



New Jersey Society of Certified Public Accountants

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Letter of Comment No: 61  
File Reference: 1101-001  
Date Received: 11/6/02

October 31, 2002

MP&T Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File reference No. 1101-001

Dear Director:

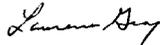
The Auditing and Accounting Standards Committee of the New Jersey Society of Certified Public Accountants ("NJSCPA") is pleased to submit its comments on the proposed Statement of Financial Accounting Standards, "Accounting for Stock-Based Compensation-Transition and Disclosure", an amendment of FASB Statement No. 123. The views expressed in this letter represent a majority of a quorum of the members of the committee and are not necessarily indicative of the full membership of the NJSCPA.

Before commenting on this proposed statement, we as a committee generally believe that there is a value associated with the granting of stock options, warrants, etc. and whether that value should be expensed at the date of grant or at date of exercise is divided. However, there is a minority of the committee who believe that the accounting for stock options to employees should continue under the rules of APB No. 25. Due to these varying differences, we first believe that there should be only one standard for accounting for stock based compensation. Currently companies can elect either to use APB No. 25 or elect SFAS No. 123, leading to distorted results when comparing companies in similar industries. Secondly, we believe that a charge to operations should be recorded either upon the granting of the stock option or upon the actual exercise. The difficulty in valuing options at the date of grant is the utilization of a precise method for recording fair value whether it is the Black Scholes method or an appraisal.

Another approach that we discussed was to measure the fair value of the option at each balance sheet date and record the incremental value as a charge or credit to operations, (variable accounting treatment).

As for this new proposed statement, the committee generally has no comment other than it provides the entity with three additional options as to how to adopt the recognition provisions of FASB 123 which we believe are three too many. The disclosures required in this proposed statement are a means to reconcile the differences between utilizing APB 25 and FASB 123 but the major issue of one accounting standard for accounting for stock based compensation is still unresolved.

Very truly yours,



Lawrence Gray  
Chairman