

FACTS

Financial Accounting Coalition for Truthful Statements

OPPOSE H.R. 3574/S. 1890--OBJECTIVITY, NOT POLITICS, SHOULD DETERMINE STOCK OPTIONS REPORTING

- We speak for the millions of ordinary Americans who want fairness and accuracy in financial reporting about corporate performance.
- Many that we represent have already lost confidence in companies that have violated or manipulated accounting requirements. If the Congress sides with special interests to interfere with improving standards, their confidence will be further shaken.
- H.R. 3574/S. 1890, “The Stock Option Accounting Reform Act,” would establish the dangerous precedent of Congress intervening to substitute special interest provisions in place of standards that are set independently and objectively to achieve accurate and transparent financial reporting.
- H.R. 3574/S. 1890 would inject Congress directly into the accounting standard-setting process by mandating which stock compensation should be expensed and by what methodology, as well as establishing special exemptions for small businesses. Nothing could be farther from the independence for FASB to set accounting standards that Congress established in the Sarbanes-Oxley Act.
- FASB's role is to insure that companies provide transparency and accuracy in accounting standards. FASB designs the ruler. It is for others to decide what to do with the measurements.
- Stock option compensation is a real expense. Excluding stock options distorts reported earnings and misleads the public about true financial performance of companies. Excluding stock options also invites excessive executive compensation, to the detriment of shareholders, and employees.
- Growing numbers of shareholder’s proposals are being adopted calling for expensing of stock-option compensation and hundreds of firms from all sectors of the economy have begun to voluntarily expense.
- Now is the time to say "no" to the special interest plea for distorted financial reporting and "yes" to the independent and objective process by which FASB determines the most accurate methods available to give information to the public.