



SEC Announces Change in Date of Compliance for FAS 123(R)

On April 14, 2005, the Securities and Exchange Commission announced a rule that allows companies to implement Statement of Financial Accounting Standards No. 123 (revised 2004), *Shared-Based Payment* (Statement No. 123R) at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005 [or December 15, 2005 for small business issuers].

Financial statements for a calendar year-end company do not need to comply with Statement No. 123R until the interim financial statements for the first quarter of 2006 are filed. The financial statements for a company, other than a small business issuer, with a June 30 year-end, however, must comply with Statement No. 123R when the interim financial statements for the quarter beginning July 1, 2005 are filed with the Commission.

The Commission's new rule does not change the accounting required by Statement No. 123R; it changes only the dates for compliance with the standard.

Donald T. Nicolaisen, the Commission's Chief Accountant, said, "The accounting required by Statement No. 123R represents a significant improvement to U.S. generally accepted accounting principles, and the implementation of that standard will improve transparency for investors. Feedback from public companies, accounting firms and others, however, indicated that implementing Statement No. 123R in a period other than the first quarter of a fiscal year potentially could make compliance more complicated for companies and comparisons of quarterly reports more difficult. Concerns also were raised that the accounting staffs at companies and accounting firms already have been stretched thin by other compliance responsibilities, such as internal controls reporting. In addition, implementing the new standard at the beginning of a fiscal year allows companies to change their accounting systems in a more orderly fashion, and should allow auditors to conduct more consistent audit and review procedures. Companies that chose to implement Statement No. 123R earlier than required are encouraged to do so."