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**To:** FASB Comments <fasbcomments@fasb.org>  
**Cc:** Wang, Ying Ying <YingYing.Wang@Imu.edu>  
**Subject:** Agenda Request

A message to the technical director, Shayne Kuhaneck:

I am writing in hopes to inspire change in required disclosures surrounding the reporting of earnings per share (EPS) for public companies. As an average investor, the EPS metric is a valuable tool when comparing potential investments. However, due to companies' stock repurchases, the EPS reported may not always be indicative of how a company is doing because there are various differences why a company could repurchase its stock. In a time when executive pay is substantially dependent on EPS and other stock-based measures, the chance that stock is repurchased for reasons involving bonuses, or higher pay increases. By repurchasing large amounts of stock, the EPS will often rise and could leave the common investor believing it is because of higher earnings or high demand for the stock.

The common investor, such as myself, becomes at risk for misinterpreting the information currently disclosed on financial statements. Although extensive research is not needed to find disclosure statements, a lack of financial knowledge could lead to a misinterpretation regarding the reasoning behind the spike in the EPS metric. Did the company buyback stock because it was undervalued? Was it done to offset dilution? Or was it done to increase EPS for a given period, resulting in meeting benchmark goals leading to a raise for executives? The average investor could find it difficult to understand the reasoning behind a stock repurchase without a substantial amount of time to decipher between multiple statements. Because of this dilemma, it should be required for public companies to report two separate measurements of earnings per share. One would include the EPS with respect to the repurchase of its own stock, and the other excluding the repurchase. This would provide insight to investors what the difference in EPS would measure and could provide useful and relevant information when making a decision.

Although companies would be responsible for the calculation, the costs remain minimal when compared to the informational cost handed off to investors. The accounting team responsible for the currently required EPS would also be responsible for the new calculation, which could be done using information from the repurchase that they already have readily available. This would prove to be easier for companies than the general public as the information would be easier to obtain from the companies side than the general public. The public is currently expected to find the repurchase disclosure along with the specifics surrounding the repurchase, and perform their own calculations to find an accurate EPS had the repurchase not been performed. With a growing number of these share buybacks, specifically accelerated stock repurchases (ASR's), there is an increasing complexity surrounding EPS. Although seasoned investors could understand the motivation behind a stock repurchase, more disclosure requirements would aid the average investor greatly. In following the conceptual framework, understandability is a key characteristic that should be assessed for average investors. A reason why this would be relevant would be if the EPS excluding the repurchase did not meet the target EPS, and leave investors wondering if it was performed for compensation benefits as opposed to it being a reasonable business transaction.

There are studies done involving ASR's and how they serve to benefit executives without specifically disclosing to the general public as to why they are being performed at such a high rate. More

requirements surrounding the reasoning behind ASR's would serve to maintain a level of transparency between companies and their (potential) investors. A specific study looked into companies whose EPS targets were met by a narrow margin and would have missed the EPS target entirely had an ASR not been performed. This kind of study provides great insight into the potential abuse by executives using ASR's to record higher EPS measurements solely to reach targets and receive bonuses linked to EPS. (<https://www.cfo.com/investor-relations-banking-capital-markets/2018/08/accelerated-share-repurchases-help-execs-not-investors/>)

The need for two EPS calculations would increase transparency, along with understandability for the average investor. The current requirements do not comply with the conceptual framework, specifically SFAC no. 8, chapter 3, which gives qualitative characteristic for useful information. Without these characteristics, the information provided in financial statements becomes less useful, and hurts investors that are unable to decipher complex statements and disclosures involving ASR's. The benefits provide the average investor with reasoning behind the ASR, as well as how an ASR was used increase EPS. All of the benefits could arise from minimal costs from companies.

Thank you,

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