Len Tatore

From: Sent: To: Subject: Vijay Subramanian [vs_fm@yahoo.com] Wednesday, April 21, 2004 4:46 PM Letter of Comment No: 1655

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Director - FASB

File Reference No. 1102-100

From

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To:

Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Attn: Director of Major Projects - File Reference No. 1102-100

I am writing this letter in response to the request for comments on the above file reference.

I agree with the Board's conclusions, every item marked from Issue (1) through Issue (18).

In my viewpoint, the corporations have two modes of responsibility - legal responsibility to satisfy FASB; as well as fiduciary responsibility to the shareholders. When corporations provide pro-forma accounting information; and information regarding stock options and other employee grants where the liabilities are open ended (no higher limit on the liability), they need to issue more detailed accounting explanations for these to satisfy the later.

While the question of how to present these expenses in the accounting format is the core of the debate, I would like to suggest an alternative approach to the issue.

Corporations, when making employee compensation that are connected to stocks - such as stock options, these should be made with a maximum compensation benefit limit, for each of these awards. This can be in addition to or in the place of the time limit that is currently specified as the expiration date for the option granted.

By specifying an upper dollar limit to the award, the awarding approach can be continued, and providing this information in the accounting details will explicitly state the liability limit the company is exposing themselves to. If these limits are specified in terms of stock price (for stock options), that will also provide the investors a benchmark for the stock price and

reduce volatility of the stock. If it is specified in terms of a maximum award, it will be easy math to calculate the effective share price for the maximum award. This will also potentially provide the employees with information to calculate how they can maximize their awards.

The advantage I see to the approach is that any employee performing specific duties to the company will not be compensated way beyond some amount which can be tied to the benefit the company enjoys for the particular duty performed. This approach also forces the company to actually estimate the value of the duty performed by the employee.

The approach is also very attractive to the company since they will not be exposing themselves beyond a specified point.

The approach will make it easy for the analysts and credit rating agencies to calculate the exact maximum liability the company is exposing themselves to, making the financial calculations far easier and straightforward without having to worry about an open ended item in the calculations.

Somehow, I cannot understand the reason for specifying a timeframe for the award. This is the main reason why the accounting people are thrown into a loop, having to provide complicated calculations for converting the "fixed time" + "no-upper-limit-liability" conundrum. An "open timeframe" + "fixed-upper-limit-liability" approach will make it for a lot easier and useful calculation; a "fixed time" + "fixed-upper-limit-liability" provision will make the calculation even simpler and more meaningful.

I know some of these may not be actually in the authority of FASB to control, but this might be an approach that FASB can actually get buy in from the companies for implementation. By making the change only for future awards, companies can be provided with ample time to make the switch. Even if it takes years to make the switch, it will be a more meaningful final destination.

Regards

(Vijay Subramanian)

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