

## Appendix G

### IMPACT ON EITF ISSUES AND STATEMENT 133 IMPLEMENTATION ISSUES

#### Impact of This Statement on EITF Issues

G1. The following table lists each issue discussed by the Emerging Issues Task Force (EITF) relating to share-based payment transactions and indicates (a) the status of the EITF consensus after issuance of this Statement (also referred to as Statement 15X) and (b) the impact of this Statement on that consensus (if any) or the reasons that specific issues are beyond the scope of this Statement. The status section of the *EITF Abstracts* will be updated accordingly upon issuance of this Statement.

<b>Status Legend</b>	
<b>N/A</b>	Issue is either outside the scope of this Statement or unaffected by this Statement.
<b>Nullified</b>	Consensus is nullified by this Statement.
<b>Resolved</b>	Issue is resolved by this Statement.
<b>Superseded or Partially Superseded</b>	Appendix D Topics of <i>EITF Abstracts</i> are superseded or partially superseded by this Statement.

<b>EITF Issue No.</b>	<b>Title</b>	<b>Status</b>	<b>Commentary</b>	<b>Status Section Update</b>
<b>84-8</b>	<b>Variable Stock Purchase Warrants Given by Suppliers to Customers</b>	<b>N/A</b>	Issue 84-8 addresses transactions with nonemployees, which will be addressed in a later phase of the equity-based compensation project. Statement 15X does not affect the guidance provided by the EITF on the accounting for stock purchase warrants issued to customers.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the guidance provided by the EITF on stock purchase warrants issued to customers.
<b>84-13</b>	<b>Purchase of Stock Options and Stock Appreciation Rights in a Leveraged Buyout</b>	<b>Nullified</b>	Issue 84-13 provides guidance relating to the accounting for awards in a leveraged buyout under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 84-13 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 84-13.
<b>84-18</b>	<b>Stock Option Pyramiding</b>	<b>Nullified</b>	Issue 84-18 addresses variable accounting under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 84-18 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 84-18.

<b>EITF Issue No.</b>	<b>Title</b>	<b>Status</b>	<b>Commentary</b>	<b>Status Section Update</b>
<b>84-34</b>	<b>Permanent Discount Restricted Stock Purchase Plans</b>	<b>Resolved</b>	The EITF was unable to reach a consensus on the accounting for permanent discount restricted stock purchase plans. Statement 15X provides guidance on determining if an employee stock purchase plan is noncompensatory.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Paragraph 23 of Statement 123 as amended by Statement 15X resolves Issue 84-34 by providing guidance on determining if an employee stock purchase plan is compensatory.
<b>85-45</b>	<b>Business Combinations: Settlement of Stock Options and Awards</b>	<b>Nullified</b>	Issue 85-45 provides guidance relating to the accounting for the settlement of awards in a business combination under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 85-45 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 85-45.
<b>87-23</b>	<b>Book Value Stock Purchase Plans</b>	<b>Nullified</b>	Issue 87-23 addresses book value stock purchase plans and variable accounting under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 87-23 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 87-23.
<b>88-6</b>	<b>Book Value Stock Plans in an Initial Public Offering</b>	<b>Nullified</b>	Issue 88-6 addresses book value plans and variable accounting under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 88-6 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 88-6.
<b>90-7</b>	<b>Accounting for a Reload Stock Option</b>	<b>Nullified</b>	Issue 90-7 addresses variable accounting under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 90-7 is nullified. Paragraph 34 of Statement 123 as amended by Statement 15X addresses the accounting for reload stock options.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 90-7. Paragraph 34 of Statement 123 as amended by Statement 15X addresses the accounting for reload stock options.

