



**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 Publishes Proposal on Equity-Based Compensation to Improve Accounting and Provide Greater Transparency for Investors**

**NORWALK, CT, March 31, 2004**— In response to requests from investors and many other parties to improve the current accounting standards relating to employee stock compensation in financial statements, the Financial Accounting Standards Board (FASB) has published an Exposure Draft, *Share-Based Payment, an Amendment of FASB Statements No. 123 and 95*. The proposal seeks to improve existing accounting rules and provides more complete, higher quality information for investors.

The proposed change in accounting would replace existing requirements under FAS 123, *Accounting for Stock-Based Compensation*, and APB Opinion No 25, *Accounting for Stock Issued to Employees*. The comment period for the exposure draft ends June 30, 2004. The document is available on the FASB's website at [www.fasb.org](http://www.fasb.org).

The exposure draft covers a wide range of equity-based compensation arrangements. Under the Board's proposal, all forms of share-based payments to employees, including employee stock options, would be treated the same as other forms of compensation by recognizing the related cost in the income statement. The expense of the award would generally be measured at fair value at the grant date. Current accounting guidance requires that the expense relating to so-called fixed plan employee stock options only be disclosed in the footnotes to the financial statements.

Since the Board added the project to its agenda one year ago, the FASB has held over 35 public meetings, conducted field visits with companies and employee benefit consultants from across the country and consulted with recognized valuation experts and numerous other parties.

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FASB Board member Michael Crooch, who serves as the Board collaborator on the project, said: “The proposal reflects the FASB’s hard work, with the input of many parties, in thoroughly and objectively deliberating the key issues, which is at the heart of the FASB’s extensive due process.” He added, “Although many of the exposure draft’s proposed requirements are similar to previous guidance, the Board has carefully readdressed each aspect of the accounting and has proposed changes to respond to the needs of financial statement users.”

The proposal also would achieve substantial convergence in this important area between U.S. and international accounting standards. Reports show that approximately 500 public companies in the U.S. are treating stock options as an expense or plan to do so in the near future. The International Accounting Standards Board and Canada recently issued requirements to expense share-based payments, including employee stock options.

FASB Chairman Robert H. Herz commented that the FASB’s exposure draft offers constituents an important opportunity to provide the Board with critical feedback. “We expect the proposal will draw interest from a broad spectrum of respondents, including small and non-public companies,” he remarked. “We welcome all input and have included a wide variety of questions in the exposure draft to elicit comments.”

The Board plans to hold public roundtable meetings to gather additional input on the proposal.

### **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.*

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