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IFRS as an Important Part in Commercial Companies

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Abstract
IFRS are important for all the companies. The first priority of the Financial Accounting Standards Board (FASB) is to improve financial reporting for the benefit of investors and other users of financial information in U.S. capital markets. We do that by striving to set the highest-quality standards, which collectively are known as Generally Accepted Accounting Principles (GAAP). By highest quality, we mean standards that provide users of financial statements with information that is clear, useful, and relevant to their needs, while considering whether the expected benefits of that information justify the costss of providing and using it.The FASB believes that seeking more comparable global accounting standards—improving the quality of accounting standards used around the world while reducing differences among those standards—is consistent with its core mission. Investors, companies, auditors, and other participants in the U.S. financial reporting system benefit from the increased comparability that can result from the closer alignment of standards used internationally. More comparable standards have the potential to reduce costs for both users and preparers of financial statements and make worldwide capital markets more efficient. The Securities and Exchange Commission (SEC) expects the FASB to consider, in developing standards, the extent to which international comparability is necessary or appropriate in the public interest and for the protection of investors.
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1.Introduction

As we conclude the bilateral convergence program begun in 2002 by the FASB and the International Accounting Standards Board (IASB), the FASB has implemented a three-part strategy for seeking greater comparability in accounting standards internationally:

1. Developing high quality GAAP standards
2. Actively participating in the development of International Financial Reporting Standards (IFRS)
3. Enhancing relationships and communications with other national standards setters.

Developing High Quality GAAP Standards

The FASB continually strives to meet the needs of investors and other users of GAAP-based financial reports, both within and outside the United States, by improving the quality of GAAP. The FASB believes that the high-quality standards it develops will continue to influence the shape and future direction of international standards, as they have for more than 40 years. By creating high-quality standards through a best-in-class standard-setting process, the FASB serves as a reference point and benchmark for others. In other words, we will continue to lead by setting an example of excellence.

As it undertakes standard-setting projects, the FASB carefully evaluates whether U.S. financial reporting would be improved by implementing approaches consistent with particular IFRS standards. This also would enhance international comparability for the benefit of investors and other capital market participants. This evaluation happens on a standard by standard basis.

2.Actively Participating in the Development of IFRS

The FASB participates actively in the development of IFRS, providing input on IASB projects through the IASB's Accounting Standards Advisory Forum (ASAF) and through other means. The FASB contributes to the development of IFRS by sharing views based on its past experience or developed through the FASB's due process, stakeholder outreach, analysis, and deliberations. We believe our efforts to improve GAAP benefit from the international perspectives gained through our interactions with the IASB.

3.Enhancing Relationships and Communications with Other National Standard Setters

The FASB works to maintain and strengthen its existing cooperative relationships with other national standard setters. The broader flow of information and ideas resulting from these relationships mutually informs each organization's thinking and contributes to the shared understanding of perspectives and circumstances that can reduce or avoid unnecessary differences among standards used internationally. In some cases, however, the FASB (or other national standard setters) may conclude that the best interests of its own capital markets outweigh the goal of completely converged accounting standards.

Since 2000, significant progress has been made toward achieving greater comparability in accounting standards on an international level. The increasing number of countries around the world that have decided to require (or permit) the use of IFRS has increased the comparability of reporting internationally. The bilateral FASB and IASB convergence program increased the quality of reporting standards and enhanced the comparability of these standards in a number of important areas, including the accounting for business combinations, share-based payment transactions, fair value measurement, and revenue recognition.

But increasing the comparability of standards is not easy. It cannot be accomplished by the FASB alone; it requires cooperation and agreement among standard setters around the world. Different starting points, different business cultures, different regulatory environments, different financial reporting objectives, and different legal systems can make it difficult for standard setters around the world to agree on the same accounting alternative. Moreover, an alternative that is perceived as an improvement in one country may not be perceived as an improvement by another country. For example:

- The FASB is developing the current expected credit loss (CECL) approach to accounting for impairment of financial instruments in response to feedback that the complex "three-bucket approach" developed with the IASB would be difficult to apply and would likely have decreased loan loss reserves of U.S. financial institutions. That result is counterintuitive to the lessons learned during the recent financial crisis.
- The FASB has made an initial decision to retain the straight-line approach of expense recognition for certain leases owing to a different conclusion about the benefits and costs of the IASB's proposed front-loaded approach.
- Dramatically different starting points affected the approach to the insurance contracts project. GAAP long has had standards while IFRS has not. In response to feedback from investors and others that GAAP was largely meeting their needs, the FASB abandoned the fundamental revisions necessary for full convergence to focus on more targeted improvements.

Early in their bi-lateral convergence program, the FASB and IASB concluded that international comparability would be enhanced if GAAP and IFRS used the same words and phrases. Recent experiences raise questions about that conclusion. The FASB is considering whether international comparability may sometimes require the use of different words or additional guidance tailored to the U.S. reporting environment. For example, the FASB has been told that the definition of a business in the jointly developed business combination standard is being interpreted differently in the U.S. than elsewhere, notwithstanding the use of identical descriptions. The FASB is considering whether changes to the GAAP definition are needed, including potential changes to promote international comparability.

4.Conclusion

The SEC for many years has been considering a public policy decision on the appropriate use, if any, of IFRS by U.S. domestic issuers. In July 2012, the SEC staff issued its final staff on the "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers." The report was the final phase of a work plan, initiated in February 2010, to consider specific issues relevant to the Commission's determination as to whether the current financial reporting system for U.S. domestic issuers could or should be transitioned to a system incorporating IFRS. The report summarized the staff's findings regarding key issues surrounding the potential incorporation of IFRS into U.S. financial reporting, but did not make any recommendation to the Commission. "Additional analysis and consideration of this threshold policy question is necessary before any decision by the Commission concerning the incorporation of IFRS into the financial reporting system for the U.S. issuers can occur," the report said.

More recently, SEC Chief Accountant James Schnurr touched on the issue of IFRS use in the United States in remarks made at the 2014 AICPA National Conference on Current SEC and PCAOB Developments. He said the SEC staff is continuing to evaluate potential paths forward and, as part of that effort, is looking for feedback on other alternatives that might be explored in addition to further incorporation of or alignment with IFRS. Allowing U.S. companies to provide voluntary, supplemental IFRS-based financial information—in addition to the required GAAP financial statements—was cited an example of such an alternative. Under this concept, the IFRS information would not be considered "non-GAAP" information. As a result, U.S. companies would not be required to reconcile the IFRS information with the required GAAP financial statements.

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