<b>EITF Issue No.</b>	<b>Title</b>	<b>Status</b>	<b>Commentary</b>	<b>Status Section Update</b>
95-16	<p align="center"><b>Accounting for Stock Compensation Arrangements with Employer Loan Features under APB Opinion No. 25</b></p>	Nullified	<p>Issue 95-16 addresses accounting for stock compensation arrangements with employer loan features under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 95-16 is nullified. Paragraph 35 of Statement 123 as amended by Statement 15X addresses modifications of awards, and requires that incremental compensation cost be calculated by comparing the fair value of the modified award to the fair value of the original award immediately prior to the modification.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 95-16. Paragraph 35 of Statement 123 as amended by Statement 15X addresses the accounting for modifications of awards.</p>
96-18	<p align="center"><b>Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services</b></p>	N/A	<p>Issue 96-18 addresses transactions with nonemployees, which will be addressed in a later phase of the equity-based compensation project. Statement 15X does not affect the guidance provided by the EITF on the accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the consensus reached in Issue 96-18.</p>

EITF Issue No.	Title	Status	Commentary	Status Section Update
97-2	<p align="center"><b>Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements</b></p>	N/A	<p>Issue 5 of Issue 97-2 (whether an employee of a physician practice that is consolidated by the PPM should be considered an employee of the PPM for purposes of determining the appropriate method of accounting for that employee's stock-based compensation) addresses the definition of an employee for purposes of determining the appropriate method of accounting for share-based compensation. Statement 15X does not affect the guidance provided by the EITF on Issue 97-2.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X supersedes Opinion 25 and Interpretation 44. The observation of the EITF on Issue 5 is affirmed by Statement 15X. Statement 123 applies to the accounting in the consolidated financial statements for awards in parent stock issued to employees of a (consolidated) subsidiary.</p>
97-5	<p align="center"><b>Accounting for the Delayed Receipt of Option Shares upon Exercise under APB Opinion No. 25</b></p>	Nullified	<p>Issue 97-5 addresses variable accounting under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 97-5 is nullified.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 97-5.</p>
97-12	<p align="center"><b>Accounting for Increased Share Authorizations in an IRS Section 423 Employee Stock Purchase Plan under APB Opinion No. 25</b></p>	Nullified	<p>Issue 97-12 addresses employee stock purchase plans under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 97-12 is nullified. Paragraph 23 of Statement 123 as amended by Statement 15X provides guidance on determining if an employee stock purchase plan is compensatory.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 97-12. Paragraph 23 of Statement 123 as amended by Statement 15X provides guidance on determining if an employee stock purchase plan is compensatory.</p>

EITF Issue No.	Title	Status	Commentary	Status Section Update
97-14	<p align="center"><b>Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested</b></p>	N/A	<p>Issue 97-14 addresses the accounting for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested. Statement 15X does not affect the guidance provided by the EITF on Issue 97-14.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the consensus reached in Issue 97-14.</p>
00-12	<p align="center"><b>Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee</b></p>	N/A	<p>Issue 00-12 addresses transactions with nonemployees, which will be addressed in a later phase of the equity-based compensation project. Statement 15X does not affect the guidance provided by the EITF on accounting for stock-based compensation granted to employees of an equity method investee.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the consensus reached in Issue 00-12.</p>
00-15	<p align="center"><b>Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of a Nonqualified Employee Stock Option</b></p>	Nullified	<p>Issue 00-15 addresses the classification in the statement of cash flows of income tax benefits received by a company under Opinion 25. Statement 15X supersedes Opinion 25 and Interpretation 44 and amends Statement 95; therefore, Issue 00-15 is nullified. Paragraphs 17–19 of Statement 15X amend Statement 95 to address the classification in the statement of cash flows of the income tax benefit received by a company upon exercise of a nonqualified employee share option.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44 and amends Statement 95, nullifies Issue 00-15. Paragraphs 17–19 of Statement 15X amend Statement 95 to address the classification in the statement of cash flows of the income tax benefit received by a company upon exercise of a nonqualified employee share option.</p>

