

Case study on cross cutting definition and related issues

[Sociology](#), [Communication](#)



Cross cutting: Cross cutting implies the restructuring of resources available to an organization in such a way that they make more sense than before and also add to the efficiency of the organization in terms of money, time and other latent resources.

Both International Accounting Standards Board and Financial Accounting Standards Board are working together to come to common terms in establishing a common conceptual framework for the purpose of financial accounting and reporting standards that need to be set in the face of the complexities arising out of intricate nature of financial transactions and rampant globalization. In the present context, the cross cutting issues for International Accounting Standards Board and Financial Accounting Standards Board would be those concerns which need to be addressed while working towards the development of a common conceptual framework that shall be originally based on their previous individual frameworks.

Having had a clear understanding of what cross cutting implies, what comes next to advance the discussion in a logical order is to look at the elements that constitute the cross cutting for this particular project of arriving at a common conceptual framework for both International Accounting Standards Board and Financial Accounting Standards Board. The following issues form a part of the cross cutting issues for International Accounting Standards Board and Financial Accounting Standards Board (Financial Accounting Standards Board, 2010).

Acquisition costs that shall be incurred for the insurance contracts those need to be entered into during the process of the project. Recognition of all of the acquisition costs was an issue. It had to be decided whether all the

acquisition costs are to be treated as expenses or not. Recognition of the premium amounts received during the process of the project was another cross cutting issue where treatment of acquisition costs in relation to the premium had to be decided upon. The concern was whether to eliminate the acquisition costs from the premium amount that is received or not.

Further issues involved treatment of acquisition costs in relation to the contract cash flows. It had to be decided whether to include the acquisition costs in the contract cash flows at the time of beginning of the contract or not. Treatment of the interest rates also was a cross cutting issue where inclusion of the current interest rates in the measurement of the liabilities was to be ascertained (Financial Accounting Standards Board, 2011). One cross cutting issue among the revenue recognition aspect was in regards to making necessary arrangements for the appropriate treatment of the service and lease components.

The Financial Accounting Standards Board also made a notice that few acquisition costs can be recovered in certain conditions. Such circumstances being, recovering the acquisition costs from the policyholder or from the third parties. Also, the Financial Accounting Standards Board enquired the staff regarding the proposal of scrutinizing the conditions that would make it easier for the Financial Accounting Standards Board to arrive at a general approach to handle the acquisition costs.

The above cross cutting issues not only present a deep insight into the exact nature of the concept but also outline the necessity of drawing immediate attention of the relevant parties towards the above said issues so that the project of developing a common conceptual framework does not get further

more delayed due to deferred management of the revenue and expense recognition aspects of the project.

According to Financial Accounting Standards Board (2010), “ The project therefore needs to allocate sufficient importance to the issue of addressing cross cutting concerns. All the revenue and expense recognition aspects of the cross cutting issues need to be diligently handled in a timely manner. Thus, numerous phases of the venture shall be deliberately worked on while allotting significant time and resources to sort out the cross cutting issues related to the execution of the project.”

Conclusion: Cross cutting issues therefore deserve immediate resolution so that even before the project of the common conceptual framework gets materialized all the elementary aspects regarding revenue and expenditure recognition gets standardized.

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