NYU STERN ROUNDTABLE ATTENDEES RECOMMEND BREAKING DOWN KEY ELEMENTS OF INCOME STATEMENTS TO INCREASE TRANSPARENCY

Participants also Consider Adopting Alternative Financial Reporting Models

NEW YORK, NY – December 18, 2003 – New York University Stern School of Business’s Vincent C. Ross Institute of Accounting Research recently convened regulators, industry experts and leading academics to propose low-cost changes to enhance the transparency and utility of financial reports. There was a general consensus among attendees that a “getting back to the basics” approach was required to improve financial reporting: simple, full disclosure of information.

Highlights of the proposed recommendations on how to “get back to the basics” included the following:

- Disclose factors of production, which could be grouped according to industry, geographic location, or other characteristics used by management in their decision-making.

- Break down further depreciation, compensation, selling and general and administrative expenses by separately disclosing cost of production labor as well as expenses related to sales, administration and management, with or without stock-based compensation. While most participants agreed, one panelist argued that it would take significant resources for companies to further break down line items of income statements, which could possibly far exceed the benefits.
• Present individual financial statements for majority-owned subsidiaries in addition to consolidated statements, so a desired level of disaggregation could be achieved.

The forum also recommended adopting alternative financial reporting models to enhance transparency, such as:

• The use of econometric models that would bridge the gap between historical cost accounting and predictability and serve as an efficient tool for charting long-term performance.

• A special “sensitivity analysis” section in financial reports, in which businesses would disclose forward-looking information that would provide users with a better understanding and a way to predict a company’s performance.

Following the discussion, a formal document outlining recommendations for improving transparency in financial reporting was sent to representatives of FASB and the SEC. The Ross Roundtable provides a forum for “public opinion shapers” to discuss important developments in capital markets and the financial world. The next roundtable, on international accounting issues will be held in March at NYU Stern. To register for the next roundtable, please e-mail Lisette Zarnowski in NYU Stern’s Office of Public Affairs at lzarnows@stern.nyu.edu.

Visit http://www.stern.nyu.edu/ross/ for more information on Ross Institute events and programs.

New York University Stern School of Business, located in the heart of Greenwich Village, is one of the nation’s premier management education schools and research centers. NYU Stern offers a broad portfolio of academic programs at the graduate and undergraduate levels, all of them informed and enriched by the dynamism, energy and deep resources of the world’s business capital.