

March 12, 2012

Financial Accounting Standard Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Attn: Technical Director – File Reference No. 2011-230

Re: Comments on the Financial Accounting Standard Board’s Exposure Draft on Revenue Recognition from Contracts with Customers

Dear FASB Technical Director,

We are responding to the Financial Accounting Standards Board’s (“Board”) invitation to comment on the above-referenced exposure draft. We welcome the opportunity to comment on the exposure draft and agree with the Board’s objective to clarify and simplify the accounting guidance for revenue recognition.

Introduction to Flextronics

Flextronics (the “Company”, “we”, “us” or “our”) is a global provider of advanced electronics design and manufacturing services, or EMS to original equipment manufacturers (OEMs) in a broad range of industries. The Company provides customers with a full range of cost competitive, vertically-integrated global supply chain services which encompass the entire product life cycle of the customers’ products. These services include product design and engineering, manufacturing, direct order fulfillment and after-market services and support.

Most of the products we manufacture are built to specific OEM requirements and generally have no alternative use at any stage in the production process or in the finished good stage. Further, most contracts require the OEM pay for time and material plus a normal profit margin on unfinished units if a contract is terminated prior to completion. As a result, we believe that per paragraph 35(b)(iii) of the proposed standard we would be required to recognize revenue on performance obligations over time. We also believe there would be a significant amount of contract and other manufacturers that will be similarly impacted.

Our Comments

Per paragraph 28 of the proposed standard, we believe each unit of a larger order would constitute a stand-alone performance obligation. That is if an OEM orders one million units of a specific product, each unit would constitute a separate performance obligation as the OEM would be able to benefit from each unit produced and is not relying on the balance of the order to enjoy such benefit. The manufacturing life cycle of a significant amount of our products we produce is less than a week. For example,

- The production time for a single cell phone ranges between five minutes to a few hours depending primarily on time for software configuration.
- The production time for power supplies ranges between a couple hours to a couple days depending on the degree of testing to be done.
- Production time for networking equipment can be as short as less than a day to a couple of days, and in certain instances may reach out to 12 days.

The objective of measuring revenue over time per paragraph 38 is to depict the transfer of control of goods to the customer. This method of revenue recognition really does not achieve this objective for situations where the production cycle is very short. The stage of completion of a unit at any given time does not reflect the transfer of control of such goods to the customer at that point since, if we are to stop production and transfer the work in progress to the customer, we would not be able to do so until the unfinished unit is at a stage where another manufacturer can continue production efficiently.

Accordingly, we believe the consequences from paragraph 38 are unintended because recognizing revenue over the period of performance of obligations for short-term manufacturing processes does not accurately depict the pattern in which control of such goods are ultimately transferred to the customer. We respectfully submit to the Board that effectively just about everything we manufacture falls within a short manufacturing life cycle, and as a Company with almost \$30 billion in sales annually, and inventory work in process balances that range between approximately \$500 to \$600 million each quarter, the consequences are more than material to our consolidated operating results.

Recognizing revenue over time relating to each performance obligation for short term manufacturing processes would require significant investments in systems that can accurately measure the level of completion at an individual unit level at any given time. We believe differences in systems and measurement methods will give rise to financial results that are not comparable across companies and industries. We also believe this is of no incremental benefit to the users of financial statements for companies with short

manufacturing processes. In fact, based on conversations with sell-side analysts that follow our industry we understand they would actually want to know the amount of revenue recognized on products that were not shipped as they would likely exclude this revenue from their models.

Recommendation

We respectfully request the Board amend the proposed standard by simply allowing for a method of measuring progress toward completion in paragraphs 41 to 43 that permits companies to adopt a method where revenue is recognized based on completion of production rather than over the production life cycle when the duration of production is short term in nature (if the entity believes that method best depicts the transfer of control) when the criteria in paragraphs 35 to 36 are met. Alternatively, as we believe the criteria in paragraphs 35 to 36 are too broad, we respectfully request the Board consider limiting the scope to exclude performance obligations for short-term production type items.

While we welcome the changes proposed by the Board to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and, we respectfully submit that without the foregoing clarification, it would require significant effort and cost for contract and other manufacturing entities to achieve the objectives of this standard, which we believe would far outweigh the incremental benefit, if any, to users of the financial statements.

Sincerely,



Chris Collier
Senior Vice President, Finance and Chief Accounting Officer