Texas Society of
CPA Certified Public Accountants

Letter of Comment No: 18
File Reference: 1101-001
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November 1, 2002

Financial Accounting Standards Board
Of the Financial Accounting Foundation
MP&T Director, File Reference 1101-001
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed SFAS, *Accounting for Stock Based Compensation – Transition and Disclosures* an amendment of FASB Statement No. 123

To Whom it May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing issues. This communication is in accordance with that goal and refers to the issue referenced above.

Members of the PSC believe the Exposure Draft's (ED) proposal for three alternative reporting options for voluntary adoption of FASB Statement No. 123 will create more confusion regarding the issue of accounting for stock based compensation. We favor a requirement for retroactive restatement if an entity elects to adopt the recognition provisions of FASB Statement No. 123. In our opinion, retroactive restatement provides the most informative, clearest, and most consistent method of adopting recognition provisions for stock-based employee compensation.

Additionally, paragraph A9 in the *basis for conclusions* section of the ED states that, "Some preparers echoed the Accounting Principles Board's concerns expressed in Opinion 20 that the restatement of prior-period results detracts from the credibility of reported results." We disagree with this statement for the following reason. Companies have been reporting the pro-forma results of the application of FASB Statement No. 123 since 1995 in footnotes to their financial statements. Since this data is readily available, we see no reason to believe the credibility of prior years' reporting will be impaired. In the financial community, the voluntary election to expense stock options is viewed by many as an enhancement to the credibility of an entity's financial reporting. We fully believe the restatement method would also meet with positive reaction.

Thank you so much for allowing us the opportunity to present these comments in accordance with the goals stated above.

Sincerely,

Gary S. Hoffman, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants

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