

Letter of Comment No: 3
File Reference: 1204-001
Date Received: 8.31.05



director@fasb.org

September 9, 2005

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Statement of Financial Accounting Standards on Business Combinations
File Reference 1204-001

To Whom It May Concern:

On behalf of EMC Corporation, I am pleased to provide the following perspectives on the Board's proposed replacement of FASB Statement No. 141.

1. Paragraph 19 of the proposed standard requires the consideration issued in the transaction to be measured as of the acquisition date. This is a change in practice from the current standard. Today, for transactions in which securities are exchanged, the valuation is determined based upon the market price of the securities for a reasonable period before and after the date that the terms of the acquisition are agreed to and announced. We believe the value of the securities directly impacted by the market reaction to the announcement of a transaction serves as a better proxy of fair value than the value of the securities on the date they are issued. We recommend the provision of the current standard be retained.
2. Paragraph 27 of the proposed standard requires that acquisition-related costs (advisor, legal, accounting, etc) be excluded from the cost of the acquired entity. Part of the Board's rationale is that these costs are not part of the fair value of the exchange but are separate transactions in which the buyer makes payments in exchange for services rendered. We do not believe the two should be separated. The costs are incurred for the express purpose of consummating the transaction and should be accounted for as part of the transaction. This concept is consistent with other parts of GAAP whereby acquisition-related costs are treated as part of the carrying amount of the related asset.
3. Paragraph 37 of the proposed standard changes current practice to eliminate the recognition of restructuring or exit activities that do not meet the recognition criteria in FASB Statement No. 146. As such, plans to terminate employees or exit activities will be treated as a post-combination expense under the proposed standard. We believe the current standard provides better reporting than what is proposed. To the extent that the decision to exit activities is associated with the acquisition (as opposed to a later operating decision), the related cost should be recognized as part of the cost of the acquisition.

4. Paragraph 67 of the proposed standard requires a restatement of previously issued financial statements for adjustments made to the initial provisional estimates of values. While new information may come to light to better ascertain fair values
5. subsequent to the issuance of financial statements, we believe that restatement of financial statements may lead to investor confusion. Financial statements by their general nature consist of estimates. Unless an error exists, changes in estimates are handled prospectively. We believe this should be the same treatment for changes made in purchase price allocations.

We hope the Board will take these comments into account in its issuance of an updated standard.

Sincerely,

Mark Link
Senior Vice-President and Chief Accounting Officer
EMC Corporation