

Accounting standards paper



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International Accounting Standards Board (IAASB) were both formed in 1973. The IASB is the organization, in the private sector, for establishing standards of financial accounting that governs the preparation of financial reports by non-governmental entities. The IAASB is an independent private sector body that develops and approves International financial reporting standards. These two have been working toward the same goal since they were formed. Today the IAASB and the IASB are working on a joint venture referred to as the Convergence Project.

IAASB was formed in 1973 under the name International Accounting Standards Committee. Its mission was to formulate and publish in the public interest basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance. The IASB was also formed in 1973. The relationship between the two was informal at first. In 1979 the IASB formed a task force which included the IAASB. This was the first effort by the IASB to formally collaborate internationally when developing a standard.

These two joined together again in 1988, when the IASB became a member of the IAASB consultative group. In 1994 the IASB and the IAASB continued working together on concurrent projects to improve their earnings per share with a specific objective of eliminating the differences between them. They produced the Norwalk agreement. This set out the shared goal of developing compatible, high-quality accounting standards that could be used for both domestic and cross-border financial reporting. In 2001 the International Accounting Standards Committee changed to the International Accounting Standards Board.

The mission stayed the same. In 2006 these two produced the Memorandum of Understanding. This elaborated on the Norwalk Agreement, setting forth guidelines in working toward convergence. The FAST (n. D.) website states the following are the guidelines set forth in the Mom: Convergence of accounting standards can best be achieved by developing high-quality, common standards over time. Instead of trying to eliminate differences between standards that are in need of significant improvement, the boards should develop a new common standard that improves the quality of financial information.

Serving the needs of investors means that the boards should seek to improve coverage by replacing weaker standards with stronger standards. The first major joint project by the FAST and SAAB was completed in 2007. This project substantially converged standards on business combinations. The next few years are filled with these two working together. In 2009 the FAST and the SAAB reaffirmed their commitment to convergence and agreed to intensify their efforts to complete the major joint projects described in the Mom, and committed to making quarterly progress reports on these joint projects available on their websites.