Accounting standards board

This has in the past nine years seen the accounting policy making suggesting a complete overhaul in the way financial statements are reported and a convergence between he Use's generally accepted accounting principles (US GAP) and the International Financial Reporting Standards (FIRS). This has been through various meetings between the International Accounting Standards Board (SAAB) and US Financial Accounting Standards Board (FAST), two boards which determine these accounting standards. This paper therefore evaluates the history of the two boards and their relationship and looks at SAAB equivalents to FAST original pronouncements.

It also describes how a Master of Science in Accounting would prepare a student for an accounting profession. History of the Relationship between FAST and SAAB US Financial Accounting Standards Board (FAST) is a board which is responsible for setting and improving financial accounting standards in the US and for governing and fostering preparation of financial reports by non-governmental organizations (Financial Accounting Standards Board, 2012). Elimination Accounting Standards Board (ASSAI) on the other hand Is also an independent board responsible for setting international financial reporting standards (FIRS Foundation, 2011).

Whereas SAAB and FIRS takes a principle based approach to accounting standards setting, ABS'S GAP does this through pronouncements which are based or rules. They both put a lot of emphasis on income statements, balance sheet, statements of changes in equity and cash flow statements as key reports that are important in financial reporting. Over the past decade these two boards which determine the accounting standards In the world

have been working towards ensuring that the financial reporting all over the world converges.

The convergence concept first took root In the asses In response to the cross border capital Inflows that were as a result of the economic integration after world war two. These efforts initially focused on reducing difference in accounting principles between major capital markets globally otherwise referred to as harmonistic of the accounting principles. By asses the concept had changed into convergence which sought to build high quality financial reporting standards to be applied Internationally (Financial Accounting Standards Board, AAA).

Both developed In the asses, FAST and IAC (International Accounting Standards Committee) a predecessor to SAAB, set a trend for expanding international accounting standards and with the reorganization of IAC into SAAB in 2001 , the use f FIRS among various countries has progressed rapidly. For instance, over 100 countries and the European Union use these standards issued by SAAB. The U. S. Mainly uses Its own issued US GAP (Progress Report, 2011; Cain, 2008). SAAB and FAST have been working together towards converging the FIRS and the US GAP since standards with FIRS as at 2009.

Over the past decade the pace of convergence has been very fast with the internationalization of standards growing rapidly. In 2010, Securities and Exchange Commission in the US issues a report supporting the nonviolence of these standards through incorporation of " the FIRS in the US financial system" (Financial Accounting Standards Board, AAA). This implies that the

US has been increasing exploring adopting Saab's Firms, although there have been issues such as the fair value issues in FIRS and the cost of implementation that have slowed the progress.

The SAAB equivalents of the FAST original pronouncements As noted above, Saab's FIRS takes a principle based approach to accounting standard setting as compared to Abs's pronouncements which are viewed to be much stricter. In essence therefore, though SAAB and FAST may address similar accounting concepts their approach to it may be different. It is these Saab's equivalents to Abs's pronouncements that bring the differences between GAP and FIRS standards. Evaluating the Abs's original pronouncements and SAAB, the manner in which accounting concepts are approached can be noted.

These are: whereas Saab's FIRS requires that inventory costs of spoilage and idle capacity be excluded from the cost of inventory, Abs's GAP does not; FIRS requires yearly comparison of financial statements unlike US GAP which only views comparisons as desirable" but require three year comparisons; FIRS permits but does not require reporting of " comprehensive income" unlike US GAP which requires it; FIRS classifies liabilities as non-current if refinancing is complete before the date of the balance sheet unlike GAP which classifies it as so, if refinancing is completed before the financial statements are issued; and prohibition of extraordinary items from the financial reports by FIRS unlike GAP which permits but to a restricted items which affect profit and loss (Dolomite, 2004; FAST Report, 2002).

Other accounting concepts hat differ between SAAB and Abs's original pronouncements are that FIRS requires that LIFO method of determining

inventory cost be prohibited in AS 2, unlike US GAP which permits LIFO in SEAS 151, and that FIRS requires reversal of inventory write downs if given criteria are met unlike US GAP which prohibits it. In addition FAST permits that inventory at net value be measured even if it is above cost unlike FIRS which restricts this to producers and broker-dealers inventories. FAST classifies the interest received and paid as operating activity in the cash flow statement unlike SAAB which may classify it as financing, investing or operating activity. This leaves room for a number of interpretations. Furthermore, though FAST excludes overdrafts from cash, SAAB includes it if it forms a critical and integral part of an organization's cash base or cash management (Dolomite, 2004; FAST Report, 2002).

Other SAAB equivalents to FAST pronouncements are enumerated as shown below (Dolomite, 2004; FAST Report, 2002): -FIRS restates previous financial statements in the event of non-mandated changes in accounting policy, unlike FAST which includes cumulative effects current financial statement's net loss and profits -SAAB uses change in estimated method to evaluate changes in depreciation of assets, unlike FAST which used change in accounting policy that is the net profit or loss cumulative effect. -SAAB uses cost recovery method for construction contracts when the completed percentage cannot be determined for sure unlike the USA GAP which uses or liability transaction that doesn't affect accounting or taxable profit and is not a business combination in AS 12 unlike the US GAP recognizes this these through its lack of " initial recognition exemption" as addressed in SFA 109.

US GAP has special exemptions due to the provision of deferred tax such as leveraged leasing, intangible developments in the gas and oil industry and

undistributed earnings -SAAB uses a tax rate that is " substantially enacted" to measure deferred tax liabilities and assets, which can be left to a lot of interpretations, unlike Abs's enacted tax rate which is sure and consistent -SAAB uses rate applicable to undistributed earnings of an organization to measure the deferred tax on those earnings , unlike FAST which uses the higher of the tax rate between the one applicable to undistributed profits ND the one applicable to distributed profits as addressed in SFA 109 -SAAB recognizes expense for share-based payment based on fair value of the payment whereas FAST recognizes this based on intrinsic value at grant date -SAAB measures business combinations on the date of the acquisition whereas FAST does this on the date of consummation or closing date -SAAB requires that recognizing a liability prior to acquisition restructuring be only if the one being acquired recognizes it under AS 37, this is unlike FAST which recognizes it if the acquisition has already began -SAAB coziness in process R as an intangible finite asset or good will, unlike FAST which recognizes it as expense How MASS Program prepares student for professional Accounting A Master of Science in accounting program is very important for anyone who intends to pursue an accounting career in the future. This program prepares a student by providing knowledge on the various accounting principles that need be applied in accounting profession.

It also makes a student be aware of the various accounting standards that are existing in the world, how each differ, and how accounting records and done in each. In addition such a program provides analytical and critical thinking abilities. In addition, it offers a global perspective on accounting practices and business issues and provides a framework for effective

development for team building and leadership skills, and ethical decision making in business. Lastly it will enhance interpersonal and communications skills through interactions which seek to learn ways of solving problems and issues in the accounting and finance realm. All these are critical for a career as an accountant.