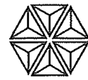


Bristol-Myers Squibb Company

Corporate Staff

P.O. Box 4000 Princeton, NJ 08543-4000 609 252-4000

December 8, 2015

Technical Director
File Reference No. 2015-310
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed Accounting Standards Update, *Notes to Financial Statements (ASC 235) Assessing Whether Disclosures Are Material*

Dear Technical Director:

Thank you for the opportunity to respond to the Exposure Draft *Notes to Financial Statements (ASC 235) Assessing Whether Disclosures Are Material* (hereafter the "Proposed Guidance"). Bristol-Myers Squibb Company ("BMS") is a U.S. based Fortune 500 global specialty biopharmaceutical company with total revenues of $15.9 billion in 2014 and total assets of $33.7 billion as of December 31, 2014. We highly support the objective and primary focus of the disclosure framework project to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by US GAAP that is most important to users of each company's financial statements. We also agree with the objective of improving the effectiveness of notes to financial statements includes both:

1) The development of a framework that promotes consistent decisions by the Board about disclosure requirements, and,

2) The appropriate exercise of discretion by reporting entities.

In summary, we specifically support the following with respect to the Proposed Guidance:

1) Entities would now be encouraged to use more appropriate discretion when making decisions about what disclosures to include or omit from their financial statements footnotes.

2) The concept of Materiality would be applied to disclosures individually and in the aggregate, in the overall context of the financial statements taken as a whole. Under the proposed guidance a preparer has the ability to determine that either some, all or none of the quantitative or qualitative disclosures in a topic may be material.

3) Disclosures would not be required for immaterial information. The concept of non-disclosure due to immateriality would not be considered an accounting error under ASC 250 *Accounting Changes and Error Corrections.*

Regardless of our overall support for the Proposed Guidance, we do believe there are certain specific areas of the Proposed Guidance that fall short of achieving the goals of the disclosure framework project described above and they include the following:

1) PCAOB Auditing Standard No.11 *Consideration of Materiality in Planning and Performing an Audit* and Auditing Standard No. 14 *Evaluating Audit Results* outline different considerations related to the concept of materiality for external auditors, including requirements related to "clearly trivial" misstatements, when performing their integrated audits of SEC registrants. These differences could result in differences in how preparers and external auditors assess materiality potentially resulting in increased costs for both parties to comply with two separate sets of rules. We suggest the FASB coordinate with the PCAOB so that the FASB's intentions are consistent with how the auditors will perform their evaluation, inclusive of how and when such evaluations should be communicated to those charged with governance.

2) Guidance with respect to when a specific disclosure is material in one period presented but not material to another period presented.

3) Examples within the Appendix of the Propose Guidance of how to appropriately apply the quantitative and qualitative thresholds for determining disclosure materiality would greatly benefit preparers.

4) Additional guidance specifically related to interim reporting requirements.

The following are our responses to the nine questions posed in the Exposure Draft.

<u>Question 1:</u> Would assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 be any easier than under current GAAP? If yes, please explain why.

We believe that assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 of the Proposed Guidance is a positive step towards enabling preparers of financial statements to move away from a checklist type compliance mindset to focusing on the overall effectiveness of information communicated in the notes to financial statements. We agree that aligning the definition of materiality in Chapter 3 of FASB Concepts Statement 8 with the legal concept of materiality should remove some of the uncertainty for financial statement preparers in assessing materiality. Further, aligning the new definition to clearly include both quantitative and qualitative aspects of materiality (something that was missing from the definition of materiality in Chapter 3 of FASB Concepts Statement 8) will remove further uncertainty in this assessment process for financial statement preparers.

<u>Question 2:</u> Would applying the amendments in this proposed Update significantly increase or reduce costs of preparing the notes to financial statements? Why or why not?

We believe that in the year of initial implementation, costs will increase slightly for preparers of financial statements to adopt these requirements due to the following:

- ⊕ Obtaining internal stakeholder (i.e., Legal, Regulatory, Investor Relations, etc.) acceptance of the removal of certain non-material financial statement disclosures that are more boilerplate in nature and may have been included in a registrant's financial statements for many years. For example, certain legal, collaboration, share-based payment, pension and post-retirement benefit and tax disclosures that have been carried forward for multiple years would potentially be removed as a result of the Proposed Guidance. Time and effort will need to be spent internally by registrant's accounting and finance departments with key internal stakeholders to overcome certain inherent bias they may have with removing these non-material disclosures. Additionally, preparers will likely need to document the basis for their conclusions that certain required disclosures are immaterial, and potentially implement ongoing monitoring controls to ensure that initial judgments remain appropriate in subsequent reporting periods.

