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Letter of Comment No: 1032
File Reference: 1102-100

From: Anil Bansal [abansal@cisco.com]
Sent: Tuesday, April 20, 2004 12:58 PM
To: Director - FASB
Cc: abansal@cisco.com
Subject: Issue: expensing stock options

Hi,

I am engineer at a high tech company in San Jose. I have been hearing about how FASB has been thinking of expensing stock options.

I firmly believe that it is not a good idea to expense stock options.

If we leave all the accounting reasoning aside, has anybody thought of why US is ahead of other countries in terms of technology and innovation?

Why is it that most of the new ideas come from companies in Bay area?

Companies like Cisco, Intel, Juniper are at the forefront of technology. You know why? It is because these companies take good care of their employees in terms of compensation (stock options being a major part of it) and in turn employees just focus on how they can bring in new ideas to improve the technology so that their companies can stay at forefront of the technology. These companies provide them with the feeling of ownership through their stock option program. Employees feel empowered and try to take their company to the next level. The first ten years of my career, I did not get any stock options from the companies I worked for. I did not have any sense of belonging to the company and I used to change jobs every two years because the next company would give me a higher salary. With my current company, I have stayed for the last six years. Since my company is taking good care of me, I just have to focus on my job and bring in new ideas. I have written patents being with this company. I plan to retire with this company. It's not just me, but majority of the employees in the company feel the same way. The only way to get this feeling of trying to do something for the company is if you feel that you are part of the company. To put it in plain and simple words, if company does better, your financial future is well taken care of. With that feeling in mind, you try to give your best to the company.

Why do you think, there was an internet boom ? It was because people tried to advance their company's technology in return for the company taking good care of them.

With my limited knowledge of finance, isn't it true:

- Stock options do not meet the definition of an expense because they do not use company assets
- The cost of a stock option is already accounted for when options are exercised.
- Do stock options use company's asset, why should they be expensed?

Right now, FASB may be keen on expensing stock option not foreseeing what damage it can bring to the technology advancement. If this expensing thing happens, it will definitely impede the innovation.

At this time, with so much outsourcing going on, the only way US can globally compete is through it technological innovations and not through run-of-the-mill jobs which can be done cheaper outside. If that (technological innovation) also goes away, in few years, US will be just the consumer of the technology and not the producer of it.

Anil Bansal

4/20/2004