Letter of Comment No: 5737
File Reference: 1102-100

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June 30, 2004

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Subject: Exposure Draft: Proposed FASB Statement, "Share-Based Payment: an amendment of FASB Statements No. 123 and 95"

Ms. Bielstein,

We are pleased to comment on the proposed FASB Statement on "Share-Based Payment: an amendment of FASB Statements No. 123 and 95". EDS supports all accounting standards that promote accurate financial reporting, improve the usefulness of financial information and enhance the comparability of financial information among companies and industries. Accordingly, we fully support the current efforts by the Financial Accounting Standards Board (FASB) to improve the accounting for stock-based compensation to employees.

We agree with the majority of the provisions and objectives of the proposed standard. However, as described below, there are several issues identified in the exposure draft that are of concern to EDS.

Issue 1: Compensation costs resulting from share-based payments should be recognized in the financial statements (C13-C15).

EDS comment: Recognizing compensation costs from share-based payments to employees would be an important step towards the standardization of global accounting rules, an important priority to EDS. It is also very important to provide guidance that will result in consistent application in practice. We are concerned about the current lack of consistent treatment of share-based payments in practice, with some entities electing to present share-based payment costs in pro forma disclosures and others electing to recognize these payments in the financial statements. Accordingly, we support this position as long as such accounting involves the use of a practical valuation methodology that will yield accurate and comparable results among companies and industries.

Issue 4a & b: The Exposure Draft provides sufficient guidance to ensure the fair value measurement objective is applied with reasonable consistency and fair value can be reliably measured (B13-30, C21-25).

EDS comment: The exposure draft advocates the use of a "Lattice" valuation model when, as is usually the case, market valuations are not available. Lattice models require a number of subjective management assumptions, significantly increasing the cost and complexity of the valuation process over the more commonly used Black-Scholes models. Companies that do not have the sophistication or data necessary to use a Lattice valuation model will be allowed to continue to use the Black-Scholes valuation models currently in common use. Given the permitted use of both Lattice and Black-Scholes valuation models and the high dependence on subjective management assumptions, we are concerned the comparability of the resulting financial information will not be improved while the cost and complexity of complying with the new standard will be increased.

Issue 9: Graded vesting awards should be treated separately for attribution purposes (C89-91).

EDS Comment: The Exposure Draft would require share-based payment awards that contain graded vesting provisions to separate each vesting tranche in the award and to amortize the fair value of each tranche over its vesting period. While we agree that there are differences between awards with graded vesting and cliff vesting provisions, we believe these differences are adequately captured by incorporating vesting provisions in fair value calculations. As such, we believe the same attribution method should be used for cliff and graded vesting arrangements. The attribution method proposed in the Exposure Draft would result in recognizing much more compensation cost in the initial years of the award service period than in the final years. We do not believe this is consistent with the intention of service awards which are generally meant to provide the employee with an equal benefit over the full service period. Accordingly, we believe the attribution method used for graded and cliff vesting awards should be the same and result in an equal amount of compensation cost recorded throughout the service period.

In addition to our comments above, we expect a significant number of implementation issues to emerge as companies begin to prepare to meet the new requirements. Accordingly, we believe that it would be helpful for the Board to form an implementation group well in advance of the effective date of the new standard to begin to address significant implementation issues.

Thank you for the opportunity to comment on this important topic.

Best Regards,

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