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Office of the Chief Accountant
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Work Plan for the Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers – Staff Paper Exploring a Possible Method of Incorporation

We would like to take this opportunity to comment on the Staff Paper regarding a potential approach for adopting IFRS for U.S. issuers. Emerson is a diversified global manufacturer with revenues of approximately $25 billion. While one set of high-quality accounting standards worldwide remains an admirable long-term goal, U.S. GAAP is already the highest quality set of accounting standards in the world and it's far from certain that a switch to IFRS will improve financial accounting and reporting or provide any real benefit to investors. We believe that only after genuine convergence and adoption of the numerous and significant Memorandum of Understanding (MoU) projects, and after all other administrative and oversight issues have been overcome, would it then be reasonable to potentially allow or require IFRS for U.S. issuers. We therefore strongly encourage the Commission to defer any decision on IFRS adoption until after completion and implementation of the MoU and Category 2 projects, and then re-evaluate next steps.

In our view, a "date-certain" approach is artificial and unnecessary, especially given there is no real demand for IFRS among U.S. investors and that it now appears U.S. GAAP will continue in modified form. Instead, we recommend that the MoU projects, which will significantly impact fundamental accounting issues, be addressed over a timeline adequate to allow thorough study and complete implementation on an individual statement basis. Only after these issues and the Category 2 projects are properly addressed should lesser items be considered. Ultimately, we would like to see the differences between GAAP and IFRS be rendered so immaterial that IFRS can be adopted with no restatement of historical information. Given the breadth and the complexity of the MoU projects, the follow-on IASB projects and final resolution of remaining differences, we expect the total effort may take 10 to 15 years; which is not too long considering the effort and resources that will be necessary to affect this change. Our specific views can be summarized as follows:

- Based on the assumption that the transition to IFRS in the U.S. will be beneficial, the case for which Emerson does not believe has been proven, we only support an extended convergence effort rather than a big-bang approach to adoption, and believe the 5 to 7 years anticipated in the Staff Paper is insufficient. There is no need to rush adoption, given the lack of demand by U.S. investors, the extreme cost, the ultimate importance to both preparers and users, and the fact that U.S. GAAP is already the most highly-developed set of accounting standards in use today. A date-certain approach will not ensure adequate preparation or high-quality implementation.

- Adoption should be methodical and long-term, with the MoU and Category 2 projects completed prior to any contemplation of a specific IFRS adoption deadline. And given their breadth and complexity, the MoU projects should be implemented individually over an extended timeline to ensure robust adoption analysis and full understanding of the impacts by all constituents.

- We know of no real demand for IFRS being expressed in the U.S. Additionally, the cost to adopt IFRS will be extremely high with no discernible benefit for preparers or investors.

- At the appropriate time, we support prospective adoption of IFRS whenever possible and believe the Commission should explicitly limit retrospective adoption in any rule making. In most cases, robust disclosures explaining the impact of the change on the current year only provides the necessary decision-useful information for investors. At a maximum, one year of comparative data should be provided.

- Given the depth of information that can be readily downloaded today via a few "clicks" on the Internet, the SEC should require only one year of comparative information in all 10-Q, 10-K and other filings.

No Clear U.S. Demand for IFRS

We see no demand for IFRS-based financial statements and disclosure from our U.S. or non-U.S. investors. For countries that do not have the resources available to develop a sound and credible set of accounting principles, the adoption of U.S. GAAP or IFRS is logical. There is a perception that countries choose to adopt IFRS over U.S. GAAP because IFRS is less rigorous and therefore easier to apply. But simply because other countries are adopting IFRS over U.S. GAAP does not mean IFRS is superior or even equal to U.S. GAAP. Some further argue that U.S. GAAP and the associated literature are too voluminous compared with the more simplistic approach of IFRS. However, U.S. GAAP is much more mature and over time it is likely the demand for IFRS interpretations will lead to a voluminous body of literature, similar to U.S. GAAP today, given the diverse worldwide user constituency. As such, there is no real reason to undergo a massive effort to quickly convert to IFRS, especially when few stakeholders in U.S. companies have indicated any real need for conversion, nor has any real benefit to these stakeholders been identified. Additionally, current SEC rules allow U.S. registrants to supplement their filings with IFRS disclosures if they believe it warranted, so there is no need for a hurried, near-term conversion to IFRS given that individual IFRS disclosure needs can be readily met on an ad hoc basis.

Benefits of Methodical Convergence

U.S. GAAP and IFRS are fundamentally similar but the current differences between the two (including revenue recognition, inventory measurement, leases, stock compensation, income taxes, hedging and financial instruments, business combinations, and pensions and other post retirement benefits) are too important to be ignored. The accounting for many of these topics has been debated for several years by the two Boards with a few firm conclusions on some basic accounting issues, but with much work left to be done. Assuming that the outstanding issues should or will now be quickly resolved for the sake of IFRS adoption in the U.S. seems unrealistic. These important issues should only be resolved over time through discussion among all interested parties, as is currently being done, so that the possibility of transitioning to a single, global set of accounting standards can be methodically considered from the standpoint of an existing high degree of compatibility. There is no reason to rush to convergence when commitment to a long-term, phased-in approach already exists. It will be the least disruptive for preparers and much less confusing for financial statement users if the two sets of standards were allowed to naturally converge through the joint efforts of the FASB and the IASB over the next 10 to 15 years instead of having different companies in various stages of conversion for the next few years. Additionally, the IASB will continue to develop new rules during the transition which will result in preparers dedicating yet more resources to analyzing and commenting on draft IFRS while implementing first the MoU standards, and then the Category 2 projects.

