



51A Middle Street Newburyport MA 01950

Phone: 800-588-7039

[contact@bhfe.com](mailto:contact@bhfe.com)

[www.bhfe.com](http://www.bhfe.com)

## Course Information

---

**Course Title:** *Accounting for Stock-Based Compensation*

#364824

**Number of continuing education credit hours recommended for this course:**

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

**CPA: 2** (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX 178025

Texas State Board of Accountancy: 009349

### Course Description

When a company issues some form of stock-based compensation to its employees, this triggers a number of rules regarding how to account for the transaction. This course clarifies the situation for the accountant by describing the treatment of equity-based compensation. The valuation and expense recognition for these stock awards is discussed, along with the related concepts of employee stock ownership plans and employee share purchase plans. In addition, the views of the Securities and Exchange Commission are summarized. In short, *Accounting for Stock-Based Compensation* should be your key source of information when senior management starts to contemplate these types of compensation arrangements.

### Course Content

Publication/Revision date: 6/11/2024.

Author: Steven M. Bragg, CPA.

Final exam (online): Ten questions (multiple-choice).

**Program Delivery Method:** NASBA QAS Self-Study (interactive)

### Subject Codes/Field of Study

NASBA (CPA): Accounting

### Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: Basic familiarity with accounting practices.

Advance Preparation: None

### Instructions for Taking This Course

- Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- To retain the course-PDF after completion (for future reference) and to enable enhanced navigation: From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- Complete the course by following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

### Instructions for Taking the Online Exam

- Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."
- A passing grade of at least 70% is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

## Learning Objectives

---

- Recognize the basic concepts of stock-based compensation, such as the implicit service period, the derivation of compensation costs, and the classification of an employee.
- Identify the accounting for unused stock options.
- Specify the methods used to derive the fair value of stock-based compensation.
- Recognize the reasons for creating an employee stock ownership plan.
- State the rules that qualify an employee share purchase plan for special accounting treatment.
- Specify the positions taken by the Securities and Exchange Commission related to stock-based compensation.

## About the Author

---

**Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 300 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

Copyright © 2024 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

# Table of Contents

---

<b>Accounting for Stock-Based Compensation .....</b>	<b>1</b>
Overview of Stock Compensation .....	1
Stock Compensation Valuation and Cost Recognition Topics .....	1
Stock Volatility .....	5
Characteristics used as the Basis for Fair Value Determination .....	5
Fair Value Calculation Alternatives .....	7
Changes in Accounting Estimate .....	8
Awards Classified as Equity .....	9
Award Measurement Problems .....	9
Award Modifications .....	9
Income Tax Effects .....	10
Awards Classified as Liabilities .....	10
Employee Stock Ownership Plans .....	11
Leveraged ESOP .....	12
Non-Leveraged ESOP .....	13
Employee Share Purchase Plans .....	13
Equity-Based Payments to Non-Employees .....	14
Additional Stock-Based Compensation Concepts .....	16
Capitalized Compensation .....	16
The Leased Employee .....	16
Tandem Awards .....	17
Dividends Paid on Outstanding Options .....	17
Share-Based Awards in an Acquisition .....	17
Impact on Earnings per Share .....	17
The SEC's View of Stock-Based Compensation .....	19
Stock-Based Compensation Disclosures .....	23
Equity-Based Payments to Non-Employees .....	25
Employee Stock Ownership Plans .....	25
<b>Answers to Course Questions .....</b>	<b>28</b>
<b>Glossary .....</b>	<b>30</b>
<b>Index .....</b>	<b>32</b>