- ⊕ Increased time and effort for ensuring the external auditors are comfortable with the historical disclosures that will now be omitted under the Proposed Guidance. External auditors will also require increased documentation each reporting period around registrant's decisions to include all, none or some of a particular disclosure based on materiality, although after the initial year of adoption, this specific burden should decrease as the focus of external auditors will likely be on the effectiveness of the aforementioned monitoring controls.

- ⊕ Increased time and effort in fine-tuning existing SOX 404 processes and controls over financial statement disclosures and the determination of materiality.

- ⊕ Increased time and effort in revising existing financial statement disclosures and related supporting documentation to comply with the Proposed Guidance.

Regardless of the above, we do believe that after the initial year of implementation, the annual costs to registrants will significantly decrease and the benefit received from reduced time and effort to document and prepare disclosures in the financial statements will decrease as compared to today.

<u>Question 3:</u> Would the amendments in this proposed Update change the information you otherwise would include in the notes to financial statements? Why or why not? If yes, how would that increase, diminish, or otherwise change the notes' usefulness to investors, creditors, and other financial statement users?

Yes, we believe immaterial disclosures were previously included because of the requirement in a specific Subtopic to disclosure certain "minimum information needed." We believe that by eliminating these immaterial disclosures the overall usefulness and relevance of the financial statement footnotes to users will increase and these reductions will assist users to focus on the financial information that is most impactful to making meaningful financial decisions about an entity's financial condition, operations, cash flows and changes in equity. For example, we may consider eliminating some aspects of the following required disclosures if not material:

- ⊕ ASC – 420 Exit or Disposal Cost Obligations, paragraph 10-50-1 contains requirements that certain information shall be disclosed in the notes to the financial statements that include the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed.

- ⊕ ASC 715 Pension and Other Postretirement Benefits, paragraph 20-50-1 contains requirements that certain information shall be disclosed in the noted to the financial statements separately for pension

plans and other postretirement plans any period in which the statement of financial position and the statement of income is presented.

- ASC 820 Fair Value Measurements and Disclosures, paragraph 10-50-2 contains requirements that certain information, at a minimum, be disclosed any period that the statement of financial position is presented.

Question 4: Do you expect regulatory, legal, or audit consequences that would affect your ability to consider materiality when selecting information to be disclosed in notes to financial statements? Please explain.

Yes, as noted in our summary above, the existing differences in the definition of materiality between the Proposed Guidance and the PCAOB rules could create significant differences in how SEC registrants and their external auditors view which disclosures are material and which are not. Additionally, we are concerned that regulators and external auditors could place too much emphasis on other registrant's disclosures and what was or was not omitted and possibly use this as a basis to challenge preparers of financial statements on their position to omit certain immaterial disclosures.

Question 5: How would you disclose information in comparative financial statements if your assessments of materiality differed in different years?

Although this may not occur frequently, we might consider simply stating the disclosures were not material to the irrelevant period or provide comparative annual amounts if we believe it would be useful. We believe the current Proposed Guidance falls short of providing clear guidance to financial statement preparers in this area and we highly encourage the FASB to consider this point during redeliberations.

Question 6: Should the Board eliminate from the Accounting Standards Codification phrases like "an entity shall at a minimum provide" and other wording that could appear to limit an entity's discretion to omit immaterial disclosures? Are there particular Topics or Sections in which those changes should not be made? Are there additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update? If so, please identify them.

Yes, the FASB should eliminate these phrases unless it believes that such financial statement information, regardless of materiality, should be disclosed. We believe that such wording should be eliminated in all subtopics and sections unless explicitly stated in the subtopic that it is required.

Question 7: Do you agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error? Why or why not?

We fully agree with the Proposed Guidance.

Question 8: Are there considerations other than those discussed in this proposed Update that would apply to not-for-profit entities?

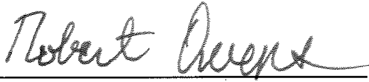
Not applicable.

Question 9: Should the proposed amendments be effective upon issuance?

No, the Proposed Guidance should be made effective shortly after issuance to allow for a short transition period to ensure preparers are permitted sufficient time to perform appropriate materiality assessments.

We greatly appreciate your consideration of our comments and invite you to contact us if you have any further questions regarding our above comments on the Proposed Guidance.

Sincerely,



Robert Owens
Vice President & Assistant Controller

Tim Kocses
Director, Corporate Technical Accounting