



LETTER OF COMMENT NO. 40



fei

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October 15, 2007

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

Sent by email to: director@fasb.org

File Reference: Proposed FSP APB 14-a

Dear Mr. Golden,

I would like to share my views, as the President and CEO of Financial Executives International ("FEI"), on the Financial Accounting Standards Board's ("FASB's") proposed FASB Staff Position (FSP) No. APB 14-a, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (the "proposed FSP").

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. This document represents my views, and not necessarily the views of FEI as a whole or its members individually.

It has come to my attention from a number of FEI members that they are highly concerned about the proposed FSP, which has been described in a recent article by Robert Willens of Lehman Brothers, published in BNA's Accounting Policy & Practice Report, as a 'radical' change to accounting.¹

Based on our review of comment letters filed on the proposed FSP to date, on the Willens' article, and on what we have heard directly from some of our members on this complex issue we are making the following recommendations that will work within the current environment of converging with related IASB standards and will avoid penalizing companies that issued particular types of debt relying on current standards after the fact:

1. in order to maintain consistency with FASB's overall direction on its liability and equity project the guidance in the proposed FSP should be dealt with in that project.
2. if however, FASB does not move this proposed guidance to the liability – equity project, then at a minimum consider:

¹ "Radical Changes Planned in Accounting for Convertible Securities," viewpoint column by Robert C. Willens, Lehman Brothers, in BNA Accounting Policy and Practice Report, Oct. 5, 2007. Copyright BNA, Used with Permission. Article is available at: http://www.financialexecutives.org/eweb/upload/FEI/Radical%20Changes%20Planned%20In%20Accounting%20for%20Convertible%20Securities_R.%20Willens.%20BNA%20Accounting%20Policy%20and%20Practice%20Report%2010.5.07.pdf

- a. extending the public comment period on the proposed FSP;
- b. extending the effective date a minimum of one year;
- c. changing the transition provisions such that the proposed FSP will only impact new transactions occurring after the effective date;
- d. making the application prospective only, not retrospective.

We appreciate the Board's consideration of these matters and would welcome the opportunity to discuss any and all related matters.

Yours very truly,

A handwritten signature in black ink, reading "Michael P. Cangemi". The signature is written in a cursive style with a large, prominent initial "M".

Michael P. Cangemi
President and CEO
Financial Executives International