

Letter of Comment No: 20  
File Reference: 1101-001  
Date Received: 11/1/02

November 1, 2002

Ms. Suzanne Q. Bielstein  
Director, Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7, P. O. Box 5116  
Norwalk, Connecticut 06856-5116

File Reference 1101-001  
Exposure Draft Re: Transition Rules for  
Expensing Stock Options Under FAS 123

Dear Ms. Bielstein:

Anheuser-Busch appreciates the opportunity to provide comments to the FASB regarding the proposed reporting rules on changing to the expensing of employee stock options under FAS 123.

We believe this proposal is very important and provides the FASB with an opportunity to provide clarity and comparability among companies on the impact of employee stock options. This also represents a unique chance for the FASB to provide strong leadership and reinforce the fact that current FAS 123 rules were based on full and open disclosures.

Anheuser-Busch strongly believes that stock option accounting is not an issue of either transparency or full disclosure. All financial information investors will receive from companies electing to expense stock options is already available in company Annual Reports under current FAS 123 disclosures. Accordingly, we believe it is key that the FASB make this point well known and not infer that expense recognition provides more or better information.

Also, we believe the FASB's proposed multiple-choice approach to transition accounting for companies choosing to expense employee stock options is ill advised. Providing companies a multitude of adoption alternatives will only serve to confuse investors even more at a time when we believe the FASB should be promoting clarity of disclosure.

We suggest that the FASB select the single method that will best address the needs of financial statement users, and require that approach. Anheuser-Busch advocates full restatement as the simplest method. The necessary information to restate prior periods is already available due to companies having provided pro forma disclosures in their Annual Reports under FAS 123 since 1996. For

comparability purposes, a restatement approach will place all companies choosing to expense stock options on an equal footing.

Page 2

Finally, Anheuser-Busch supports the FASB's proposal to require quarterly disclosures of the pro forma information required by FAS 123, and has voluntarily begun disclosing this information in the Third Quarter 2002 SEC filing on Form 10-Q.

The remainder of this letter will expand on the points raised above. Anheuser-Busch would welcome an opportunity to discuss this matter with you or your staff. I can be contacted at 314-577-3235 or via fax at 314-577-4249.

Thank you.

John F. Kelly  
Attachment

# Comments Regarding Transition Rules for Adoption of FAS 123

---

## Transparency

Anheuser-Busch does not believe there are any issues of disclosure, transparency or accessibility of information pertaining to the decision to expense stock options. If companies comply with the current disclosure requirements of FAS 123, all information necessary for a complete evaluation of stock options is readily available in the Annual Report. The decision to expense employee stock options does not provide any new information to investors.

## Relocation of Footnote Disclosure

Relocating the disclosures regarding the income statement impact of stock options to the accounting policies footnote is a form-over-substance measure. For those choosing not to expense stock options, the accounting policies footnote already indicates that APB 25 is used for stock option accounting and cross references to the income statement impact disclosures required by FAS 123. Changing the location of this information will not increase the effectiveness of the disclosures, will not assure adequacy of information for the various needs of financial statement users and will do nothing to ensure increased compliance from those companies whose disclosures are currently not fully compliant.

All footnotes are an integral element of the consolidated financial statements and must be read in their entirety as part of a complete and fair presentation. Companies list their footnotes for a variety of reasons – for example, by timing of occurrence, by financial statement caption, or due to format/layout considerations. Mandating inclusion of these disclosures in the accounting policies footnote implies the greater importance of this information. Anheuser-Busch does not believe elevating this disclosure above other disclosures ... pensions, business segments, purchase accounting disclosures, or any other information the FASB or SEC has deemed important enough to require ... is warranted. The relative importance of individual disclosures will be determined by the users of financial statements based on their specific investment criteria, and not by the positioning of disclosures within the report.

# Comments Regarding Transition Rules for Adoption of FAS 123

---

## Single Method for Transition

Anheuser-Busch strongly encourages the FASB to require one single transition method to be applied by all companies choosing to expense stock options.

The three different alternatives proposed by the Board will only serve to confuse investors and make comparisons between companies impossible. It is altogether likely that under the FASB's proposal, four competitors in the same industry could simultaneously apply four different approaches to FAS 123, based on their own particular circumstances. This undesirable outcome would be squarely opposed to the FASB's long-stated goal of enhancing consistency and comparability of results -- both within and across industry boundaries.

As an alternative approach, we recommend a single method for transition -- the restatement of prior period results. A restatement approach is preferable because all information is readily available due to companies having provided these disclosures since 1996, it places all companies choosing to expense stock options on the same footing, it renders all periods presented totally comparable and, a restatement would actually be easier to explain because users would have explicit "with-and-without" expense results to compare.

## Quarterly Disclosures

We support the FASB's proposal for quarterly and year-to-date disclosure of the pro forma impact of applying FAS 123, and have begun including quarterly disclosures in the company's Third Quarter 2002 Form 10-Q filing with the SEC.

\* \* \* \* \*