

## **Sidebar 5**

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### **Example of the Modified Prospective Method**

Company C, a public company classified as an accelerated filer, granted a stock option program on July 1, 2003, with a three-year vesting period and a total compensation cost of \$30,000. During each of the fiscal years ending June 30, 2004, and 2005, Company C disclosed a pro forma compensation cost of \$10,000 (total of \$20,000). Total compensation cost using the methodology of SFAS 123(R) would have been \$36,000 (\$12,000 per year). In applying the modified prospective method, Company C recognizes \$10,000 (as calculated under the old method) for the fiscal year beginning July 1, 2005. Company C discloses, but does not recognize, the \$20,000 attributable to periods prior to the effective date of the SFAS 123(R), calculated using the old method. It also does not recognize the \$24,000 calculated under the new method for the same period, or the \$12,000 for 2006 that would be calculated pursuant to the new method.