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Sacrificing Time for Quality

FASB and IASB Revise Convergence Time Table

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) recently extended the completion date for some convergence projects by about six months.

While the FASB and IASB remain committed to converging U.S. GAAP and International Financial Reporting Standards (IFRS), the original June 2011 deadline would have meant the issuance of approximately ten proposals in a short period of time, thus hindering proper due process. The extended target date will sacrifice time for quality.

In November 2009, the two standard-setting bodies issued a joint statement detailing successes achieved to date and milestone targets to complete major convergence projects by June 2011, as described in their 2006 Memorandum of Understanding (updated in 2008). In their March 2010 quarterly progress report, the two Boards announced that they expected to publish a significant number of combined exposure drafts in 2010, in addition to keeping up with their regular standard setting projects.

The abundance of information in such a short period of time raised concerns about the quality and quantity of comments that could be received and answered by the June 2011 deadline. Robert Herz, Chairman of the FASB, stated,

“the reason we go through our due process is you learn a lot from the constituent input and the letters and roundtables.”

In an effort to allow adequate response time, the Boards are expected to release a revised work plan that will prioritize the major projects discussed in the Memorandum of Understanding. In addition, they will stagger the publication of Exposure Drafts and related consultation, and will issue a separate document seeking input from stakeholders about effective dates and transition methods.

Furthermore, the Boards have limited the number of significant or complex exposure drafts to four per quarter. They said “the nature of the comments received on the exposure drafts will determine the extent of the redeliberations necessary and the timeliness required to arrive at high quality, converged standards.”

While the two standard-setting bodies move forward on convergence, all eyes have been focused on the actions of the SEC. Its “roadmap” calls for the SEC to decide in 2011 whether to move forward with the transition from U.S. GAAP to IFRS. SEC Chairman Mary Schapiro said in a separate statement that the revised convergence time line should not impact the Commission’s determination in 2011 about whether to incorporate IFRS into the financial reporting system for U.S. issuers. She stated, “I foresee no reason that the adjustment to the targeted timeline for certain joint projects should impact the staff’s analyses under the work plan issued in February 2010, particularly when that adjustment is designed to enhance the quality of the standards.”

The June 2011 target completion date remains for some projects for which a converged standard is urgently required, such as consolidations and fair value measurement. Updates on the convergence project can be found at both the FASB and IASB websites. **h**



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