If the Commission decides to proceed as outlined in the Staff Paper, we strongly believe any firm implementation timeline should be extended for large accelerated filers well beyond the Paper's anticipated 5 to 7 years to give companies and the accounting community sufficient time to transition to the new standards. Switching to another set of accounting standards will be a monumental task that has far reaching ramifications, and will take significant time, financial resources, coordination and effort to effectively implement. The milestones summarized in the Commission's 2009 Proposal, development of new university curriculum, retraining of existing accountants, implementation of new corporate policies and procedures, and review of the U.S. tax code, will not be easily achieved and are best addressed slowly. Any one of these items will require extensive planning and seamless execution. Perhaps two or three might be realistically accomplished within 5 to 7 years, but certainly not all. A very cautious and thorough approach must be taken to evaluate and measure the success of these milestones, the achievement of which should not be rubber stamped or hurried to meet arbitrary deadlines.

Extremely Costly

Further, the cost to change to IFRS will be very high with very little obvious benefit and in fact investors may lose relevant information. From a report submitted to the Commission by the Financial Accounting Foundation in conjunction with the 2009 Whitepaper on the SEC's Roadmap: "*…adopting IFRS in the United States is highly unlikely to have any major, measureable macroeconomic impact; at the margin it could attract additional cross border investment but such decisions are primarily not based on accounting and there is no compelling evidence as to how IFRS could affect the cost of capital in the U.S.; is unlikely to have a major impact on U.S. investors but they could lose some content and quality of information; and is likely to impose substantial transition costs to issuers …*"

The adoption effect for companies must include considerations such as the establishment of new corporate policies and procedures, implementation of new IT systems, identification of the impacts and unintended consequences to U.S. taxes, increased legal and auditor involvement, revision of internal controls, and training and education of professionals. Each of these considerations will be excessively costly (collectively up to $32 million per the SEC's 2009 analysis and likely more expensive now) and time consuming, and none of these efforts will truly benefit the Company's shareholders. For a large, multinational company such as Emerson, converting thousands of accounting units across the world will be a massive and costly effort. If the Commission moves forward, we believe it must provide adoption dates that allow adequate time (i.e., years) to implement each new standard properly. A $32 million cost per company is an exceptionally high and unreasonable price tag when U.S. GAAP is already the world's highest quality set of accounting standards. Ultimately, we see no real benefit of this spending for investors in U.S. GAAP reporting companies. Instead, we see a profit windfall for the Big Four and other accounting and consulting firms who stand to gain significantly from this change and are currently building huge staffs to service this high growth practice area, similar to the implementation of the Sarbanes-Oxley Act.

Prospective Application

We fully support a baseline effort to limit retrospective adoption of IFRS when the time comes. The requirement to provide three years of data in the year of adoption is overly burdensome as companies will effectively have to maintain two sets of books and incur additional audit costs in the two years prior to adoption. Should this effort go forward, one year of comparative data would provide the necessary decision-useful information to investors. This was the basis under which the

Commission allowed foreign private issuers to present data for first-time IFRS filings on Form 20-F and we believe U.S. registrants should be afforded that same presentation opportunity. Given the depth of information readily available today through the Internet, we believe only one year of comparative information should be the permanent requirement for all SEC filings. Also, to promote convergence in the U.S., thereby giving IFRS full and immediate credibility, the SEC should work with the IASB to provide a sweeping exception and much greater flexibility to adopt most, if not all, IFRS provisions on a prospective basis wherever possible, and not require retrospective application. Finally, we believe forward-looking statements made under any new basis of accounting should continue to be protected under the Safe Harbor Act.

Conclusion

We are not yet convinced a switch to IFRS will be an improvement in accounting and reporting or is in the best interests of investors in U.S.-based companies. But if the Commission moves forward, we only support a long methodical IFRS transition approach and believe a transition period longer than 5 to 7 years is necessary. U.S. GAAP is the most fully-developed and highly-regarded set of accounting standards in the world, and they have fostered efficient capital markets. Given the cost and lack of true U.S. demand for convergence, there should be no rush to adopt IFRS. Instead, we believe the FASB and IASB should continue to work on long-term methodical convergence, first establishing baseline accounting compatibility through completion and full implementation of the MoU projects, including prospective adoption, and then reconsider merging the standards in 10 to 15 years. Last, we remain concerned the Paper does not fully appreciate the extreme cost and efforts required of the accounting, financial and legal communities to properly achieve convergence. These goals will take many years to accomplish. Therefore, we strongly believe that if the Commission moves forward with this change, no specific convergence date should be set. Instead, the plan should be to first fully and completely implement the MoU projects (say 5 years). As this work progresses, the FASB can work with the IASB on the Category 2 projects (say 5 more years) and then finally work on Category 3 convergence (say another 5 years). The timeframe in itself is not important and should instead be continuously evaluated and updated as convergence progresses. In this manner, U.S. GAAP and IFRS will be converged in a methodical, practical and less costly fashion.

We appreciate the opportunity to respond to this proposal and trust that our comments will be seriously considered in future Commission deliberations on this issue.

Sincerely,

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cc:
Frank J. Dellaquila
Senior Vice President and Chief Financial Officer