



## FASB Clarifies Equity Grant Date Confusion

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September 2005

At their September 14<sup>th</sup> meeting, the Financial Standards Accounting Board (FASB) provided further guidance and “clarification” in determining grant date under FASB Statement No. 123 (revised 2004), *Share-Based Payment*.

As generally expected, the FASB has decided to retain the long historical practice of using the date a Board approves an award as the grant date. That FASB further stipulated requirements that:

- a. The terms of the award are not changed prior to the date the key terms of the award are communicated to the grantee.
- b. The employee does not have the ability to change the key terms and conditions of the award.
- c. The terms of the award are communicated within a reasonable period of time from date of Board approval.

The confusion arose from the FASB inclusion of “mutual understanding” into the definition of grant date and their subsequent discussions with the largest accounting firms that indicated a grant date would be the date an employer notified an employee of an award and its key terms an conditions.