<b>EITF Issue No.</b>	<b>Title</b>	<b>Status</b>	<b>Commentary</b>	<b>Status Section Update</b>
<b>00-16</b>	<b>Recognition and Measurement of Employer Payroll Taxes on Employee Stock-Based Compensation</b>	<b>N/A</b>	Issue 00-16 addresses how an entity should account for employer payroll taxes on share-based compensation under Opinion 25 and Statement 123. Statement 15X does not affect the guidance provided by the EITF on the accounting for employer payroll taxes on share-based compensation.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the consensus reached in Issue 00-16.
<b>00-18</b>	<b>Accounting Recognition for Certain Transactions involving Equity Instruments Granted to Other Than Employees</b>	<b>N/A</b>	Issue 00-18 addresses transactions with nonemployees, which is outside the scope of Statement 15X. Accordingly, Statement 15X does not affect the guidance provided by the EITF on the accounting recognition for certain transactions involving equity instruments granted to other than employees.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the guidance provided by the EITF in Issue 00-18.
<b>00-23</b>	<b>Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44</b>	<b>Nullified</b>	Issue 00-23 addresses implementation issues related to Opinion 25 and Interpretation 44. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Issue 00-23 is nullified.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, nullifies Issue 00-23.
<b>01-1</b>	<b>Accounting for a Convertible Instrument Granted or Issued to a Nonemployee for Goods or Services or a Combination of Goods or Services and Cash</b>	<b>N/A</b>	Issue 01-1 addresses transactions with nonemployees, which will be addressed in a later phase of the equity-based compensation project. Statement 15X does not affect the guidance provided by the EITF on the accounting for a convertible instrument granted or issued to a nonemployee for goods or services or a combination of goods or services and cash.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the consensus reached in Issue 01-1.

EITF Issue No.	Title	Status	Commentary	Status Section Update
02-8	<p align="center"><b>Accounting for Options Granted to Employees in Unrestricted, Publicly Traded Shares of an Unrelated Entity</b></p>	N/A	<p>Issue 02-8 addresses options granted to employees in which the underlying shares are stock of an unrelated entity. Statement 15X does not affect the guidance provided by the EITF on Issue 02-8.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X supersedes Opinion 25 and Interpretation 44. Statement 15X does not affect the consensus reached in Issue 02-8.</p>
D-83	<p align="center"><b>Accounting for Payroll Taxes Associated with Stock Option Exercises</b></p>	N/A	<p>Topic D-83 states that payroll taxes, even though directly related to the appreciation on stock options, are operating expenses and should be reflected as such in the statement of operations. The guidance provided by the EITF on Topic D-83 is unaffected by Statement 15X.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the accounting for income taxes under Statement 123. Statement 15X supersedes Opinion 25 and Interpretation 44. Statement 15X does not affect the accounting for payroll taxes associated with a stock option exercise.</p>
D-90	<p align="center"><b>Grantor Balance Sheet Presentation of Unvested, Forfeitable Equity Instruments Granted to a Nonemployee</b></p>	N/A	<p>Topic D-90 addresses transactions with nonemployees, which will be addressed in a later phase of the equity-based compensation project. Statement 15X does not affect the guidance provided by the EITF on the accounting for grantor balance sheet presentation of unvested, forfeitable equity instruments granted to a nonemployee.</p>	<p>Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X does not affect the guidance provided by the EITF on Topic D-90.</p>

<b>EITF Issue No.</b>	<b>Title</b>	<b>Status</b>	<b>Commentary</b>	<b>Status Section Update</b>
<b>D-91</b>	<b>Application of APB Opinion No. 25 and FASB Interpretation No. 44 to an Indirect Repricing of a Stock Option</b>	<b>Superseded</b>	Topic D-91 addresses indirect repricings under Opinion 25 and Interpretation 44. Statement 15X supersedes Opinion 25 and Interpretation 44; therefore, Topic D-91 is superseded by Statement 15X.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X, which supersedes Opinion 25 and Interpretation 44, also supersedes Topic D-91.
<b>D-93</b>	<b>Accounting for the Rescission of the Exercise of Employee Stock Options</b>	<b>Partially Superseded</b>	Topic D-93 addresses the accounting for the rescission of the exercise of employee stock options. This issue was not specifically addressed in Statement 15X. However, the new options are accounted for as a new grant. There is a treasury stock transaction for the repurchase of shares and a write-off of the related deferred tax asset. The guidance related to Statement 128 and Management's Discussion and Analysis continues to apply.	Statement 15X was issued by the FASB in XX 2004. It amends the application of Statement 123 for certain issues. Statement 15X supersedes Opinion 25 and Interpretation 44. Statement 15X does not specifically address Topic D-93; however, the guidance related to Statement 128 and Management's Discussion and Analysis continues to apply.

