

Acc 541 accounting standards board paper

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Accounting Standards Boards Leslie Brian ACC/541 November 14, 2011

Delphine Agnor Wolsker Accounting Standards Boards The field of accounting is constantly evolving. This is true not only for the theory of accounting itself but also the entities that govern its theory and practice. Presently, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are faced with some of the biggest challenges to date. To understand the significance of these two boards, it is necessary to understand their histories, relations between the boards, and the standards that they set.

Also how the knowledge of these boards and the field they lead, gained through the masters of science in accountancy (MSA) program, prepare students for a career in accounting. History of the Boards and their Relationship Today's accounting standards boards were formed to improve upon and evolve from the footsteps of their predecessor organizations. They were each organized based upon specific needs of the industry and the public. Although the boards have much in common, they are also vastly different.

Financial Accounting Standards Board (FASB) The significance of the FASB can be realized by examining the history of formalized accounting theory development. The first organization to officially begin research on accounting standards and theory was the American Accounting Association (AAA) in 1935. This group was formerly the American Association of the University Instructors in Accounting (AAUIA), formed in 1916 to develop accounting curriculum. In 1936, the American Institute of Certified Public Accountants (AICPA) was formed by merging the

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American Society of Certified Public Accountants and the American Institute of Accountants (AIA). The AICPA formed the Committee on Accounting Procedure (CAP) in 1936 to establish generally accepted practices. The official pronouncements of the CAP were Accounting Research Bulletins (ARBs). In 1959, the AICPA formed the Accounting Principles Board (APB) in response to criticism of the CAP. The purpose of the APB was to go beyond accounting practices, and define generally accepted accounting principles (GAAP). The works of the APB were known as APB Opinions.

The APB was criticized as well, so the AICPA appointed two committees, from whose recommendations the FASB was founded in 1973 (Schroeder, Clark, & Cathey, 2011, p. 5-9). International Accounting Standards Board (IASB) As stated earlier, the IASB arose from specific needs of the accounting industry and the public. As international trade has increased, the need for transnational accounting information has increased as well. This sparked the demand for development of international accounting standards to make financial data between countries more comparable.

In 1973, the International Accounting Standards Committee (IASC) was formed to develop these international standards. The standards issued by the IASC, prior to 2001, were called International Accounting Standards (IASs). In 2001, the IASC made the International Accounting Standards Board (IASB) the official international standard-setting body. The standards issued by the IASB are called International Financial Reporting Standards (IFRSs) (Schroeder, Clark, & Cathey, 2011, p. 82-87). FASB and IASB Convergence

The purpose of convergence by the two boards is to create a common set of standards for use by both domestic and foreign entities to create internationally comparable statements. The boards initially met in 2002 for a meeting known as the Norwalk Agreement. At this meeting, both boards “acknowledged their commitment to the development of high-quality compatible accounting standards that can be used for both domestic and cross-border financial reporting” (Schroeder, Clark, & Cathey, 2011, p. 95). As part of the Norwalk Agreement, the boards agreed to a short-term project in attempt to remove differences between GAAP and IFRS.

This was known as the FASB’s Short-term International Convergence Project. This project was meant to address the simpler differences, while more complex differences would be handled in the Roadmap to Convergence project. Before the strides toward convergence, the Securities and Exchange Commission (SEC) required that all non-U. S. companies that issued securities in the United States reconcile their financial statements to GAAP. In 2007, the SEC revoked this requirement and voted to accept financial statements prepared by non-U. S. companies using IFRSs.

In 2008, the SEC proposed a roadmap that would allow use of IFRSs for financial statement preparation by U. S. companies starting in 2014 (Schroeder, Clark, & Cathey, 2011, p. 79-95). Board Standards FASB GAAP is “rules-based” (Deloitte, 2007, p. 4). The original pronouncements of the FASB were the Statements of Financial Accounting Standards (SFASs), which created GAAP. These pronouncements addressed specific accounting issues and the methods by which they should be handled. Other pronouncements

of the FASB were: Interpretations, Statements of Financial Accounting Concepts (SFACs), and Technical Bulletins.

In 2009, these pronouncements and other sources were combined to create the FASB Accounting Standards Codification (ASC), which is now the only authoritative source of GAAP (Schroeder, Clark, & Cathey, 2011, p. 11). IASB IFRSs are “ principles-based” (Deloitte, 2007, p. 4). The equivalents of FASB SFACs are the IASB IFRSs, to include the IASC IASs, which were retained by the IASB. The IASB standards are basic and provide little guidance on implementation (Schroeder, Clark, & Cathey, 2011, p. 82). MSA Program and Career in Accounting

The MSA program at University of Phoenix prepares student for a professional accounting career in many ways. The program is designed to meet the educational expectations and requirements of the majority of the State Boards of Accountancy, as well as the knowledge needed to successfully pass the examination. In addition, the program integrates CPA examination review software into curriculum to better prepare students. Beyond the exam, course texts are chosen to depict both past and present accounting information to enhance knowledge of the subject and provide a well-rounded view.

Students are familiarized with tools in class that they will utilize throughout their careers such as the FASB ASC and research websites. Conclusion Knowledge of the industry, research skills, and adaptation to a changing environment are essential to success as a professional accountant. The field of accounting will continue to evolve, and students entering the profession

must be prepared to meet that challenge. The FASB and IASB are the leaders of the industry, and knowledge of their history as well as their plans for the future will help students to prepare themselves to be successful.

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