



WASHINGTON SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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Director of Major Projects and Technical Activities
Financial Accounting Standards Board
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Proposed Statement of Financial Accounting Standard – Accounting for
Stock-Based Compensation-Transition and Disclosure an amendment of
FASB Statement No. 123

The consensus of the Accounting, Auditing and Review Standards
Committee of the Washington Society of CPA's is as follows:

We believe that the FASB should adopt only the fair value method, which is discussed in Statement 123, and have only one **transition method** (the prospective method). Multiple methods result in confusion and lack of comparability between entities. Acceptability of more than one method would make it impossible to create a national standard. **Currently, companies** can pick and choose whatever method produces the most desirable result for their own situation.

We do not believe that making several methods acceptable in the face of strong opposition by many in the business community is economically responsible. The FASB needs to provide leadership and take a strong stand on this position. Due to the accounting scandals, many companies are starting to use the fair value method. The fair value method has to be disclosed anyway, so why not make it the only option? How can the accounting profession continue to allow all methods as acceptable and expect investors, creditors and other users to believe that we are protecting the public and their interest? A single method will enhance comparability of financial statements. Financial statements are prepared not for the companies, but for the investors, creditors and other users that rely on this information to enable them to make rational investment and credit decisions.

Paragraph 34 of Statement of Financial Accounting Concepts No. 1 states:

"Financial reporting should provide information that is useful to present and potential investors and creditors and other users in

making rational investment, credit and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.”

Part of Paragraph 36 of Concept No. 1 also states:

“Financial information is a tool, and like most tools, cannot be of much direct help to those who are unable or unwilling to use it or misuse it. Its use can be learned, however, and financial reporting should provide information that can be used by all, nonprofessionals as well as professionals - who are willing to use it properly.”

With respect to prospective methods, there should be only one option. We believe that the **prospective** method (option a (a) of paragraph two) is the most appropriate method, as it puts all companies on a similar playing field at the adoption of this Proposed Statement. The catch-up method could be potentially harmful in light of the current economic environment, as many companies would have to recognize larger catch-up adjustments. **The third option**, retroactive restatement, would only create more distrust of financial reporting since many companies are restating financial results due to all the accounting scandals and irregularities occurring in today's environment.

Furthermore, we believe this application should apply to all companies whether small or large, publicly-held or privately-held. Privately-held business that are attempting to become public companies need guidance and standards.

Washington Society of CPAs
Accounting, Auditing and Review Standards Committee
Ed Petersen, Chairman