IASB AND FASB CONVERGENCE PROJECT: WHERE ARE THEY NOW?

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ABSTRACT

The Convergence Project between the International Accounting Standards Board and the Financial Accounting Standard Board in the United States was signed on September 18, 2002 in Norwalk, Connecticut in the US The first is responsible for issuing International Financial Reporting Standards nowadays, these were created 40 years ago. More than one century ago local regulations are used in the US The boards differ in years of experience. With the signing of the agreement both institutions are working to reduce the divergence of accounting. Although they have made significant progress it is appropriate to examine whether the difference in approaches to accounting will affect the achieved agreements. It is relevant to investigate whether the years leading the standards adopted in different countries will impact the final result. The date of completion of the project has been postponed and still has not indicated the date of termination. This research is an analysis of the importance of the convergence of accounting standards at a global level. The study presents statistics on the status of the adoption of international standards by country. The study shows a summary of the expressions made by the directors of both boards about the future of the project.

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INTRODUCTION

Several years ago a transformation in accounting procedures has been seen, this is in order to cope with the changes that have occurred around the world in an organized way. Some countries have been able to adapt and face the consequences of these changes, for others it has become more difficult. This is because there are various economic social factors that affect nations in different ways. The evolution of these procedures is due largely to globalization. This has generated pros and cons for the countries. Globalization has made countries that lacked certain resources to enter into agreements with other countries by exchanging goods, services and/or expertise. They have also brought with them the evolution in technology, learning new methods and styles of doing business. It has also led to the increase in communication between countries through commercial agreements. It has generated greater awareness of other cultures and it has led to the exchange of production processes. These relations between the countries have generated new business transactions. The exchange of financial information is necessary for the integration of countries and stock markets. It also allows constant communication between users. With the emergence and proliferation of multinational enterprises (MNE) information flow has been increasing, since MNE generate large amounts of transactions that are the product of local and international trade relations.

In 2009 (United Nations World Investment Report 2011) reported an average of 82,000 MNE with more than 810,000 affiliated overseas. In 2013 there were 319 Commercial Agreements in force; they approve the exchange of goods, services, education and knowledge among practically all the countries of the world (World Trade Organization, 2013). The mechanism created by companies and governments facilitated to international investors the process of investing and carrying on with international transactions. The number of users of financial information has increased, these require uniform information for timely decision making (Del Valle et al., 2010). Therefore, the activity on various international stock exchanges is greater. In 2012 an average of 10,500 companies listed in America, 22,700 in Asia for Europe and Africa 13,300 respectively (World Federation of Exchanges, 2012).

Another sector that also generates large amount of financial information is small and medium-sized enterprises, *SMEs*, (Pacter and Scott 2012). Local and international financial institutions use accounting reports to establish the collateral and interest rates. Other users around the world who use the information are credit rating agencies, investors and suppliers (2009 IFRS).

To maintain the communication between the international users some accounting norms that provide uniformity, utility and quality are necessary. This way it will establish a universal accounting language that allows everyone to meet the disclosure requirements of the users. In addition, facilitates the way companies raise foreign capital and make alliances with companies abroad (Meeks and Swann, 2009). Also, creates greater efficiency in transactions generated in the different international stock exchanges (Chen, Jiang, and Tang, 2010).

However, the accounting diversity that currently exists is created by diversity in the legal system, tax regulations, among others. This affects decision-making and implies that companies consume more resources to implement their strategies and achieve their goals. According to Doupnick and Perea (2012) is necessary to reduce the diversity at the accounting level to generate comparability in the financial statements. This will allow a group of standards that provide uniformity to be adopted.

In addition, the need for a harmonization of the accounting standards was already mentioned during the decades of 50s and 60s (FASB, 2013). In the US during 1972, there was talk of accounting consistency. During the congress "Tenth International Congress of Accountants" in Sydney on September 1972 the

AICPA President hoped for the creation of a governing body that regulated the international standards (Camfferman and Zeff, 2007).

To meet the demands of users who require uniform information on 1973 is created the *International Accounting Standards Committee (IASC)* with this begins the era of accounting convergence. Then in 2001 the International Accounting Standards Board (IASB) is created. The IASB is the entity that currently regulates the international financial reporting standards (IFRS) for public companies, full IFRS. Later in July 2009, the IASB published the version of the IFRS for SMEs, little IFRS.

Today more than 100 countries have adopted IFRS (IFRS, 2013). One of the most recent cases is that of Canada that adopted IFRS for public and private companies in 2011. This is a very particular case since this country moves from the local rules of the US GAAP, to the IFRS (Blancehette, 2011).

The resistance to change and keep the tradition is an impediment to global convergence, particularly in the US (Damant, 2006; Gornik and Showerman, 2010). This country is still in the process to converge its accounting standards with the IASB. The convergence project began more than one decade ago with the Financial Accounting Standards Board (FASB).

