

Wayne Allard

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ALLARD SEEKS NEW ACCOUNTING STANDARDS ASKS FASB AND SEC TO DEVELOP NEW STANDARDS THAT DISCLOSE ALL LIABILITIES ON AND OFF THE BALANCE SHEET

Washington, D.C. – U.S. Senator Wayne Allard (R-CO), a member of the Senate Banking Committee, has asked the Financial Accounting Standards Board (FASB) and the Security and Exchange Commission (SEC) to move quickly in developing new accounting standards that will ensure that transactions are appropriately reflected in the financial statements and accompanying disclosures the public receive from companies. Allard made the request in a letter sent to the FASB board's chairman, Edmund Jenkins, and SEC Chairman Harvey Pitt.

“It is absolutely critical that shareholders, investors and the public receive financial disclosures that provide a clear and accurate picture of the actual economic health of a company,” Allard said. “In light of the recent disclosures concerning Enron, Global Crossing and other companies which hid from public view the true economic condition of their companies, it is absolutely imperative that FASB and the SEC develop new accounting standards that will restore public confidence in the financial statements and disclosures they receive from a company.”

In his letter, Senator Allard asked FASB and the SEC in developing new accounting standards to incorporate the following:

- * Ensure businesses report in their balance sheets all liabilities that are expected to be funded with cash or other assets of the business, including lease obligations of lessees.
- * Require consolidation of special purpose entities that lack economic substance apart from the company that has established the entity.
- * Require disclosure of contingencies under existing obligations and commitments, including guarantees, events of default or acceleration, and indexed obligations, that may significantly affect the liquidity and resources of a company.

“Promptly restoring investor confidence and trust in our capital markets is of paramount importance to our nation and the economy,” wrote Allard. “It is important that these issues be dealt with expeditiously (by FASB). Accordingly, I am also requesting that the SEC exercise its statutory oversight of the standard setting process. If new standards cannot be developed by FASB by the end of 2002, I am requesting the SEC adopt new rules to protect investors.”

