

Merck & Co., Inc.
One Merck Drive
P.O. Box 100
Whitehouse Station, NJ 08889-0100



November 5, 2002

Ms. Suzanne Bielstein
Director of Major Projects and
Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Letter of Comment No: 50
File Reference: 1101-001
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Dear Ms. Bielstein:

Merck and Co., Inc. is a New Jersey corporation with its principal place of business at One Merck Drive, P.O. Box 100, Whitehouse Station, NJ, 08889-0100. The Company is a global research-driven pharmaceutical organization that discovers, develops, manufactures and markets products and provides pharmaceutical benefit services. We are pleased to provide you with our comments on the Exposure Draft, "*Accounting for Stock-Based Compensation – Transition and Disclosure*," (the ED), an amendment of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" (SFAS 123 or the Statement).

Transition Amendments

When SFAS 123 was issued, the transition provisions provided for prospective application because the historical assumptions needed to calculate fair value of awards granted prior to the Statement's issuance under a retroactive application were not readily available. We concur that the transition provisions of SFAS 123 need to be amended to reflect the fact that, because of the Statement's pro forma disclosure requirements, companies now have the historical fair value information for awards granted since SFAS 123 was issued.

We do not agree, however, that multiple transition alternatives should be permitted as proposed in the ED. Allowing the use of multiple transition alternatives will not benefit financial statement readers because it will reduce comparability among companies. For this reason we believe that only one transition method should be allowed. The preferable alternative is the "prospective recognition for unvested awards and new awards" (the Modified Prospective approach), which does not require restatement of previously reported results and, as such, is consistent with the transition provisions of the majority of new accounting principles. Further, starting in the year of adoption, the Modified Prospective approach would eliminate the bifurcation of employee stock

option expense between income statement recognition and pro forma disclosure as well as the resulting "ramp up" effect in the income statement associated with solely prospective application. Accordingly, the Modified Prospective approach provides the most meaningful presentation to the users of the financial statements.

Disclosure Amendments

The disclosures proposed in the ED are intended to provide information about employee stock option plans that is clearer and more comparable to other entities. While we agree that providing clear disclosures that users can compare against others is useful to financial statement readers, we believe that the disclosures proposed are already required or can be derived from the existing SFAS 123 disclosures.

We look forward to future dialogue with the FASB as the staff considers the IASB's efforts to address the broader issues of measurement and recognition of employee stock option expense. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

/s/ Richard C. Henriques

Richard C. Henriques
Vice President, Controller

cc: J.C. Lewent