The users, companies and the Government in the US are in a waiting period that duplicates the efforts and consumes more resources. SMEs in the US can apply the IFRS (Lozada and Ríos, 2013) however, it's forbidden to public enterprises to apply IFRS. Which means that a MNE has to prepare their reports using the, US GAAP and apply IFRS to its subsidiaries. The reconciliation process requires more effort.

The universities in the US offer students education emphasized in the US GAAP. However, the issue of the convergence is critical for which they have proliferated teaching courses and research on IFRS. Given that the US has an active market for the exchange of values (NYSE and NASDAQ) and the Convergence Project is of great importance for all sectors in the US it is relevant to study the current status of this project. It is also important to know what are the advantages and disadvantages of this project.

To develop a proper analysis, below is a review of the literature related to IFRS and the Convergence Project.

THEORETICAL FOUNDATIONS AND REVIEW OF LITERATURE

Importance of Accounting Information

Accounting is defined as a system of information that collects, analyzes and communicates financial information on an entity to facilitate decision-making. The execution of the accounting profession is necessary for the internal control of the company. This is one of the oldest professions, as evidenced by the code of Hammurabi and its contents based on tax data (Vitez, 2013). The main objective of accounting is to provide useful information; this enables the users of financial statements to assess the company and evaluate its execution.

Companies are currently developing beyond a local level. In 2011 the US, established a record with 302,000 exporting companies. They reported a 33% of the exports in that country (International Trade Administration, 2011). For 2010 the total trade in the countries who are members of the European Union (EU) 55% (imports) and 47% (exports) corresponds to SMEs (European Commission, 2010). This new challenge changes the way that companies divulge the information. Users come from local and international markets, so that new trends in the accounting treatment and disclosure are aimed to satisfy the demands of a global market. The uniformity in the accounting processes and the disclosure of information is essential to maintain the flow of information, allowing communication between the members of the international markets (Holthausen and Watts, 2001). The informative value and veracity of disclosures are necessary to maintain confidence in the capital markets (Barth, Beaver and Landsman 2000; Landsman and Maydew, 2002 and Werner and Veith, 2010)

Evolution of Accounting

In the nineteenth century, with the development of the industry in Europe, especially in England, and the emergence of economic liberalism, preached by Adam Smith, accounting began its transformation. With the passage of time accounting methods have evolved, starting with the simplest one where a person could do all of your business records, until more recently where computers perform most of these tasks. With the increase of the MNE and the proliferation of trade agreements the volume of transactions and the disclosure of business are greater today. This information has changed because through the years some exogenous variables to the exercise of accounting have developed and generated diversity. The policies, legal system, culture and other factors in different institutional settings have forced regulators to create various accounting standards in order to meet the demands of users over time (La Porta, 2008; Graff, 2008; Zeff, 2006 and Hofstede, 1983).

Each country contributed to the development of accounting. During 1880 in England it's created the Institute of Accountants. At the beginning of the 20th century around the world began to emerge associations of accountants, which, in addition to its own standards, established a set of conventions for the exercise of accounting activities. In 1899 a regulatory body is created in Sweden and Switzerland in 1916 and Japan in 1917. In the US accounting was also developing as a profession since 1887. From 1895, in the US because of the economic blockade of England, they began to use a series of inventions and technological innovations in the industry and in agriculture. Accounting, parallel to this development was institutionalized, becoming an academic activity at the University of Pennsylvania in 1881 and professional guild through AAPA in 1887. The same year is the birth of what is now the American Institute of Certified Public Accountants (AICPA) in the US Later on, the banking and the stock exchanges began to demand the financial statements to be certified by an independent public accountant. The AICPA met with academic groups to study accounting programs, emerging in 1934, the first six rules of accounting principles today. (AICPA, 2012)

During 1950 it's emphasized the integration of markets and promotion of the flow of international capital. The emphasis lay in the harmonization of accounting standards, its purpose was to eliminate the differences. In 1973 the IASC begins the path of uniform accounting standards at a global level. The concept of convergence whose objective is to develop a single set of high-quality standards with universal application (FASB, 2013) was adopted in 2001 with the creation of the IASB. Accounting and the disclosure of information have evolved over time because of different factors, however, the essential characteristic of these is the utility it provide to its users (Barth, Landsman and Lang, 2008).

Accounting Diversity

Financial statements should be presented in a uniform manner so that there is comparability between them. This is advantage for users (Hail, Leuz, and Wysocki, 2010). At the present there is still accounting diversity. These are the differences that exist between countries in the way the measuring and presentation of the financial statements of companies. These differences, even the smaller ones, represent a difficulty for users that analyze the different financial statements (Choi and Levich, 1991). Companies must identify and minimize the causes of diversity to avoid comparison problems that limit investment opportunities. Diversity affects the strategies of the company in short and long term, it also affects the ability to compete in the international market, (Miller 1999).

Global Accounting Convergence

Studies have shown advantages and disadvantages about the convergence of standards (Ball, 2006). The IFRS are a common global accounting language for business purposes. These allow the financial information to be comparable regardless of international borders. IFRS arise in response to the needs of the growing number of international shareholders that generate economic activity globally. IFRSs are gradually replacing the various local rules of each country (PWC, 2012).

