



December 2, 2008

Financial Accounting Standards Board Attn: Technical Director— File Reference No. 1240-100 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re:

File Reference No. 1240-100

Exposure Draft on Earnings per Share, an amendment of FASB Statement No.

128.

Dear Technical Director, Board Members and Staff,

The Accounting and Auditing Committee of The Ohio Society of Certified Public Accountants is pleased to express its views on the exposure draft, "Earnings per Share, an amendment of FASB Statement No. 128."

In general, we concur with the views expressed in the Draft, with the exception of the excepted paragraphs below:

Inclusion of instruments, in basic EPS, that are exercisable or issuable for little or no cost to the holder, and mandatorily convertible participating securities:

While not wholly inconsistent with the theory behind current practice and current SFAS 128 guidance on contingent shares, this appears to consider dilutive instruments in the computation of basic EPS, and adds complexity and judgment to the determination of those instruments' inclusion. While holders have the right (or are deemed to have the right) to participate, they have not yet chosen to do so as of the end of the period. If such instruments are to be included in a basic EPS computation, it may be appropriate to apply consideration of historical experience, as it relates to forfeited and expiring rights to participate in earnings, for inclusion in the computation of shares outstanding.

Guidance on inclusion of instruments reported at fair value each period with changes in that fair value recognized in earnings:

There appears to be a mismatch in the proposed guidance in the EPS calculations of including these instruments' impact on earnings, while not adjusting the denominator for such instruments' impact.

The impact to earnings for such instruments is included in both basic and diluted EPS calculations. If dilutive, the denominator for diluted EPS should be adjusted accordingly in order to provide the appropriate information useful to users of the financial statements. The Board's reasoning behind the non-inclusion of these instruments in diluted EPS denominator calculations is largely predicated on the end-of-period valuation use, as discussed below. As



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such, determination on the use of that end-of-period valuation assumption would necessarily impact the determination of the point considered here.

End-of-period valuation assumptions with regard to assumed proceeds from liability instruments and market price considerations in determining the denominator of diluted EPS under the treasury stock and reverse treasury stock methods:

The ED appropriately changes the measurement period for both items noted above, as well as for the adjustment to proceeds for unrecognized compensation cost.

Notwithstanding the consistency achieved in the above noted assumptions, paragraph 11 of the ED continues to utilize a beginning of period assumption for incremental shares assumed outstanding (but not issued during the period) in computation of diluted EPS.

Use of a period-end market price for diluted EPS computations of the number of incremental shares outstanding under the Treasury Stock method introduces greater susceptibility to market volatility. High degrees of volatility have been recently witnessed in the financial markets and would, under the proposed changes, have dramatic impact to the period to period calculations of incremental shares outstanding. Such is additionally highlighted by the ED's intent to require entities to compute EPS each period independently from prior period computations.

Computational guidance on diluted EPS under the two-class method:

While it appears logical that in many situations, management would adjust dividend rates (per share amounts) if such were distributed to all potential common and participating shares, that would not be the case in all instances. There is often significant pressure from the street and related investors with regards to such rates and management may not perceive that they have the ability to adjust the rate downward for larger-scale participation events. This and other considerations may impact that decision around the dividend rate and should not necessarily be presumed in the literature. The full impact of such distributions may not be accurately included if consideration is not given to management intent and probability of payments based on historical experience.

Appropriateness of current disclosure levels and the absence of any requirement for further information to be disclosed:

It would appear that, in its current state, there may be the need for additional clarifying disclosure around instruments excluded from the diluted EPS calculation denominator, and their impacts to the calculation, as well as potential impacts if included in the denominator. Such information may be necessary for users to fully understand potentially dilutive instruments' effects.

Additionally, the use of an end-of-period market valuation in EPS calculations may strengthen the need for sensitivity type information on market change impacts to those

measures disclosed. Such becomes increasingly important to users in volatile markets like those being seen currently.

Convergence with International Accounting Standards

Conversion attempts are positive in light of the seemingly inevitable ultimate conversion with or adoption of international standards for US public registrants.

There are several instances, including end-of-period valuation use, where the Board appears to have deferred some level of consideration, or at least supporting commentary, in an effort to acquiesce to the provisions of IAS 33. However, several differences will continue to exist in the EPS calculations between US and international standards if the revisions in the ED are approved. Many such differences will continue as a result of underlying differences between the two sets of standards in income recognition and determination, as well as differences in accounting treatment for certain related and impacting instruments. Thus, comparability may not be significantly improved between the two until those underlying differences are resolved.

The Board should consider deferring this short-term convergence project until underlying differences between US GAAP and IAS are resolved. Once those underlying accounting differences have been eliminated, a project broader in scope could be undertaken to reconsider earnings per share determination and reporting.

We appreciate the opportunity to provide feedback to this exposure draft and welcome any additional opportunities to further discuss or otherwise support the efforts of the FASB in this area.

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