

Letter of Comment No: 46  
File Reference: 1102-001  
Date Received: 1-18-03

STANLEY F. DOLE  
CERTIFIED PUBLIC ACCOUNTANT

1536 EASTLAWN S.E. - GRAND RAPIDS, MICHIGAN 49506  
616 245-7271

January 18, 2003

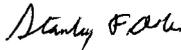
FASB Director of Major Projects and Technical Activities  
401 Merritt 7, Box 5116  
Norwalk, CT 06856

This is in response to the invitation to comment on the issue of accounting for stock options, (File Reference 1102.001)

I am enclosing a copy of my letter of March 26, 2002 which deals with this issue as a part of the larger issue of separating operating from non-operating earnings so that some reasonable projection of future operating earnings may be possible. In that letter, I stated my view that costs of stock options are a non-operating item and corporations would be more willing to recognize the cost if it were treated as non-operating and was the true actual cost rather than an unreal theoretical cost.

Where the cost occurs on a random time frame determined by when an optionee exercises the option, the non-operating treatment is more essential. I recognize that the present Black-Scholes method has the advantage of resulting in a more level cost and so is more reasonably included in operations, but that cost is simply not a true cost and therefore should not be used when the true cost can be determined on exercise, and there may never be a cost if the stock declines (true often today) and the option is never exercised.

If it is decided that we must go with a theoretical cost, then I think the best treatment would be to recognize as a non-operating cost, or a charge to additional paid in capital, the difference between the cost expensed to exercise and the true cost (the difference between the exercise price and the market price at exercise). On that basis, a similarly treated gain would be recorded when an option was cancelled or expired unexercised, measured by reversal of the previously recorded cost.



Stanley F. Dole, CPA