

RUSSELL G. GOLDEN
Chairman

August 19, 2014

Mr. John Davidson
Mr. W. Daniel Ebersole
Co-Chairs, Standard-Setting Process Oversight Committee
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Dear Messrs. Davidson and Ebersole:

Response of the Financial Accounting Standards Board

The Financial Accounting Standards Board (FASB or the Board) is pleased to respond to the Financial Accounting Foundation's (the Foundation) *Post-Implementation Review (PIR) Report on FASB Statement No. 123(R), Share-Based Payment*, dated August 2014.

The FASB continually strives to improve U.S. generally accepted accounting principles (GAAP). The Board believes that post-implementation reviews are an important feedback mechanism because they identify opportunities to improve the standards-setting process and provide insights into the effectiveness of our standards. The PIR process has provided the Board with important stakeholder feedback on the benefits and costs of Statement 123(R) in light of actual experience with using and preparing the information for an extended period of time.

We are pleased that the PIR team concluded that Statement 123(R) achieved its expected benefits because the standard resolved the issues that led to its issuance and generally provides investors with useful information. The PIR team concluded that Statement 123(R) addressed user concerns that entities were not recognizing in earnings the cost of employee services received in share-based payment transactions; improved the comparability of, and simplified the accounting for, share-based payment transactions by eliminating alternative accounting methods; and to a large extent, brought about convergence of GAAP and International Financial Reporting Standards for share-based payment accounting. The PIR team also concluded that Statement 123(R) did not result in any significant unanticipated consequences. Given the

challenging debate about accounting for share-based payment preceding the issuance of Statement 123(R) and the significance of the financial reporting change, we believe that the feedback from the PIR team is indicative of the overall quality and integrity of the FASB's standards-setting process.

The FASB does not plan to undertake a comprehensive review of Statement 123(R) because feedback the FASB received from the PIR team and directly from stakeholders does not indicate there is a need for the Board to reconsider the fundamental accounting model for share-based payment to employees. However, we recognize that the PIR team reported that a few areas within Statement 123(R) may be costly for entities to apply. The feedback from the PIR team is consistent with input the FASB previously received directly from stakeholders through outreach performed for the FASB's Simplification Initiative and for pre-agenda research performed for the Private Company Council (PCC).

The FASB staff's outreach on improvements to accounting for share-based payment transactions is ongoing. That outreach will include identifying potential cost-effective solutions for areas that could be considered in potential narrow-scope projects and, to the extent possible, solutions that similarly address issues of both public and private companies. The FASB staff will bring the results of the outreach to the Board and the PCC later this year to help inform the deliberations of both bodies as they each make decisions about future agenda items.

On behalf of the FASB, I thank the Foundation for undertaking this important process and all of the stakeholders that provided input on Statement 123(R) for the benefit of those that use GAAP.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Golden", written in a cursive style.

Russell G. Golden

cc: FAF Board of Trustees, Teresa S. Polley, Kimberley R. Petrone