

## **Sidebar 6**

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### **Example of the Modified Retrospective Method**

Using the information in Sidebar 5, Company C, in applying the modified retrospective method, would restate its 2004 and 2005 financial statements to recognize the \$10,000 compensation cost attributable to each year. If Company C had an earlier plan whose vesting period ended June 30, 2002, with the estimated costs of \$25,000, disclosed as pro forma information in the applicable financial statements, it would increase additional paid-in capital at July 1, 2003 (the beginning of fiscal 2004), by \$25,000 and decrease retained earnings by a similar amount.