

Convergence of accounting standards

Finance



The paper "Convergence of Accounting Standards" is an extraordinary example of an assignment on finance and accounting.

The goal of this report is to give a decisive feature on the desirability and the problems of achieving such convergence, with the cost of not achieving convergence. Convergence of accounting standards is a subject of critical deliberation significance to the prospects of international capital markets. This is because high quality information feeds markets to become high quality.

Desirability and problems facing a convergence

Desirability in capital markets depends on the competitive environment of a business. Capital budgeting processes are tied to the fact that businesses look forward to making profits and these profits dictate the desirability of the union in a business or transaction (May & May 2012). Therefore, the desirability of a union is dictated by the investment decision and the financial decision in a market. With the market environment and the unique business packages, each decision cannot be deemed worthy on its own. This can be countered by the use of both to make the progress worthwhile. The desirability of a market will always determine the investment decision of the firms and the financial investment undertaken (May & May 2012).

Several matters at hand render the convergence process a headache to the companies. To address these issues the decisions made by the firm management should consider the fact that union of markets involves a joint input on different stakeholders in a business. They include investors, corporates, lenders, accountants and auditors, market data packages and more. Each party is an instrument in the successful convergence of a market. The main problems encountered in convergence are

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Active participation of the stakeholders in the moulding of the convergence phases

The boards' decisive structures and their decisions to capture the true wants of the key stakeholders

Lack of good protocols and strategies to give the process more positive outcomes

Accounting standards failure to give a correct output of the comprehensive information on the finance

Relevance

The costs incurred by the convergence process are critical to the company's continuity. If the convergent process is not established well, the purpose will make the process a burden to the company. Since the process is long-term, the parties need to make their priorities substantive (May & May 2012). The costs of convergence vary with the decisiveness of the administration of the company in the process. Failure to achieve good standards the firm is going to experience inefficiency, lack of trust from the parties, costly processes, and a lack of enforcement oversight. Moreover, the consistency, comprehensiveness, and clear principles will not reflect in the firm's underlying reality.