

Letter of Comment No: 75
File Reference: 1101-001
Date Received: 11/19/02

MP&T Director
File Reference No. 1101-001
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft - Proposed Statement of Financial Accounting Standards -
Accounting for Stock-Based Compensation - Transition and Disclosure

Gentlemen:

The Accounting Principles and Auditing Procedures Committee is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes, from sole proprietorships to international Big Five firms, as well as members in both industry and academia. The Committee has reviewed and discussed the above mentioned exposure draft. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

Attached to this letter are the comments of the Committee on the Exposure Draft.

We appreciate the opportunity to present our comments and thank you for your consideration.

Very truly yours.

Philip B. Pacino, CPA, Chairman
Accounting Principles and Auditing
Auditing Procedures Committee
Massachusetts Society of Certified Public
Accountants

Comments on Exposure Draft – Accounting for Stock-Based Compensation
– Transition and Disclosure

Paragraph 2 Comments re: SFAS 123 amendment ED

Section 2d, under Amendments to Disclosure Provisions, which is written as:

Regardless of the method used to account for stock-based employee compensation arrangements, the financial statements of an entity shall include the disclosures specified in paragraphs 46-48. All entities shall disclose prominently, in the “Summary of Significant Accounting Policies” or its equivalent, the following information:

- a. The method used – either the intrinsic value method or the fair value method to account for stock-based employee compensation in each period presented.
- b. ...
- c. If unvested awards of stock-based employee compensation were outstanding and accounted for under the intrinsic value method of Opinion 25 for any period for which an income statement is presented, a tabular presentation, for all periods, of the following information:
 - 1)

Comment: The methods listed exclude the minimum value method that private companies may use, as described in SFAS 123, paragraph 20:

Paragraph 20 Comments re: SFAS 123 amendment ED

Section 20. A nonpublic entity shall estimate the value of its options based on the factors described in the preceding paragraph, except that a nonpublic entity need not consider the expected volatility of its stock over the expected life of the option. The result of excluding volatility in estimating an option's value is an amount commonly termed **minimum value**.

Comment: The ED requires tabular information in the accounting policy footnote, because of that note’s prominent location, as preferred by Opinion No 22. The note for the Summary of Significant Accounting Policies should retain its (exclusive) purpose of presenting accounting policies only; the policies footnote should not contain accounting information arising from the policy or associated with the policy followed. If this were the intention of Opinion 22, Note 1 would be cluttered with information regarding inventory values, depreciation lives and category amounts, detailed information on marketable securities, amount for interest expense on loans, consolidation summaries, vs. just methods used as policy. If this pro forma information is deemed to be highly important to the reader, it should be required in the next available note, i.e. Note 2.