

Critical thinking on fasb

[Business](#), [Management](#)



The Financial Accounting Standards Board is an organization that establishes the standards of financial accounting which are used in the preparation of financial reports by entities that are not governmental (FASB, 2011). The standards are important as they enable the efficient working of the economy as the distribution of resources relies on credible financial information.

The mission of FASB is to establish and improve the standards of accounting, financial and reporting which results in provision of useful information to the investors and users of financial statements. The mission is usually attained through a process that is independent and comprehensive, the process encourages participation, and it also considers the views of the stakeholders. The process is subjected to an oversight by the Financial Accounting Foundation's Board of Trustees (FASB, 2011). The FASB aims at improving the benefits of financial reporting it focuses on the primary characteristics of reliability and relevance and on the comparability and consistence of the information. It also keeps the current standards so that they can reflect the change in the ways of business and the economy. It promotes converging of international accounting standards and improving the quality of financial reporting. It improves this quality by checking the deficiency in reporting and sees how it can be improved. The FASB also improves in understanding the purpose of the information found in the financial reports.

The FASB is a small part of an organization structured to be independent of the other organizations that are professional. The organization has the following structures the Financial Accounting Foundation, the FASB, the financial accounting standards advisory board, the governmental accounting standards board and the governmental accounting standards advisory

council. The structure of FASB differs from those of organizations that came before it. It has seven full time members in the board. All the members are elected by the FAF and are given a term of five years but can be given one more term of five years.

The FASB functions by developing a broad accounting concept and standards used to make financial reports. It gives guidance on how to implement the standards. The concepts it gives are used by the board to establish standards and to provide a framework for solving issues of accounting. The conceptual framework helps establish bounds for judgment when the financial statements are being prepared. As a result there is an increased understanding and confidence in the financial information given. The framework also helps the public to understand the nature of information in the financial reports and its limitations.

The authority the FASB has is given by the Securities and Exchange Commission (SEC) and the American Certified Public Accountants (FASB, 2011). The SEC has the authority give accounting and reporting standards for the public companies. The SEC delegates a lot of the authority to the FASB but even so it adds its own requirements. Such requirements include the need for the management of a company to discuss and analyze its financial statements.

Some of the issues that the FASB has handled is the issue on the accounting of multiple exchange rates. In 2003 February the government of Venezuela implemented plans to control the foreign currency exchange. There was no free market for the selling and buying of foreign currencies. The only way a

company was able to get the currencies was through the Venezuelan Foreign Exchange Administration Board at a certain rate. The issue at hand was whether it was right for them to have a different exchange rate that is constant in an economy full of variable exchange rates. The aim of the issue is so that an appropriate accounting disclosures can be determined when this kind of issues arise. It was discussed in Venezuela but it can be applied to all the countries whose exchange rates are numerous. The SEC updated and put a topic on foreign currency and many the various exchange rates. The task force decided that it would not be easy to give guidance on the issue as the country's situation was not stable. The issue was discussed on July 2010 and in September 2010.

REFERENCES

Financial Accounting Standards Board. Retrieved on 22nd February, 2011 from www.fasb.org