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Mr. Lawrence W. Smith  
Chairman, Emerging Issues Task Force  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
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**EITF Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, *Accounting for Compensated Absences*"**

Dear Mr. Smith:

Intel Corporation appreciates the opportunity to comment on EITF Issue 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, *Accounting for Compensated Absences*" (Issue 06-2). We acknowledge that diversity in the interpretation of *accumulate* has led to diversity in the accounting for sabbatical and similar compensated absence arrangements. We also believe that the views articulated in the Issue Summary do not fully capture the debate about *when* such benefits accumulate. We are, therefore, submitting an alternative view for the Task Force's consideration in their deliberations over Issue 06-2. That alternative view is described in Appendix A to this comment letter.

If you have any questions, please do not hesitate to contact me at 503-696-1299.

Sincerely,

Kevin McBride  
Accounting Policy Controller

## Appendix A

*View C: An employee's right to a compensated absence under a sabbatical or similar benefit arrangement accumulates pursuant to FAS 43 once the employee has completed the requisite years of service to be eligible to receive the compensated absence.*

1. Proponents of View C agree with a number of the assertions set forth in View A. Proponents of View C believe that sabbatical and similar compensated absences are in the scope of FAS 43 for the reasons stated by View A proponents. View C proponents also believe that compensated absences do not have to vest in order to meet the definition of accumulate. Vesting is defined in footnote 1 of FAS 43 as "rights are those for which the employer has an obligation to make payment even if an employee terminates; thus, they are not contingent on an employee's future service." The ability to carry forward an earned but unused right is not dependent upon whether the earned but unused right is paid upon termination. Finally, supporters of View C believe that limiting the life of a sabbatical or similar compensated absence after eligibility impacts the measurement of the compensated absence, provided that the right to the compensated absence meets the recognition criteria set forth in paragraph 6 of FAS 43. The preceding assertions, however, do not address the issue of whether sabbatical and similar compensated absences accumulate pursuant to FAS 43.

2. With respect to whether compensated absences accumulate pursuant to FAS 43, View C proponents observe that the right has to be *earned* in order to meet the definition of *accumulate*. Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, defines earned for purposes of recognizing revenues as the point at which "the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues." View C proponents observe that an employee has not earned a right that it can use at the end of the first year of an 8 year service period (using the example provided in paragraph 1 of the Issue Summary) because the employee has not accomplished what it must do to be entitled to the benefit; that is, the employee is not entitled to an "earned but unused right." View C proponents also observe that the definition of vesting includes the requirement that the payment "is not contingent on an employee's future service." That notion, when applied to sabbatical and similar compensated absences that require numerous years of service, suggests that benefits that are contingent on an employee's future service are earned once the requisite service period is completed. View C proponents, therefore, conclude that the requisite service period must be completed in order for the benefits to be earned and deemed to accumulate.

3. The following examples illustrate the application of View C.

### Example 1

Company offers its employees a benefit that entitles the employees to three weeks of compensated absence during each year of service; employees are not required to perform any duties for the entity during the compensated absence. If an employee terminates, they are not entitled to compensation (that is, the right does not vest). Similarly, if after working a year the employee terminates employment prior to taking the earned leave, they are not entitled to a benefit. Any unused compensated absence cannot be carried forward into periods subsequent to the period in which it is earned.

### Analysis of Example 1

In this example, compensated absences are earned during each year of service. However, earned but unused rights cannot be carried forward to periods subsequent to the period in which it is earned. Therefore, the compensated absence does not accumulate.

### Example 2

Company offers its employees a benefit that entitles the employees to three weeks of compensated absence after completing each year of service; employees are not required to perform any duties for the entity during the compensated absence. If an employee terminates prior to working the full year, they are not entitled to compensation (that is, the right does not vest). Similarly, if after working a year the employee terminates employment prior to taking the earned leave, they are not entitled to a benefit. Any unused compensated absence can be carried forward into periods subsequent to the period in which it is earned.

### Analysis of Example 2

In this example, compensated absences are earned after completing one year of service. In addition, any unused compensated absence can be carried forward to periods subsequent to the period in which it is earned. Therefore, the compensated absence accumulates upon the employees completing one year of service.

### Example 3

Assume the same facts as Example 2; however, assume that employees are entitled to 1 additional week of compensated absence per year (4 weeks a year) after completing 10 years of service.

### Analysis of Example 3

In this example, the additional week of compensated absence is contingent upon completing 10 years of service and, therefore, is earned *upon* completing each year of service beyond 10 years. In addition, any unused compensated absence can be carried forward to periods subsequent to the period in which it is earned. Therefore, each additional week of compensated absence that is earned per year accumulates upon employees completing 10 years of service.

### Example 4

Company offers its employees a benefit that entitles the employees to a 10 week compensated absence after 8 years of service; employees are not required to perform any duties for the entity during the compensated absence. If an employee terminates prior to working the full eight years, they are not entitled to a pro rata portion of the compensation absence. Similarly, if after working eight years the employee terminates employment prior to taking the earned leave, they are not entitled to a benefit. Any unused compensated absence can be carried forward into periods subsequent to the period in which it is earned.

#### Analysis of Example 4

In this example, compensated absences are earned *upon* completing eight years of service. In addition, any unused compensated absence can be carried forward to periods subsequent to the period in which it is earned. Therefore, the compensated absence accumulates upon employees completing eight years of service.

4. View C proponents question the application of View A to Example 3. View A suggests that some portion of the additional week of vacation for all years that the employee is expected to work beyond 10 years should be accrued during the first 10 years of employment. Similarly, View A suggests that the sabbatical in Example 4 should be accrued during the first eight years of employment. View A, however, does not clearly articulate the employee's "earned but unused right" at any point prior to completing the requisite service period. In fact, the application of View A to Examples 3 and 4 results in the accrual of the compensated absences *as if* the employee has the current right to a compensated absence for the pro rata portion earned to date. This is clearly not the case.

5. Finally, View C proponents observe that the Board clearly stated in paragraph 18 of FAS 43 that sabbaticals are in the scope of FAS 43. View C proponents believe that it is not appropriate to conclude that sabbaticals should be accrued because they are within the scope of FAS 43. Instead, sabbaticals, like any other compensated absence within the scope of FAS 43, should be accrued when they meet the criteria set forth in paragraph 6 of FAS 43.