



Public Company Accounting Oversight Board

## PCAOB Issues Audit Practice Alert Regarding Timing and Accounting for Stock Option Grants

**Washington, DC, July 28, 2006** -- The Public Company Accounting Oversight Board today announced an initiative to publish, from time to time, Audit Practice Alerts issued by the Board's staff. These alerts will highlight new, emerging, or otherwise noteworthy circumstances that may affect how auditors conduct audits under the existing requirements of PCAOB standards and relevant laws.

The practice alert issued today, "Matters Relating to Timing and Accounting for Options Grants," was prompted by recent reports and disclosures about issuer practices related to the granting of stock options, including the "backdating" of such grants.

These reports and disclosures indicate that some issuers' actual practices in granting options might not have been consistent with the manner in which these transactions were initially recorded and disclosed. Some issuers have announced restatements of previously issued financial statements as a result of these practices. In addition, some of these practices could result in legal and other contingencies that may require recognition of additional expense or disclosure in financial statements.

The alert advises auditors that these practices may have implications for audits of financial statements or of internal control over financial reporting and discusses factors that may be relevant in assessing the risks related to these matters.

The practice alerts will generally be prepared by the PCAOB's Office of Research and Analysis, working in conjunction with the PCAOB's Office of the Chief Auditor. Audit Practice Alerts will be posted to the Board's Web site, [www.pcaobus.org](http://www.pcaobus.org). In addition, to increase the likelihood of affecting audit practices in a timely manner, the staff will also transmit Audit Practice Alerts to registered public accounting firms by e-mail whenever possible.

The Alert is available [here](#).

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