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January 9, 2009

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 2

Re: File Reference Proposed FSP FAS 107-a

Dear Russ:

Microsoft appreciates the opportunity to respond to the proposed FASB Staff Position (FSP) FAS 107-a. While we support the FASB's goal of increasing the comparability of financial statements, Microsoft is strongly opposed to the proposed FSP with respect to non-financial institutions (based on the definition of financial institutions in FAS 115, "Accounting for Certain Investments in Debt and Equity Securities") as we do not believe it will improve the quality of information provided to users of non-financial institutions financial statements.

Microsoft understands that the current unprecedented global financial crisis may require accelerated efforts in dealing with reporting issues. However, it is important to keep in mind that accelerated efforts in complex areas could result in unhelpful reporting and unintended consequences. As we have commented on a number of occasions and as articulated in the final report of the SEC's Advisory Committee on Improvements to Financial Reporting (CIFiR), we fundamentally believe that the FASB needs to develop an overall disclosure framework, since adding detailed disclosures on a piece-meal approach (standard-by-standard) may actually result in a deterioration of the overall disclosure "package" in certain instances. We believe the proposed FSP is an example of one of these instances for non-financial institutions, especially since the proposed disclosures are an interim step given the comprehensive joint project with the IASB to address complexities related to recognition and measurement of financial instruments, including impairments.

We note that it appears there were no representatives from commercial and industrial companies that participated in the FASB's November 25, 2008 round table meeting on the global financial crisis. This does not appear consistent with the stated objective of the round table to "provide an opportunity to hear input from a wide range of stakeholders". Additionally, from our perspective, the recently released SEC Study on Mark-To-Market Accounting seems heavily focused on fair value accounting issues within the context of financial institutions. For instance, the Study indicates that, "The events leading up to the Congressional call for this study illustrated the need for identifying and understanding the linkages that exist between fair value accounting standards and the usefulness of information provided by *financial institutions*" [Emphasis added].

From a operational perspective, Microsoft has a June 30<sup>th</sup> fiscal year end, so the proposed FSP's effective date of *interim* and annual reporting periods ending after December 15, 2008 would require us to disclose this information in our fiscal second quarter Form 10-Q for the period ending December 31, 2008. Microsoft has historically filed its Form 10-Q on the same day as our earnings release, which is tentatively scheduled for Thursday, January 22, 2009. We do not believe the provisions of the proposed FSP can be operationally effective by that date. The calculation of the incurred loss for all of our debt securities will require several weeks to complete, as we would need to implement a process to compile the effective interest rates as well as estimate the expected future cash flows of a significant number of securities. Furthermore, we believe that this process could take longer than the required filing date of our Form 10-Q.

If the FASB does not agree that the proposed FSP should only be applicable to financial institutions, Microsoft proposes that the disclosures not be required for interim reporting periods and that the effective date be changed to annual reporting periods ending after December 15, 2008. This would be consistent with the IASB's proposal for a similar set of disclosures for reporting entities that prepare financial statements in accordance with International Financial Reporting Standards. If the FASB believes these disclosures should be made on an interim basis, Microsoft requests that the effective date be changed to fiscal years ending after December 15, 2008 and interim and annual periods in subsequent fiscal years.

If you have any questions, please contact me at (425) 703-6094.

Sincerely,

Bob Laux Senior Director, Technical Accounting and Reporting