

108TH CONGRESS
2D SESSION

S. RES. 412

Expressing the sense of the Senate regarding the importance of maintaining the independence and integrity of the Financial Accounting Standards Board.

IN THE SENATE OF THE UNITED STATES

JULY 20, 2004

Mr. FITZGERALD (for himself, Mr. LEVIN, Mr. MCCAIN, and Mr. DURBIN) submitted the following resolution; which was referred to the Committee on Banking, Housing, and Urban Affairs

RESOLUTION

Expressing the sense of the Senate regarding the importance of maintaining the independence and integrity of the Financial Accounting Standards Board.

Whereas the Financial Accounting Standards Board (FASB) was created in 1973 to establish and improve standards of financial accounting and reporting by publicly traded companies for the guidance and education of the public, including issuers of securities, auditors, and users of financial information;

Whereas the FASB is composed of a diverse, seven-member board of accounting experts representing the private sector, public accounting, academia, and Wall Street, all of whom are specifically qualified to set technical accounting standards;

Whereas the accounting standard setting process of the FASB involves an extensive “due process” that is open to public observation and participation;

Whereas on March 31, 2004, the FASB issued a proposed statement entitled “Share-Based Payment” that addresses the accounting of share-based payment transactions, including stock options, in which an enterprise receives employee services in exchange for equity instruments of the enterprise, or liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments;

Whereas legislation has been introduced in Congress that would undermine the independence of the FASB by nullifying or delaying ongoing efforts by the FASB to improve accounting for equity-based compensation;

Whereas Congressional action that dictates accounting treatment of stock options by publicly traded companies would inject Congress directly into the accounting standard setting process mandating which types of stock-based compensation should be expensed, how such expenses should be measured, what enterprises should be exempt from expensing, and when and under what circumstances the Securities and Exchange Commission recognizes and enforces standards for the accounting of stock-based compensation;

Whereas Congressional action to set accounting standards would set the dangerous precedent of substituting provisions advocated by special interests in place of standards that are set independently and objectively by the FASB;

Whereas Congressional intervention in this area would not only politicize but also compromise the integrity of the

accounting standard setting process of the FASB and undermine the credibility of financial reporting by United States companies;

Whereas Congress has long recognized the fundamental importance of the independent private sector accounting standard setting process to United States capital markets;

Whereas Congress reaffirmed this principle in the Sarbanes-Oxley Act of 2002 by authorizing the FASB to obtain independent funding through assessments on private industry rather than through appropriations from Congress or donations from private industry; and

Whereas the April 2003 Policy Statement of the Securities and Exchange Commission endorsed the fundamental importance of the independent private sector accounting standard setting process: Now, therefore, be it

1 *Resolved by the Senate*, That the Senate—

2 (1) should continue to recognize and support
3 the integrity and independence of the accounting
4 standard setting process of the Financial Accounting
5 Standards Board;

6 (2) should not interfere with the independence
7 of the Financial Accounting Standards Board; and

8 (3) should not dictate accounting standards to
9 the Financial Accounting Standards Board for
10 stock-based compensation or for any other financial
11 accounting issue.

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