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-----Original Message-----

**From:** Sdlanera@aol.com [mailto:Sdlanera@aol.com]  
**Sent:** Sunday, October 13, 2002 11:15 PM  
**To:** director@fasb.org  
**Subject:** File Reference: 1101-001

TO: The Financial Accounting Standards Board  
FROM: Sharon Lanera, Accounting Instructor, Harper College (sdlanera@aol.com)  
DATE: October 13, 2002  
SUBJECT: Accounting for Stock Options

#### Accounting for Stock Options

Stock Options should be expensed in the period in which they are given for all of the following reasons:

" Stock options are given to employees as compensation. It is indisputable that options are awarded to employees based upon job performance or contractual obligation as consideration for employment.

" Compensation is an expense of doing business. All monetary as well as nonmonetary compensation must be expensed.

" The matching concept dictates that all expenses be matched against the revenues they generate. Therefore, compensation for work performed in year 'X1 should be expensed in "X1.

" If exact figures are not obtainable for certain expenses, reasonable estimates must be made in order to properly report net income or net loss.

" Employees who receive stock options differ from investors in the following ways:

- o They are privy to sensitive information about the company not available to outside investors or current shareholders.
- o Since stock options are received as compensation, their intentions differ from those of other investors.
- o Executives are in a position to manipulate the stock price, whether it occurs through "cooking the books" or leaking certain information.

The foundation of the discipline of accounting is fairness in reporting. So we must ask ourselves if the current practice is fair. It seems painfully obvious that employees have a decided advantage over all other investors. This is not fair. However, proper expensing of these lucrative options is one step in the direction of fair and objective reporting. Perhaps the question we should be asking is whether stock options themselves represent an inequitable intrusion into a "free" marketplace.

Accountants are becoming increasingly undisciplined and we need leadership from the FASB to remind the profession that we are the standard bearers. Our profession is supposed to be one of integrity and independence. We have lost our independence and with it have gone our integrity. We must regain the confidence of the general public in our ability to provide them with accurate, comparable information, free of bias.

10/14/02