



October 12, 2007

LETTER OF COMMENT NO. 10

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
USA

File reference: Proposed FSP APB 14-a, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*

Dear Mr. Golden:

ABB Group ("ABB") Zurich, Switzerland appreciates the opportunity to comment on the proposed Financial Accounting Standards Board's ("FASB") Staff Position No. APB 14-a, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants* (the "FSP"). ABB is registered as a foreign private issuer with the U.S. Securities and Exchange Commission and its consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States.

We fully concur with the FASB Staff's view, expressed in the FSP, that the issuer of a convertible debt instrument that permits or requires partial cash settlement upon conversion should recognize the same interest expense as would have been recognized had a comparable debt instrument without conversion feature been issued i.e. as convertible bonds pay a lower coupon, the differential can be considered as the interest cost "paid" by way of granting a conversion option. We therefore in general support the proposal to bifurcate the equity component from the liability component and subsequently accrete the liability to par, resulting in an interest expense reflecting the issuer's non-convertible borrowing rate.

While we agree theoretically with the concepts of comparability and consistency between periods in the presentation of financial information, there are, as we demonstrate below, sometimes practical difficulties in applying this concept and situations arise where retroactive restatement does not improve the consistency of financial information. Therefore, in the situation where the convertible bonds impacted by the FSP are no longer in the balance sheet of the issuer at the end of the financial period immediately prior to the effective date of this FSP, we do not support the proposed provisions requiring retrospective application of the FSP to all periods presented. In such a situation, the financial statements are already presented on a consistent basis for all years presented. To require restatement of such financial statements would not improve the consistency of the year-on-year financial statements (as all periods would be adjusted on the same methodology) and may well cause confusion among the investor community by giving the inappropriate impression that the issuer had originally incorrectly accounted for the convertible debt. Such a restatement would in our case also result in an inordinate amount of work with no perceived benefit.

ABB

Affolternstr. 44
P.O. Box 8131
CH-8050 Zurich



We would like to illustrate the above situation with the following example. For a company with a December 31 year-end, the FSP would be effective for the year ending December 31, 2008 and would require restatement of the financial data presented for the years 2004 through 2007 inclusive. i.e. for a foreign private issuer such as ABB, the five-year financial data presented in Item 3 – Key Information of the Form 20-F. Indeed, if the convertible debt instruments affected by the FSP have been issued prior to 2004, it would then be necessary to go back to their date of issue (which may be a number of years prior to 2004) and roll forward all the figures. In a situation where the bonds in question had been held by numerous small investors who subsequently elected under the terms of the bonds to convert their bonds into shares well before the effective date of the FSP, the issuer could be faced with performing calculations of the present value of the liability component of the bonds on multiple (which may amount to hundreds of) conversion dates. Such calculations will result in substantial additional work for the issuer but no added consistency in the financial statements in the stated situation where the convertible bonds have been fully converted and are no longer outstanding prior to the effective date of the FSP. We therefore suggest that the FSP (in particular paragraph 22) be amended to not apply retroactively in a situation where the convertible bonds impacted by the FSP are no longer on the balance sheet as of the effective date of the FSP.

We further believe that the FSP, in particular paragraph 5, should be amended to provide further clarification in the following specific situation. Upon issuance of certain convertible bonds some years ago, there was an embedded foreign exchange derivative requiring bifurcation under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), resulting from the fact that, although the bonds were denominated in the functional currency of the issuer, the fixed number of shares issuable under the conversion option were traded on an exchange on which trades are executed in a currency other than the functional currency of the issuer. If cleared, Statement 133 Implementation Issue No. C21, *Scope Exceptions: Whether Options (Including Embedded Conversion Options) Are Indexed to both an Entity's Own Stock and Currency Exchange Rates* ("Implementation Issue No. C21"), published in April 2007, would deem that the embedded conversion option is considered indexed only to the issuer's own stock and therefore bifurcation would no longer be required. Furthermore, Implementation Issue No. C21 does not require restatement of prior periods. We acknowledge that paragraph 5 of the FSP states that the FSP does not apply in the situation where the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133. However, in our view, further clarification is required in the FSP as to how paragraph 5 should be applied in the specific situation described above where the convertible bonds were in the past correctly accounted for under the then valid guidance (i.e. the initial bifurcation of the conversion option arose due to the denomination of the company's stock (into which the bondholders could convert) being a currency other than the functional currency of the company), given that current guidance in Implementation Issue No. 21 is that the embedded conversion option would not have to be separately accounted for under SFAS 133.

Furthermore, the FSP does not address a situation where the terms of the convertible bonds that initially contained an embedded derivative that had to be bifurcated, in accordance with SFAS 133, have been amended subsequently and thereby fall within the scope of the FSP (e.g. in the above example, and prior to the issue of Implementation Issue No. 21, the stock to be delivered upon conversion was changed to a stock traded on an exchange where trades are executed in the functional currency of the issuer). We suggest that the FSP be expanded to provide implementation guidance on how to apply the FSP when modifications of the original terms of the bonds have changed the characteristics of the instruments such that upon date of amendment the instruments become subject to the FSP, when they previously were not. Furthermore, as outlined above, in a situation where the amended bonds are no longer outstanding as of the effective date of the FSP, we are of the opinion that there is no benefit in restating the financial information of prior periods.



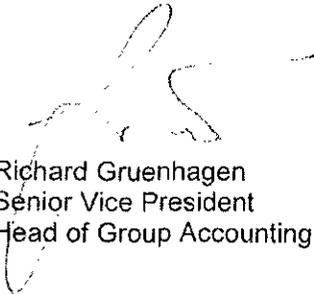
In summary, ABB recommends that:

1. retrospective application of the FSP to all periods presented should not be required in a situation where the bonds impacted by the FSP are no longer on the balance sheet of the issuer as of the effective date of the FSP, as
 - a) the financial statements are already presented on a consistent basis for all years.
 - b) the data analysis for retrospective application in such a situation may, as in our case, result in an inordinate amount of work with no perceived benefit.

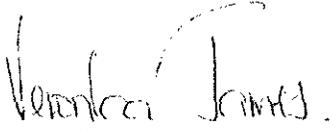
2. the FSP be expanded to address implementation in a situation where
 - a) in the past, a foreign exchange derivative was bifurcated solely due to the fact that the shares to be delivered upon conversion were traded on an exchange on which trades are executed in a currency other than the functional currency of the issuer, and/or
 - b) the original terms of the bonds have been amended prior to the effective date of the FSP such that upon amendment the instrument falls within the scope of the FSP.

If you have any questions or would like additional information on the comments we have provided, we would be pleased to discuss these issues in more detail with the Board or Staff at your convenience.

Sincerely,



Richard Gruenhagen
Senior Vice President
Head of Group Accounting & Financial Reporting



Veronica James
Vice President
Treasury Accounting/Controlling