

# Discussion questions and participation questions week 1

[Finance](#)



The Financial Accounting Standards Board (FASB) was founded in 1973. “The mission of the FASB is to establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports” (Fasb, 2011). One of the most important functions that the FASB serves is formulating the generally accepted accounting principles (GAAP). The accounting profession is self-regulated and accountants depend on the generally accepted accounting principles to guide their work. The structure of the FASB is independent of other businesses or organizations. The FASB has seven full time employees. Each of them may serve up to two five year terms. Fasb. org (2011). Facts About FASB. Retrieved August 12, 2011 from <http://www.fasb.org/facts/> 2. The accounting profession in the United States would be loss without the existence of the FASB. This organization has been helping accountants decipher the guidelines to apply in their work for over 38 years. You mentioned in your response that the FASB is managed by the Securities and Exchange Commission. For the SEC the FASB represents an organization whose mission and goals are aligned with the objectives of the SEC. Both the non-profit and profit industries are served by the FASB. 3. A capital lease is different than an operating lease because a capital lease transfers substantially all the benefits and risk of ownership of the lessee. In capital leases the present value of all cash payments for the lease are capitalized and recorded as an asset. The journal entry to record leased asset and lease liability is illustrated below: Leased Asset - Equipment 10000 Lease Liability 10000 Sometimes accounts referred to lease contracts as off-balance sheet

liability. Operating leases are different from capital leases in that the intended use for the asset is temporary. 4. I agree with you that the FASB has helped improved the relevance, reliability, comparability, and consistency of accounting information. Due to the existence of the FASB users of accounting information in the United States are able to compare the financial statements of different corporation because the FASB obligates all firms to prepare the financial statements in the same manner. The use of GAAP is the key element that makes accounting information comparable and consistent. Outside the United States there are other accounting frameworks such as the IFRS, but I believe that US GAAP is the most complete and accurate accounting framework that exists. 5. I liked the five factors you mentioned in your response concerning the importance of the FASB. Improving the relevance and reliability of financial information is very important. The investor community is highly dependent on the financial information released by companies to make buy or sell decisions. The standard setting process of the FASB attempts to eliminate any deficiencies in accounting reporting. I believe that the work of the FASB has been extremely instrumental in the economic success the United States has had during the past four decades. 6. The generally accepted accounting principles are derived from various sources with the FASB being the organization most involved in the standard setting process. There are different types of sources other than the FASB that deal with GAAP. Two additional sources of GAAP are the American Institute of Certified Public Accountants (AICPA) and the FASB Emerging Issues Task Board (EITB). The SEC has contributed to standard setting most notably through its

contributions in the formation of the Sarbanes Oxley Act of 2002. 7. Participation Question #7 is the same participation question as #3 8. I believe that the FASB has been the most instrumental organization in the development of the accounting profession in the United States. The FASB help legitimize the profession further and it has contributed to the refinement of accounting rules over the years. Despite the power and influence of the FASB its scope is limited to the United States. An organization that has the potential to surpass the FASB in level of importance is the International Accounting Standards Board (IASB) because this organization has the potential to affect the profession in a lot of countries around the world. 9. APB No. 4 clearly shows that the generally accepted accounting principles are not written in a stone like the 10 commandments. They have evolved over the years and accountants have adapted to the changes accordingly. I already learned from this course that the GAAP formation is not limited to the contributions of the FASB. Accountants have to keep up with the latest news on accounting theory because it is expected of them to comply with continued educational course requirements. 10. The first week of this course was a great learning experience. The organization that was showcased in the classroom participation was the FASB. I learned that this organization has been monitoring the accounting profession for over 38 years. The week one individual paper helped me understand the history behind the convergence project between the FASB and the IASB. I got an opportunity this week to think about my future and how the MSA program is going to help me achieve my career and professional goals. This class so far during the first week has

been very challenging because the topics discussed in the class are not general business knowledge.