

**Group Case**  
**FASB Comment Letters**

As part of its due process, the Financial Accounting Standards Board (FASB) asks for comments on its proposed standards. These proposed standards, in the form of Exposure Drafts, are available on FASB's website. FASB then evaluates those comment letters. In many cases the organizations or persons responding provide useful information because they provide a viewpoint the FASB has not fully considered or else provide technical information about a particular industry or practice the FASB has failed to consider. In most cases the FASB revises its proposed standards in response to the comment letters.

In this case, you are going to analyze a comment letter related to SFAS 123R, Share-Based Payments. The comment letter was written in response to the exposure draft FASB published in March 2004. SFAS 123R was later issued in December 2004. Your memo should address the issues below. The exposure draft documents, the finalized SFAS 123R, and the comment letter you will analyze, are downloadable from the moodle. There are 5 comment letters – each group has been assigned a comment letter to analyze.

- 1– Eaton
- 2 – Monster
- 3 – Pepsi
- 4 – Pfizer
- 5 – Dell

**Required:**

1. Explain the position that the letter takes on how to account for share-based compensation, including any suggestions for change.
2. Analyze why the company writing the comment letter takes the position it does.
3. Evaluate if the arguments made in the letter are reasonable. Your evaluation of the firms' arguments and the standards should be based upon the objectives and qualitative characteristics of financial reporting stated in the Conceptual Framework.