



FORMAT FOR  
PRINTING  
sponsored by



June 4, 2003

## POLITICS AND POLICY

# FASB Opposes Bill to Delay The Rules on Stock Options

By JUDITH BURNS  
DOW JONES NEWSWIRES

### CHANGING OPTIONS

• [FASB Rules That Companies Can Reverse Options Expenses](#)<sup>1</sup>  
05/08/03

WASHINGTON -- Financial Accounting Standards Board Chairman Robert Herz warned lawmakers that a bill to delay new rules on stock options would set a "dangerous precedent" of congressional interfering in accounting matters.

The legislation, sponsored by Reps. David Dreier (R., Calif.) and Anna Eshoo (D., Calif.) would impose a three-year ban on the new rules for stock options, pending study by the Securities and Exchange Commission and the Commerce Department. In the interim, companies would have to provide better disclosure on option grants in shareholder reports.

At a House capital-markets subcommittee hearing, Mr. Herz said the FASB opposes the bill and won't be deterred from debate on whether to require companies to treat options as an expense. The private, Connecticut-based accounting standard-setter aims to propose a new rule by year end, followed by a period of public comment and roundtable discussions, Mr. Herz indicated.

A decade ago, the FASB retreated in the face of strong opposition to its proposal that companies treat options as a business expense, compromising on a rule that allows expensing but doesn't require it. Mr. Herz said he intends to press ahead with the issue despite opposition from high-tech companies and some in Congress.

Those who oppose options expensing argue it is nearly impossible to place an accurate value on employee stock options that haven't been exercised and don't trade in open markets. Mr. Herz testified that while valuing options will be hard, there are plenty of experts who believe it can be done reliably. He called option grants a corporate expense that should be reflected on the books, not relegated to a footnote in quarterly and annual reports, as most companies do now.

High-tech executives -- mindful that heavy options issuance could reduce profits if expensed -- told lawmakers their industry would be threatened by FASB's planned move. **Intel Corp.** Chief Executive Craig Barrett defended use of options and said they are critical to start-up industries. "Rank-and-file American workers will suffer the most from the mandatory expensing of stock options," Mr. Barrett said, warning lawmakers that U.S. jobs could move offshore to Asian countries that don't treat options as an expense.

Former Federal Reserve Board chairman Paul Volcker, a trustee on the International Accounting Standards Board, reminded the House panel that European companies likely will start expensing stock options in 2005, and said lavish options awards to U.S. executives may have contributed to

the recent spate of corporate accounting scandals.

Mr. Herz said the FASB is considering whether different accounting rules should apply to options in start-up operations than in established public companies.

Lawmakers are split, with some praising the FASB for stepping into the fray and others warning it to back off. House capital-markets subcommittee chairman Richard Baker (R., La.) said the panel will need "a lot more information" before taking any action on the Dreier-Eshoo bill.

**Write to** Judith Burns at [judith.burns@dowjones.com](mailto:judith.burns@dowjones.com)<sup>2</sup>

**URL for this article:**

<http://online.wsj.com/article/0,,SB105467773820112800,00.html>

**Hyperlinks in this Article:**

(1) <http://online.wsj.com/article/0,,SB105235356965811200,00.html>

(2) <mailto:judith.burns@dowjones.com>

*Updated June 4, 2003*

**Copyright 2003 Dow Jones & Company, Inc. All Rights Reserved**

**Printing, distribution, and use of this material is governed by your Subscription agreement and Copyright laws.**

**For information about subscribing go to <http://www.wsj.com>**