

October 26, 2009

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

File Reference No.EITF090E—*Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash*

Dear Mr. Golden:

BDO Seidman is pleased to offer comments on the Exposure Draft of the Proposed Accounting Standards Update, *Equity (Topic 505) and Earnings per Share (Topic 260)*. We do not agree with the proposed accounting guidance and share the view held by the majority of the Emerging Issues Task Force members. We believe that the stock portion of the dividend addressed in the proposed Accounting Standard Update should be treated as a share issuance that is reflected in earnings per share on a prospective basis rather than as stock dividend.

We discuss this point in greater detail below, and have also included our responses to the other questions posed in the ED.

Responses to Questions

Question 1: Do you agree that the stock portion of a distribution to shareholders that allows shareholders to elect to receive cash or shares with a limit on the amount of cash that will be distributed in total should be accounted for as a stock dividend?

In our view, the distributions described in the ED do not meet the definition of a stock dividend. According to ASC 505-20-15-3¹ stock dividends do not include distributions or issuances to shareholders for which the shareholders are given an election to receive cash or shares. Further, ASC 505-20-05 states that a stock dividend “takes nothing from the property of the corporation” and that “the proportional interest of each shareholder remain the same.” Distributions of stock and cash that permit shareholders to select the form of the distribution would normally change the shareholders’ proportionate interests except in the unlikely situation where all shareholders make the same election.

Further, we believe, that since the distributions will be settled in a variable number of shares, they should be recognized as a liability in accordance with the guidance in ASC 480.² The shares are potentially issuable until paid and should be reflected in diluted earnings per share in accordance with ASC 260-10-45-45.³

¹ FASB Accounting Standards Codification Topic 505, *Equity*

² FASB Accounting Standards Codification Topic 480, *Distinguishing Liability from Equity*

³ FASB Accounting Standards Codification Topic 260, *Earnings Per Share*



Question 2: Do you agree that when shareholders are given the option to elect to receive cash or shares with a limit on the total amount of cash that will be distributed, only the minimum portion of the distribution that will be issued in shares should be accounted for as a stock dividend? For example, if cash available to be distributed is limited to 40 percent of the total value of the distribution, 60 percent of the total value of the distribution would be considered a stock dividend.

As discussed above, we do not agree that any of the distributions should be considered a stock dividend because the distributions are not proportional on an individual shareholder basis.

Question 3: Do you agree that if an entity issues financial statements before a stock dividend has been retroactively reflected in EPS, the entity should not be required to include the estimated shares that will be issued in the computation of diluted EPS?

We do not agree. We believe the potentially issuable shares should be reflected in diluted earnings per share in accordance with ASC 260-10-45-45 based on the facts available each period.

Question 4: Do you agree that an entity should reflect a stock dividend in EPS in its financial statements on the later of the ex-dividend date or the date the number of shares to be issued is known?

We agree.

Question 5: Is the proposed effective date operational? If not, please explain why.

We believe that the proposed effective date is operational for both our view and the view proposed in the ED.

* * * * *

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Lee Graul, National Director of Accounting, at (312) 616-4667 or Adam Brown, Partner in the National Accounting Department, at (214) 665-0673.

Very truly yours,
/s/ BDO Seidman, LLP