

Summary of the accounting standards setting process



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SEC not giving the FAST the freedom to set standards without its interference. Because the SEC delegates this duty to the FAST the SEC is less criticized especially in the area of special interests. It is believed that the SEC has delegated the standard setting duty to the FAST to shift blame away from itself and pawn it on the FAST. Evidence of the FAST working with the SEC to set standards has been obvious since the AICPA's establishment in 1973 where it is known that they discussed the development of new standards.

Even if one were to believe the FAST and SEC did not work together, evidence still points in the direction of the FAST being aware of what the SEC wanted and setting standards to appease the SEC. The views and opinions of the SEC's chief accountants and members were given in speeches and the SEC publishes its accounting positions therefore the FAST knew what the SEC wanted in its standards. Members and chief accountants from the SEC have also become members of the AICPA's advisory council and obtained other positions working with and for the FAST which shows behind closed doors the SEC and FAST were collaborating.

A study was completed examining 158 FAST Statements based on seven criteria to determine the extent of SEC involvement with the FAST. The criteria was based on whether the AICPA's position is similar to the SEC's, if the SEC initiated the subject of the statement, threats made by the SEC, whether the FAST acted under pressure, was the rule changed to accommodate the SEC and did the SEC intervene or overturn the statement. Evidence to prove the criteria was found in speeches, issued discussion memorandum, Wall Street Journal articles, public hearings as well as, the SEC overturning statements and lending support to the FAST.

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It may appear to some that the SEC has little involvement in the standards set by the FASB however this is not the case. The extensive research that was completed and compiled shows how the SEC plays an active role in the standard setting process. The SEC has power over the FASB's budget and potential members, and has the ability to put pressure to address specific issues and respond the way they see fit. Ultimately the FASB sets the standards but the SEC decides what standards are enacted. Summary of The Accounting Standards Setting Process in the U.S.

S. : Examination of the SEC-FASB Relationship By urban The question arises, how much power and influence does the SEC have over the FASB believed by the authors of The Accounting Standards Setting Process in the U.S. : Examinations of the SEC-FASB Relationship ? Or is the FASB in complete control of the standard setting process? The SEC has the legal responsibility to set accounting FASB does is a reaction to the immense pressure being imposed by the SEC and the SEC not giving the FASB the freedom to set standards without its interference.