic 718)

Dear Ms. Cosper:

McKesson Corporation ("McKesson" or the "Company" or "we") appreciates the opportunity to comment on the Proposed Accounting Standards Update, "Compensation – Stock Compensation" (the "Proposed Update") issued by the Financial Accounting Standards Board (the "Board") on June 8, 2015.

McKesson is a global healthcare service and information technology company that delivers medicine, pharmaceutical supplies, information and care management products and services designed to reduce costs and improve quality across the healthcare industry. McKesson is ranked 11th on Fortune's list of the 500 largest U.S corporations, with revenues for the fiscal year ended March 31, 2015 of $179.0 billion and total assets of $53.9 billion. As of March 31, 2015, the Company employed approximately 70,400 full-time equivalent employees. McKesson's common stock is listed on the New York Stock Exchange.

We understand and concur with the Board's Simplification Initiative to reduce complexity in accounting standards. We agree with a number of the proposed changes to Compensation – Stock Compensation (ASC 718). However, we have operational concerns regarding certain aspects of the Proposed Update, particularly those related to the recognition of excess tax benefits and tax deficiencies as a component of our net income. We request that the Board consider the following comments when finalizing the accounting standards update:

1. Reduction of Complexity and Improving Usefulness of Financial Statements (Question 1):

While the treatment of excess tax benefits and tax deficiencies in the Proposed Update would provide relief with respect to tracking the additional paid in capital "APIC" pool, we do not believe the goal of reducing overall cost and complexity would be achieved. Instead, we believe the Proposed Update will introduce new complexities and costs associated with the forecasting of income tax expense for financial reporting purposes. These forecasts are critical to our ability to estimate our annual effective tax rate, manage our business and provide external guidance to the investing community. The Proposed Update also has the potential to cause significant volatility to net income and earnings per share. Tax expense forecasting models will need to be

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redesigned to include highly subjective assumptions around timing of share-based payment-related tax deductions and fluctuations in the Company's share price. We would incur additional costs and complexity to update our existing forecasting models and current accounting systems to implement the Proposed Update.

We also believe that the proposed guidance would not enhance the usefulness of our financial statements. For equity classified awards, the underlying basis for determining stock-based compensation cost is the grant date fair value. Changes in the actual fair value between the grant date and the date of the tax deduction are not reflected in earnings. However, the proposed requirement to reflect the tax effects of those same changes in fair value in earnings creates a disconnect within the financial statements that may cause confusion for users and require the need for additional disclosures for users to consider tax effects when evaluating our financial results.

2. Excess Tax Benefits/Deficiencies Recognized in the Income Statement (Question 2):

For the aforementioned reasons, we do not believe excess tax benefits and tax deficiencies should be recognized in the income statement as such a requirement would increase our costs and increase complexity without a commensurate enhancement to the usefulness of the financial statements.

We propose that the Board consider an alternative amendment that would eliminate the need to track APIC pools for share-based awards and to allow all excess tax benefits and deficits to be recognized in equity. Such an amendment would serve to reduce costs and complexity. It would also enhance the usefulness of our financial statements because it would avoid the disconnect between compensation cost based on grant date fair value and tax effects based on fair value at the date the deduction is taken.

3. Tax Cash Flows of Excess Benefits/Deficiencies Recognized as Operating Activity (Question 3):

We support the proposed simplification to report all tax-related cash flows resulting from share-based payments from financing to an operating activity on the statement of cash flows.

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In summary, we appreciate the Board's objective to simplify complexity relating to accounting for stock-based compensation. However, as highlighted above, we believe there are certain aspects of the Proposed Update that do not achieve this objective. We appreciate the Board's efforts in seeking public comments and giving us the opportunity to express our concerns. If requested, we would be happy to discuss these matters further with you at any time.

Sincerely,

James A. Beer
Executive Vice President and
Chief Financial Officer

Nigel A. Rees
Senior Vice President and Controller