

ikon

Letter of Comment No: 5518
File Reference: 1102-100

From: Stacey Sutay
Sent: Wednesday, June 30, 2004 2:08 PM
To: ikon; Karen Salmansohn
Subject: FW: Thoughts on stock option expensing proposal

-----Original Message-----

From: Sasirekha Gollapudi [mailto:sasirg@hotmail.com]
Sent: Wednesday, June 30, 2004 1:45 PM
To: Stacey Sutay
Subject: Thoughts on stock option expensing proposal

Dear Sir,

I believe that proper accounting for stock options is overdue and I am in full support of your activities in this regard.

However, based on my prior experience with stock options, stock prices had always gone up much more than projected/calculated intrinsic values. Due to this, I believe that accounting for stock option expense based on the price on exercise date would provide the most accurate measure of the benefit an employee has received which in turn cost the company in equal amount. This method will eliminate companies' complaint that estimated cost is not accurate as well as eliminating the opportunity for companies to low-ball the parameters in calculating the cost.

I fully recognize that FASB is not recommending that companies eliminate stock option programs. Under proposed stock option expensing rule, companies are free to offer what they want/need to in order to successfully run their operations and bring maximum value to their shareholders. Managements should not truly care about accounting treatment if they really believe that their survival depends on issuing stock options. Shareholders of various companies had already delivered the message to their managements that they would like to see stock option costs be expensed. Most of those company management teams have chosen to ignore what their owners (that is, shareholders) have told them in this regard. That was mainly to protect their self-interests. They have forgotten that they are there to protect the interests of their shareholders.

I am glad to see that some companies have taken the lead and started including the cost of stock options on their P&L statements. To ensure that financial results are comparable across companies, it is essential that all companies follow the same rules and regulations. Towards this goal, your proposal goes a long way.

Thanks
Sasi

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