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530 fifth avenue, new york, ny 10036-5101
www.nysscpa.org

October 28, 2002

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: File Reference No. 1101-001

Exposure Draft: *Accounting for Stock-Based Compensation—Transition and Disclosure*, a
Proposed Amendment of FASB Statement No. 123

Dear Ms. Bielstein:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents 30,000 CPAs that will implement the provisions proposed in the captioned exposure draft. NYSSCPA thanks FASB for the opportunity to comment on its exposure draft.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Steven Rubin, chair of the Financial Accounting Standards Committee, at (212) 492-3799, or Robert Colson, NYSSCPA staff, at (212) 719-8350.

Sincerely,

Jo Ann Golden
President

Attachment

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NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON FASB EXPOSURE DRAFT

***Accounting for Stock-Based Compensation—Transition and Disclosure, a
Proposed Amendment of FASB Statement No. 123***

October 28, 2002

Principal Drafter

Fred R. Goldstein

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**Comments of the Financial Accounting Standards Committee of
the New York State Society of Certified Public Accountants on the
FASB's Exposure Draft, *Accounting for Stock-Based
Compensation—Transition and Disclosure*, a Proposed
Amendment of FASB Statement No. 123**

General Comments

The committee appreciates the FASB's desire to provide alternative transition methods to encourage companies to adopt the fair value method of accounting for stock-based employee compensation set forth in SFAS 123. However, the provisions of the Exposure Draft should not be adopted unless amended to reflect the comments set forth below.

Specific Comments

User Perspective

In the current financial reporting environment, a prime objective of accounting standard setting should be to bolster the public's confidence in companies' financial statements and the accounting standard-setting process. This proposal fails to support that objective.

Nearly every standard, including SFAS 123, has just one method of transition. Users of financial statements could easily question the appropriateness of multiple transition methods, thereby diluting confidence in the accounting standard-setting process and in the resulting financial statements.

Additionally, issuance of this proposal would hamper comparability among financial statements, thereby placing additional burdens on users trying to avoid misleading comparisons.

Measurement

While the Board has chosen now to reconsider issues in SFAS 123 related to transition and disclosure, it has deferred reconsideration of the measurement of stock-based compensation, an issue that is of equal or greater importance, until the International Accounting Standards Board has completed its deliberations in its project on share-based payment.

Waiting for the IASB is not a compelling reason for the Board to defer reconsideration of measurement issues. Indeed, if it were a compelling reason, it would also be a compelling reason to defer reconsideration of transition and disclosure.

Change in Accounting Principle

Moreover, the argument in the second sentence of paragraph A7 of the Exposure Draft relating to the cumulative affect of a change in accounting principle under APB 20, could be applied to any change in accounting principle. If APB 20 requires revision, then such revisions should be subject to the Board's normal due process.

One Method of Transition

Members of the committee agree that there should be only one transition method for adopting FASB No. 123, but some prefer a retroactive restatement method while others prefer the method originally set forth in SFAS. 123. Like the Board, the committee recognizes that different individuals might prefer different transition methods. Unlike the Board, however, the final choice is not in the committee's hands, although its efforts have reduced the field for the Board's choice.

Clarification of Retroactive Restatement

Paragraph 2 of the Exposure Draft provides two retroactive-restatement alternatives for recognition of stock-based compensation costs for fiscal years ended after December 15, 1994.

In this connection, the individual financial statements of the several fiscal years ended after that date ordinarily would not present comparisons to the current year financial statements. Accordingly, the beginning balances of additional paid in capital and retained earnings of the earliest year presented would, under these proposed provisions, differ from those previously presented. If the Board decides to issue a final amendment to SFAS 123, it should require that any adjustments from previously reported amounts be reported as additional paid in capital and retained earnings.

Disclosures

The committee agrees that the disclosures required by SFAS 123 be prominently displayed, (i.e., in the Summary of Significant Accounting Policies) and that the required pro forma disclosures be provided on a quarterly basis.

Comment Period

The brief comment period placed an undue burden on the committee — and likely on many other potential commenters — to study, digest, and discuss the issues and then to prepare and process a letter in an inordinately short time span.