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March 5, 2003

Ms. Kimberley Crook, Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Board Members:

Cardinal Health, Inc. (Cardinal) respectfully responds to the invitation to comment on the International Accounting Standards Board Exposure Draft 2 *Share-based Payment* ("Document"). Cardinal is a leading provider of products and services supporting the health-care industry. Cardinal, which is headquartered in Dublin, Ohio, United States of America, employs more than 49,000 people on five continents and produces annual revenues of more than $44 billion. We appreciate this opportunity to provide you with our views on the Document.

Cardinal will limit its response to question 24 which requests comments on the comparison to FASB Statement 123.

- **Question 24: Comparison to SFAS 123**

    - Treatment of forfeitures:

      Cardinal does not believe that the effect of forfeitures should be incorporated into the estimate of fair value due to the fact that Cardinal believes that the concept of issuance is the proper accounting concept to follow for the accounting for stock based payments. As such, forfeitures are taken into consideration in determining if issuance has occurred. Cardinal finds it interesting that the Document allows for grouping of employees coupled with the estimation of forfeitures. This combination can produce an accounting result that circumvents the Document's primary premise that the accounting at the grant date must value the services received, regardless of whether or not the equity instruments are issued. For example, if the grouping results in a population that will have 100% forfeiture then no value would be placed on the grant even though units of service will be received by the company. This combination actually produces accounting results that are in theoretical agreement with the principles of SFAS 123 and in opposition to the Document.

- Concept of issuance:

  Cardinal believes that the concept of issuance is critical to the development of an accounting standard on stock-based payment, and Cardinal also believes that the instrument should be considered issued at the vesting date, not at the grant date. The rationale for Cardinal's belief is grounded in the fact that the basic premise of the Document is that the options are issued as consideration for goods or services to be received in the future. This is evidenced by the fact that the employee does not have tangible value in the options until they vest, which us usually after a performance period at some point in the future. In this context, Cardinal does not believe that the instrument used to "pay" for the goods or services should impact the basic principles of the underlying accounting. As such, when payment is made by a traditional means, for example cash, the accounting is not completed until the performance conditions are satisfied and the cash tendered. Transferring the principles of a cash payment to an option payment would lead to the conclusion that the issuance does not occur until the options vest and other performance conditions are satisfied.

- Employee versus non-employee option grants:

  Since both employee and non-employee equity instruments are issued in consideration for something of value received by the company, Cardinal does not believe there should be a difference in the measurement date. Cardinal agrees with the IASB in that there is no conceptual difference between the two types of transactions. However, Cardinal does not agree with the IASB measurement methodology (as explained throughout the responses in this letter) and believes that the accounting for performance based grants should follow the guidance currently prescribed in SFAS 123 for both employee and non-employee grants.

- Performance based grants:

  Cardinal believes that the outcome of performance awards should affect the total compensation expense incurred. The reasoning for Cardinal's belief is the logic stated previously in that Cardinal does not believe that the instrument used to "pay" for the goods or services should impact the basic principles of the underlying accounting. For example, Cardinal does not believe that the accounting theory for an option based performance bonus should be different than cash based performance bonus. The economics to the company are the same and as such Cardinal believes that the underlying theory should be the same.

- Tax benefits:

  Cardinal agrees with the IASB that the tax effects should flow through the income statement. The tax effect is a result of the taxable compensation expense the company is able to recognize for the stock based payments, and should not be treated differently because of the method of payment used by the company. The measurement date difference between book and tax does not result in an additional equity contribution to the company by the government or the entity that received the stock based payment, so Cardinal does not agree that the impact of this should be accounted for in equity.

Sincerely,

Richard J. Miller
Chief Financial Officer