

## SEC's Taub: Restatements Due to Basic Mistakes

New York (Nov. 22, 2006) - Speaking to a group of financial executives, a Securities and Exchange Commission accountant said research from his office has revealed that most restatements are due to basic accounting mistakes.

Speaking at the annual conference of Financial Executives International, SEC deputy chief accountants Scott Taub said that about 55 percent of recent company restatements were due to the misapplication of basic accounting rules or to problems with the actual data used in the original calculation.

In 2005, there were 1,195 restatements by U.S. companies compared with 270 in 2001, according to research firm Glass Lewis & Co. Through Sept. 30, 1,070 restatements have already been issued by U.S. companies this year.

Other findings reported by Taub included that:

- About a third of restatements in recent years were due to errors in judgment related to more-complex issues, industry practices that ran afoul of accounting rules, and lack of clarity in accounting standards;
- Only about 5 percent of restatements were due to deliberate errors or fraud; and,
- A large number of restatements were caused by problems applying accounting standards related to lease contracts, income taxes and revenue recognition.

Taub also encouraged companies to increase disclosure that shows their reasoning on complex accounting questions and suggested that companies forced to restate results disclose how they discovered the problem, which only happened in about half of the restatements examined by his staff.

— WebCPA staff

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