## Impact of This Statement on Statement 133 Implementation Issues

G2. Statement 133 Implementation Issue No. C3, “Scope Exceptions: Exception Related to Stock-Based Compensation Arrangements,” is amended as follows:

### RESPONSE

No, for the issuer. From the perspective of the issuer, stock options granted to a nonemployee for goods and services are not included in the scope of Statement 133. Paragraph 11(b) of Statement 133 states that “contracts issued by the entity in connection with stock-based compensation arrangements addressed in FASB Statement No. 123, *Accounting for Stock-Based Compensation* ~~Share-Based Payment~~,” are not covered by Statement 133. Any stock-based compensation contract covered by the scope of Statement 123 for the reporting entity is not considered to be a derivative contract subject to Statement 133 by that entity. Stock options granted to nonemployees as compensation for goods and services are included in the scope of Statement 123 and therefore are not included in the scope of Statement 133.

G3. Statement 133 Implementation Issue No. E19, “Hedging—General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument,” is amended as follows:

### Background Specific to Question 2

The total value of an option *at a point in time* can be separated into two components: time value and intrinsic value. As reflected in paragraph 30(a) of Statement 133, an option’s time value is the difference between the total option value and its intrinsic value. While Statement 133 does not define intrinsic value, FASB Statement No. 123, *Accounting for Stock-Based Compensation* ~~Share-Based Payment~~, provides the following definition of intrinsic value: “The amount by which the ~~market price~~ fair value of the underlying stock exceeds the exercise price of an option. For example, an option with an exercise price of \$20 on a stock whose current market price is \$25 has intrinsic value of \$5. (A nonvested share may be described as an option on that share with an exercise price of zero. Thus, the fair value of a share is the same as the intrinsic value of an option on that share.)”

G4. Statement 133 Implementation Issue No. G1, “Cash Flow Hedges: Hedging an SAR Obligation,” is amended as follows:

### BACKGROUND

~~As defined in FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*, a~~ An SAR is an award

entitling employees to receive cash, stock, or a combination of cash and stock in an amount equivalent to any excess of the market value of a stated number of shares of the employer's stock over a stated price. An SAR results in a liability that is adjusted to reflect changes in the issuing company's stock price. An SAR generally has vesting provisions, for example, pro rata vesting over a specified service period. Compensation ~~expense~~cost is recognized over the service period for the portion of the SAR that is not yet vested based on changes in the stock price during that period.

## RESPONSE

Yes, to the extent that vesting of the SARs is probable, a purchased call option indexed to a company's own stock that is recorded as an asset may be designated as the hedging instrument in a hedge of cash flow variability of expected future obligations associated with unrecognized nonvested SARs due to changes in the company's stock price. (An unrecognized nonvested SAR relates to the portion of the SAR liability based on current stock prices that has not yet been accrued. It does not refer to future changes in the recognized SAR liability attributable to future changes in stock prices.) Presumably, when using this strategy, hedge effectiveness typically would be assessed based on changes in the fair or intrinsic value of the purchased call option, depending on the method used to measure compensation cost pursuant to Statement 123.

The hedge of exposure to cash flow variability attributable to changes in stock price in an SAR could be expected to be highly effective. The company's stock price is the underlying for both the SAR and the option on the company's own stock, and effectiveness would be based on changes in the company's stock price and changes in the instruments' time value, depending on the method used to measure compensation cost pursuant to Statement 123.

Depending on the method documented and used to assess effectiveness and measure ineffectiveness, changes in either the fair value of the purchased call option on the company's own stock or changes in the intrinsic value of the purchased call option on the company's own stock would be recorded in other comprehensive income consistent with paragraph 30 of Statement 133. (Refer to Statement 133 Implementation Issue No. G20, "Assessing and Measuring the Effectiveness of a Purchased Option Used in a Cash Flow Hedge.") As required by paragraph 31, the amount in other comprehensive income would be reclassified into earnings concurrent with the recognition of compensation expense on the SAR that relates to those stock price changes that occurred during the hedge period over the requisite service period under the method illustrated in Interpretation 28. If time value of the option contract is excluded from the assessment of hedge effectiveness, the changes in the time value must be included currently in earnings.