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August 14, 2008

Mr. Russell G. Golden
Director of Major Projects and Technical Activities
File Reference No. 1590-100
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 33

Re: Proposed Statement of Financial Accounting Standards: Accounting for Hedging Activities, an amendment of FASB Statement No. 133

Dear Mr. Golden.

As a U.S. company with international operations, we use derivatives designated as cash flow hedges under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"), to hedge certain of our forecasted revenue transactions denominated in currencies other than the U.S. dollar.

The proposed changes to paragraph 40¹ of FAS 133 appear to allow a "cash flow hedge" designation for the hedging of intercompany or third-party transactions that 1) relate to a non-functional currency exposure and 2) reflect an enterprise level currency exposure. We would like the Financial Accounting Standards Board to clarify and agree that the intercompany transaction described in the following example represents an enterprise level currency exposure:

A U.S. parent company has a Euro functional currency subsidiary. The subsidiary sells products and services and recognizes revenue from third-parties in Euro. The parent reports its consolidated financial statements in USD. As such, the subsidiary's Euro revenue must be translated into USD for reporting purposes which is an enterprise level currency exposure.

The parent earns revenue from its subsidiary under an intercompany royalty agreement. The intercompany revenues of the parent and intercompany expenses of the subsidiary are eliminated in consolidation. These intercompany transactions are denominated in Euros, calculated under an arms length tax agreement, and are associated with revenues earned by the subsidiary from third-parties.

¹ The proposed changes to paragraph 40 indicate that the forecasted transaction presents an exposure to variations in cash flows that could affect reported earnings must still be met at the level being reported on. (For example, in the financial statements of a consolidated entity, there would need to be a potential earnings effect that survives consolidation.)



The parent enters into a buy-USD/sell-Euro "cash flow hedge" and designates a forecasted Euro intercompany royalty transaction as the hedged exposure. The purpose of the hedge is to protect consolidated forecasted revenues from changes in currency rates.

If you would like to discuss the issue further, please feel free to call Mark Fuchs (Chief Accountant) at 650-253-5703 or Brent Callinicos (Treasurer) at 650-253-0897.

Thank you for taking time to review our comments.

Kind regards,

Mark Fuchs

Vice President & Chief Accountant

Brent Callinicos

Vice President & Treasurer