Hewlett-Packard Company

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October 15, 2007

LETTER OF COMMENT NO. 45

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box5116
Norwalk, CT 06856-5116

File reference: Proposed FSP APB 14-a

Dear Mr. Golden:

Hewlett-Packard Company appreciates the opportunity to respond to the guidance that the Financial Accounting Standards Board has proposed in FASB Staff Position No. APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), our position follows:

We understand the theoretical merits of the proposal which aims at enhancing comparability among companies with different types of debt and fully account for the cost of funds. "An issuer of a convertible debt instrument that requires or permits partial cash settlement upon conversion should recognize the same interest cost it would have incurred had it issued a comparable debt instrument without the embedded conversion option". However, we believe the board should reconsider its position for the following reasons:

Retroactive application

- We believe retrospective application should not be applied to existing instruments, and that the FSP should be applied prospectively for new instruments entered into after the adoption date. Current issuers of convertible instruments under the scope of the proposed FSP relied on existing U.S. GAAP guidance when making their financing decisions. This FSP will have a negative impact on financial results which were not originally intended. Furthermore we believe that retrospective application will result in operating inefficiencies due to its complexity.

Convergence with International Financial Reporting Standards "IFRS"

- This FSP will result in further deviation from International Financial Reporting Standards "IFRS" as detailed in appendix B paragraph B6. We believe that this conflicts with the Board's current convergence efforts with the International Accounting Standards Board "IASB" continue. We believe that it is more preferable to address this issue within the comprehensive liability and equity project.

Complexities and cost to implement

- The FSP as proposed would require issuers of convertible debt within its scope to calculate fair value of the liability portion of the instrument on the issuance date and each conversion date. We believe that the efforts and costs required for this would outweigh the benefit. Given the retrospective treatment proposed, companies would need to go back to the issuance date of the debt and adjust the book values for each period, in addition to tracking all conversions up to the adoption date and determine what the fair value of the liability was on these dates.

In summary we propose that this project be postponed and addressed within the FASB comprehensive liability and equity project, given the complexity of the topic and the impact of partially addressing it.

To the extent the Board intends to issue the FSP in its present form, follows are our responses to the Board specific points:

1- Method of separation:
We agree with the board proposed method of separation, but we disagree on retrospective application as explained above.

2- References to other applicable U.S. GAAP:
We believe that the inclusion of references to other applicable U.S. GAAP should be retained as it improves the understandability of how the FSP relates to the other accounting literature.

3 – Illustrative examples in appendix (A)
We believe that the appendix (A) example does improve the understandability of the guidance.

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Hewlett-Packard Company appreciates the opportunity to comment on the proposed FSP. If you have any questions or would like additional information on the comments we have provided, please contact Robert Pashley at (650)-857-2425 or me at (916) 785-9275

Sincerely,

Jim Murrin
Corporate Controller
Hewlett-Packard Company

Robert Pashley
Director Enterprise Financial Reporting
Hewlett-Packard Company