



**Eli Lilly and Company**

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August 4, 2016

Technical Director  
File Reference No. 2016-250  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Director,

Eli Lilly and Company (“Lilly” or “we”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “Board”) Proposed Accounting Standards Update, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* (the “Exposure Draft”). Lilly is a multinational pharmaceutical and animal health company. We manufacture and distribute our products through facilities in the United States, Puerto Rico, and 11 other countries, and our products are sold in approximately 120 countries.

We support the Board’s objective to clarify the scope of the derecognition guidance for nonfinancial assets. As a member of the life sciences industry, we frequently deal with the highly judgmental and complicated area of determining whether the disposition of a drug product or product candidate should be accounted for as the sale of a business or the sale of a nonfinancial asset. Our comments are incorporated into the following response to Question 3 in the Exposure Draft:

**Question 3: Given that the amendments in this proposed Update would require all businesses to be excluded from Subtopic 610-20, do you have any further comments on the appropriateness or operability of the amendments in the proposed Accounting Standards Update, *Business Combinations (Topic 805): Clarifying the Definition of a Business?***

We believe the amendments in the Exposure Draft make clear that all transactions that are deemed to be businesses are excluded from the scope of the Exposure Draft. We also believe that the amendments in the Exposure Draft are operable and do not conflict with or contradict any of the proposed amendments in the Accounting Standards Update, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (“ASU 2015-330”), and we have no further comments on ASU 2015-330 as a result of the issuance of the Exposure Draft.

While we support the Board and International Accounting Standards Board’s (“IASB”) continued efforts to converge U.S. and international accounting standards, we urge the Board to complete redeliberations on ASU 2015-330 and issue a final standard with amendments to the definition of a business. We understand that the IASB has also issued an exposure draft, *Definition of a Business and Accounting for Previously Held Interests—Proposed Amendments to IFRS 3 and IFRS 11*, for which the comment period ends October 31, 2016. We believe that the Board should not wait until the IASB redeliberates on its similar project related to

clarifying the definition of a business to issue a final standard with amendments to the Board's definition of a business for the following reasons:

1. The issues that exist related to the current definition of a business that led the Board to take on this project represent significant problems in practice and need to be corrected quickly;
2. It would be helpful to have certainty as to the definition of a business as soon as possible to facilitate the implementation of the provisions of the Exposure Draft related to derecognition of nonfinancial assets by the proposed effective date; and
3. As we have seen in practice, having similar words for the definition of a business for the last several years has not prevented diversity in practice between the application of U.S. and international accounting standards.

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We appreciate the opportunity to express our view and comments regarding the Exposure Draft. We urge the Board to consider the changes provided in this response letter. 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