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December 1, 2005

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: Proposed SFAS: Earnings Per Share, an Amendment of FASB Statement No. 128

To Whom It May Concern:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs that will implement the provisions proposed in the above captioned FASB exposure. NYSSCPA thanks FASB for the opportunity to comment on its exposure draft.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Margaret Wood, chair of the Financial Accounting Standards Committee, at (212) 542-9528, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

President

Attachment

**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON PROPOSED FASB STATEMENT OF FINANCIAL ACCOUNTING
STANDARDS**

Earnings Per Share, an Amendment of FASB Statement No. 128

December 1, 2005

Principal Drafter

Mark Mycio

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Ernest J. Markezin

**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

COMMENTS ON FASB EXPOSURE DRAFT

Proposed Statement of Financial Accounting Standards, *Earnings Per Share, an
Amendment of FASB Statement No. 128*

File Reference 1240-001

In April 2004, we commented on the original version of this Exposure Draft. We noted that essentially all the issues that we raised at that time have been addressed to our satisfaction in this revised draft. We thank the Board for its genuine consideration of the concerns expressed by its constituency.

We have the following comments concerning this new version of the Exposure Draft.

Issue 1

We agree with the Board's rationale that the issuance of shares in exchange for the extinguishment of a liability and the issuance of shares in exchange for the receipt of cash are economically indistinguishable from the standpoint of owners' equity interests. Accordingly, we agree with the Board's conclusion that the application of the treasury stock method in measuring earnings per share should reflect this equivalence.

Issue 2

We do not agree with the Board's alternative method which uses the end of period stock price in measuring the assumed proceeds of a liability containing a share-settlement option. While the carrying amount of the liability in the statement of financial position will reflect the stock price at period end, the earnings per share computation should adhere to the principle first stated in Statement 128 that the objective of the earnings per share measurement is to "...measure earnings per share for the period based on period information..." The change in the value of the liability over the period that results from its correspondence to the change in the stock price is analogous to an option with a changing exercise price. To be consistent with the period-focused measurement objective, an averaging should be applied to the exercise-price element. Accordingly, we agree with the proposed use of the carrying amount of the relevant liability at the end of the period and the average stock price in determining the assumed share buy-backs in the incremental share computation.

Other

We note that paragraph 29 of this standard addresses one of the comments in our previous letter by clarifying that share settlement should be assumed for an instrument with a choice of cash or share settlement even if that instrument is in fact settled for cash during the period. However, the standard should contain clarification regarding the computation. A weighted average factor should be applied reflecting the proportion of the period up until the date of actual cash settlement, representing the actual period that the share-settlement option was effective. The standard should clarify this nuance. An example would be helpful.