

# The sec's condorsement proposal

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The SEC's "Condorsement" Proposal Contents The SEC's "Condorsement" Proposal Contents 2 Introduction 3 Financial Accounting Standards Board (FASB) 3 International Accounting Standards Board (IASB) 4 Relation between FASB and IASB 4 Condorsement 5 Conclusion 6 Reference 7 7 Introduction Every registered company has to prepare financial statement every year annually, semi annually or on a quarterly basis. These statements are prepared on the basis of the accounting standards which are followed in that country. These standards are the code of accounting practices which lays down the manner in which the financial statements should be maintained. These codes are formed by the accounting regulatory bodies of that country. The main objective of using accounting standards is to make the preparation of the accounting statements of all the companies as per same accounting methods which would in term help in comparing different companies. It also ensures transparency of transactions, accountability and reliability of the transactions. In this project the convergence of the FASB and IASB has been discussed with the view of condorsement of the accounting standards.

Financial Accounting Standards Board (FASB) Financial accounting standard board is an organization which establishes financial accounting standards. Financial accounting standard board was established in 1973. The accounting standards which are laid down by the financial accounting standard board are recognized by the security exchange commission as per section 101 and also by the American institute of certified public accountant too. The mission of the organization is establishing financial accounting standards and improving them so that the investors can get useful information from the report of the financial statements (Financial Accounting Standard Board, n. d). Thus the function of the financial accounting standard

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board is to form the accounting standards which are followed by the nongovernment companies in preparing their financial statements which helps the investors in comparing the financial performance of the companies as same type of accounting policies and principles are followed by the companies because of the accounting standards. International Accounting Standards Board (IASB) International accounting standard board is an independent body of IFRS who does the work of establishing financial accounting standards like financial accounting standard board. IFRS is a nonprofit organization whose main objective is to establish quality financial standards for financial reporting which is in turn done by its standards establishing body IASB. International accounting standard board has 15 members who work full time for developing and publishing the standards. International accounting standard boards maintains transparency in its activities (IFRS, 2011). In January 2011 the trustees has decided to increase the number of member in the international accounting board to 16 by 2012 (IFRS-a, 2011). The IFRS is based in London and the standards formulated by the international accounting standard board are followed by almost all countries of UK and many other countries too. Relation between FASB and IASB In the earlier sections it has been mentioned that the financial accounting standard board and the international accounting standard board (which works under IFRS) both the bodies works on establishing and improving the financial accounting standards. Therefore both the organization works towards enabling the investors to properly analyze and compare the companies and improving the transparency and reliability of the financial statement of the financial statements. The international accounting standard is the first organization which establishes international

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standards which are followed by many countries. Since 2002 the FASB and the International accounting standard board are working to improve the US GAAP by converging IFRS with US GAAP (Financial accounting standard board-a, 2011). This will enable the investors to compare the US companies with the companies of other countries. More over both IFRS and US GAAP have been recognized by most of the countries so that the international capital markets can function in a systematic way but there has been always a need to have a unique international standard as globalization has enabled the investors to invest in global markets (Deloitte, 2011). Condorsement As mentioned in the earlier section that the FASB is converging with the International accounting standard board with the view of having a high quality of accounting standards. This convergence is termed as condorsement as the financial accounting standard board will not only converge with the international accounting standards but also endorse the international accounting standards formulated by the IASB. This has been planned in a phased manner. As per the condorsement the FASB would remain the regulatory body of establishing standards but it will incorporate the IFRS in US GAAP. In the initial phases the FASB would incorporate some of the IFRS standards in the US GAAP and in the latter phases it will incorporate all the IFRS in US GAAP and will endorse the IFRS in United States by bringing change in some of the IFRS to meet up the requirements of the US companies (Lamoreaux, 2011). The convergence will definitely fulfill the requirement of having a high quality and unique standard of financial accounting which will help the investor in judging the companies on global platform. The phased transition may help the companies to incorporate changes properly but from the point of view of investors it will

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create a problem in judging the companies through financial statement for long term investment as the accounting policies will change in every phase of incorporation of the IFRS. The endorsement to accommodate the incorporation and implementation of IFRS as per the needs of US companies.

Conclusion To conclude it can be said that the convergence of US GAAP with the IFRS is not only limited to the convergence but it has also an element of endorsement which have made this convergence more unique. The condorsement has definitely many benefits but time will only tell how much it will be effective in attaining its objective.

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