



# News Release

Financial Accounting Standards Board

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## **For Immediate Release**

### **FASB Issues Invitation to Comment That Compares IASB's and FASB's Accounting for Stock-Based Compensation**

**Norwalk, CT, November 18, 2002**—The Financial Accounting Standards Board (FASB) has issued an Invitation to Comment, Accounting for Stock-Based Compensation: A Comparison of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and Its Related Interpretations, and IASB Proposed IFRS, *Share-based Payment*. That Invitation to Comment explains the similarities of and differences between the proposed guidance on accounting for stock-based compensation included in the International Accounting Standards Board's (IASB's) recently issued exposure draft and the accounting for stock-based compensation under FASB Statement 123.

Through the Invitation to Comment, the FASB seeks constituents' views on those similarities and differences as well as other aspects of the fair value based method of accounting for stock-based compensation, including issues related to measuring the fair value of employee stock options. The document is available on the FASB's website ([www.fasb.org](http://www.fasb.org)). The comment period ends on February 1, 2003.

In reflecting on the fair value based method of accounting in Statement 123 and the IASB proposal, Robert Herz, FASB Chairman, commented, "While some differences exist between the IASB's and FASB's methodologies, the two are similar in many respects. For example, both the IASB and the FASB have concluded that stock-based compensation should be recognized as an expense. Both base the amount of compensation expense on the fair value of stock-based awards at grant date." Herz added, "The comments we receive from constituents on the similarities and differences between the two approaches will provide valuable input to the FASB when it considers how we can improve the accounting for stock-based compensation in the U.S., including whether we should require use of the preferred fair value based method."

In the mid-1990s, the FASB proposed that companies be required to recognize stock-based compensation in the income statement using a fair value based method.

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Due to the strong opposition the FASB received on its proposal, the Board modified its position. That modified position, reflected in Statement 123, permits the continued use of the intrinsic value based method of accounting provided that companies disclose the amount of net income and earnings per share that would have been reported had the preferable fair value based method been used.

FASB Practice Fellow Michael Tovey added, "Another important reason for issuing this Invitation to Comment was to provide information that our constituents would find useful in analyzing and commenting on the IASB exposure draft. The FASB will not be commenting directly to the IASB on its proposal, and, therefore, we encourage all of our constituents to directly participate in the IASB's due process by voicing their views to the IASB in London."

### **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).

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***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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