Letter of Comment No: 2499 File Reference: 1102-100

CAPITAL RESEARCH AND MANAGEMENT COMPANY

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James F. Rothenberg President

May 18, 2004

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

File Reference No. 1102-100 Via Email: director@fasb.org

Dear Members of the Board,

Capital Research and Management Company is the investment adviser to the 29 mutual funds in the American Funds Group with more than \$500 billion in assets. American Funds is the third largest mutual fund complex in the United States and the largest sold exclusively through financial advisers.

On behalf of our organization, I wish to convey our enthusiastic support for the FASB proposal to treat stock options as an expense in determining net income.

It seems to us self-evident that valuable consideration given to an employee in respect of his/her employment is properly characterized as compensation expense. To treat it otherwise seems to us to defy logic and runs counter to the principles which underlie proper accounting.

Objections to the proposal, other than those motivated by self-interest, seem to center on the challenge of measuring the expense. We recognize that it is a difficult exercise. However, there are many areas of accounting where measurement poses a challenge. One need only look at the area of pension accounting to demonstrate this point. Current practice, though, assumes that "zero" is the best measurement of option expense. We think it better to be approximately correct than precisely wrong.

We would like to underscore the importance for our work of having financial statements which reflect reality. It is our fiduciary responsibility to manage the assets of those who have entrusted them to us as well as we possibly can. In this role, our analysts and portfolio managers use financial information daily in order to make judgments about the prospects of companies.

Thank you for considering our views.

Sincerely,

/s/ James F. Rothenberg

James F. Rothenberg