



# News Release

Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116 (203) 847-0700  
Fax: (203) 849-9714

**Media Contact: Sheryl Thompson**  
**(203) 847-0700, Ext. 268**

## **For Immediate Release**

### **FASB Adds Projects to Its Agenda on Employee Stock Options and Pensions**

**Norwalk, CT, March 12, 2003?** Responding to requests from investors, financial analysts and other users of financial information, the Financial Accounting Standards Board (FASB) added to its agenda two projects that will seek to improve the accounting and disclosures relating to stock-based compensation and pension costs.

Amongst other issues, the project on stock-based compensation will address whether to require that the cost of employee stock options be treated as an expense. The Board plans to start deliberating the key issues on this subject at future public meetings with a view to issuing an Exposure Draft later this year that could become effective in 2004.

In commenting on the Board's decision, FASB Chairman Robert Herz remarked, "Recent events have served as a reminder to all of us that clear, credible and comparable financial information is essential to the health and vitality of our capital market system. In the wake of the market meltdown and corporate reporting scandals, the FASB has received numerous requests from individual and institutional investors, financial analysts and many others urging the Board to mandate the expensing of the compensation cost relating to employee stock options."

The Board also believes there is a need for one consistent approach to recognize the costs associated with employee stock options. Mr. Herz stated, "While a number of major companies have voluntarily opted to reflect these costs as an expense in reporting their earnings, other companies continue to show these costs in the footnotes to their financial statements. In addition, a move to require an expense treatment would be consistent with the FASB's commitment to work toward convergence between U.S. and international accounting standards. In taking all of these factors into consideration, the Board concluded that it was critical that it now revisit this important subject."

As part of the project, the Board also will examine whether there are ways to improve the precision and consistency of measuring the cost of employee stock options, as well as whether to require additional informative disclosures. The Board has received extensive input on this subject in recent months, including many comment letters on its November 2002 Invitation to Comment, *Accounting for Stock-Based*

-MORE-

*Compensation: A Comparison of FASB Statement No. 123, Accounting for Stock-Based Compensation, and Its Related Interpretations, and IASB Proposed IFRS, Share-based Payment.* The FASB specifically sought input on the similarities and differences between the IASB proposal and the fair value approach under FASB Statement 123.

While some differences exist between Statement 123 and the IASB's proposal, both approaches would recognize stock-based compensation as an expense at grant date by using a fair-value based method.

Separately, in response to concerns raised by analysts and investors, the Board decided to add a project to its agenda that would seek to improve disclosures relating to employer pension plans. As part of this project, the Board will address perceived deficiencies in current pension accounting by identifying ways to enhance disclosures about pension costs, plan assets, obligations and funding requirements.

The Board expects to publish an Exposure Draft on pension accounting in the latter half of 2003 with the goal of issuing an accounting standard in 2004.

### **About the Financial Accounting Standards Board**

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit our website at [www.fasb.org](http://www.fasb.org).

### **The Financial Accounting Standards Board...**

***Serving the investing public through transparent information resulting from high-quality financial reporting standards, developed in an independent, private-sector, open due process.***

###