



March 7, 2007

Mr. Lawrence Smith
EITF Chair
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

**Re: EITF Issue No. 07-B,
Accounting for Convertible Instruments that Require or Permit Partial Cash
Settlement upon Conversion**

Dear Mr. Smith:

The Association for Financial Professionals (AFP) represents approximately 15,000 finance and treasury professionals employed by over 5,000 corporations and other organizations. Our membership includes a significant number of corporate treasurers who oversee the management and investment of cash, short-term and long-term investments and are either directly or indirectly responsible for strategies to manage company cash requirements.

AFP appreciates the opportunity to comment on the issue of Emerging Issues Task Force (EITF) No. 07-B, "*Accounting for Convertible Instruments that Require or Permit Partial Cash Settlement upon Conversion*" ("*Issue 07-B*"), which was recently added to the EITF's agenda. AFP members represent a major user of privately negotiated derivatives from financial institutions.

AFP believes that the proposed alternative (View B) to the current accounting for convertible instruments with terms that require or permit partial cash settlement represents a change to current generally accepted accounting principles ("GAAP"), including FASB Statement No. 133 and APB 14. Given this view, AFP does not believe that Issue 07-B represents a matter that should be resolved by the EITF at this time. EITF should not act on this issue in advance of the results of FASB's current project on liabilities and equities. In fact, FASB should include any changes in the treatment of 'convertible instruments' in its liabilities and equities project. Piecemeal changes in complex accounting rules will not enhance transparency or efficiency of the capital markets.

FASB Project Plan on Debt and Equity (Extracted from FASB Web site)

The Debt and Equity Project is one part of the Board's broader initiative to improve the accounting for financial instruments. The project's objective is to develop a comprehensive standard of accounting and reporting for financial instruments with characteristics of equity, liabilities, or both, and assets. Such a standard will improve financial reporting by providing a more complete and representational depiction of those financial instruments in the statement of

financial position. The improved classification, measurement, and presentation guidance provided by the standard, when combined with required disclosures in notes to the financial statements, is intended to provide users with decision-useful information about a reporting entity's obligations to transfer assets or issue shares.

Consistent with the FASB's broader convergence goals, the Board will use this project to further converge with accounting standards developed by the IASB. Presently, the FASB and the IASB plan to conduct this project under a **modified joint approach**. Under this approach, the initial due process document issued by the FASB will be in the form of a Preliminary Views. That document will be concurrently published by the IASB for comment by its constituents. The Boards plan to use the input received on those initial due process documents as the basis for a joint project to develop a common standard of accounting and reporting. In that joint project, the Boards will deliberate and develop a proposed Statement, to be followed by joint redeliberations and development of a common final Statement.

Reasons to delay this change:

- **Using EITF Exacerbates Complexity-** Using the EITF to address one relatively narrow group of instruments outside of the planned comprehensive joint FASB/IASB standards project leads to added complexity and confusion for those companies having to rely upon the accounting standards. This is why the IASB made the decision to delay the introduction of any new accounting standards until 2009. The introduction of continuous changes complicates the financial reporting environment.
- **Integrate the Issue into the Debt Equity Project-** Financial statement reporting would be better served in this case if this issue was integrated into the planned debt equity joint project between the IASB and the FASB.
- **Coordinate with IASB through Convergence-** It is much more efficient to wait until the planned joint project to introduce new accounting rules. Companies with a global reach now must comply with multiple accounting standards which add to accounting standard complexity. Delaying changes until the rules can be introduced and implemented jointly by FASB and IASB will reduce the compliance burden upon international companies.

AFP urges FASB to delay the planned EITF Issue No. 07-B until it can be properly integrated into the joint FASB/IASB Debt and Equity project. Please contact John R. Rieger, Director of Accounting and Financial Reporting for any additional information or questions (301) 961-8885 jrieger@afponline.org.

Mr. Lawrence Smith, EITF Chair
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EITF Issue No. 7-B
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Sincerely,

A handwritten signature in cursive script that reads "James A. Kaitz". The signature is written in black ink and is positioned below the word "Sincerely,".

James A. Kaitz
President and CEO