Importance of the Global Convergence

The global convergence of standards through the adoption of IFRS, is a relevant issue for MNE. A company may present its financial statements on the same basis than its competitors abroad. This allows comparisons and analysis of international financial reports. In addition, companies with subsidiaries in countries that require or permit IFRS may be able to use a common accounting language. Companies can also benefit by using the IFRS if they want to raise capital abroad.

Regulators of the Process of International Convergence

The Accountants International Study Group (AISG) was founded at the beginning of the 1970s, the objective of the group was initially to publish books on accounting studies, but later helped in the process of setting international standards. As time go on 28 countries join the AISG each represented by 2 people, all with the common purpose of creating a uniform set of accounting rules. The IASC is created later in London on June 28, 1973. A document called "The Agreement", which consisted of an agreement and a constitution was signed the day after de creation of the IASC. It was also established that each country would contribute one ninth of the budget to subsidize the operations of the organization (Camfferman and Zeff, 2007).

Table 1 shows the IAS created by IASC. Initially they were 41 of which less than 30 are still in force (Doupnick and Perea, 2012). All of them have been revised. The latest revision was in 2007. Up to September 2013 the IASB has created 13 IFRS. In January 1975 was published the IAS 1. The publication of a first rule in a suitable time frame gave the opportunity to the IASC to show that they were working to achieve its purpose of publishing standards within a reasonable time. The next issues that had priority for the IASC were valuation of inventory, consolidated statements, depreciation of fixed assets and basic disclosure of the financial statements. These themes became IAS 2, IAS 3, IAS 4 and IAS 5 respectively. The publication of these four standards fulfilled a goal of the IASC, which was to publish three to four standards annually. The standards published so far were seen by the IASC as basic and not sophisticated allowing it to be published quickly. Issues with more difficulty began with IAS 6, accounting for inflation, although the standard was published in 1977 because of the debate that it caused it wasn’t until 1981 when IAS 15 was approved that the IASC was able to expand more on the subject and make more specific changes. IASC achieved notoriety with the publication of IAS 7 until IAS 13. These sets of standards for basic subjects were in sequence this allowed that the IASC grew and his work was recognized. In the early 1980 were published IAS 14, reporting by segments, IAS 17, accounting for leases and IAS 19, retirement, these standards benefits provided accounting solid practices which served as a guide for many countries where these issues did not have any direction. Later, IASC decided to take the issue of fair value so it published IAS 16, IAS 17 and IAS 18. Then productivity was reduced due in large part because the basic issues had already been covered (Camfferman and Zeff, 2007).

The IFRS are currently used in more than 100 countries (Lozada and Ríos, 2013). These are developed through a process of international consultation called "due process", which involves individuals and organizations around the world.

Table 1: ***International Accounting Standards IFRS and IAS to January 2013***

Standard	Year Issued (Revised)	Standard	Year Issued (Revised)	Standard	Year Issued (Revised)
IAS 1 Presentation of Statements	1975 (1993, 2003, 2007)	IAS 16 Property, plant and equipment	1982 (1993, 1998, 2003, 2007)	IAS 24 Disclosures on related parties	1984 (2003, 2007)
IAS 2 Inventories	1975 (1993, 2003)	IAS 17 Leases	1982 (1997, 2003)	IAS 26 Accounting and financial information on retirement benefit plans	1987
IAS 7 Statement of cash flow	1977 (1992, 2007)	IAS 18 Ordinary income	1982 (1993)	IAS 27 Consolidated and separate financial statements	1989 (2003, 2007)
IAS 8 Accounting policies, changes in accounting estimates and errors	1978 (1993, 2003, 2007)	IAS 19 Benefits to employees	1983 (1997, 2000, 2007)	IAS 28 Investments in associated companies	1989 (1998, 2003, 2007)
IAS 10 Events after the date balance	1978 (1999, 2003, 2007)	IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	1983 (2007)	IAS 29 Financial Reporting in Hyperinflationary Economies	1989 (2007)
IAS 11 Construction contracts	1979 (1993, 2007)	IAS 21 Effects of Changes in Foreign Exchange Rates Foreign Currency	1983 (1993, 2003, 2007)	IAS 32 Financial instruments: disclosure and presentation	1995 (2003, 2007)
IAS 12 Income tax	1979 (1997, 2000, 2007)	IAS 23 Interest costs	1984 (1993)	IAS 33 Earnings per share	1997 (2003, 2007)
IAS 34 Interim Financial Information	1998 (2007)	IFRS 1 First Time adoption of international financial reporting standards	2003 (2007)	IFRS 8 Operational segments	2006
IAS 36 Impairment of assets	1998 (2004)	IFRS 2 Share-based Payment	2004	IFRS 9 Financial instruments	2010
IAS 37 Provisions, contingent liabilities and contingent assets	1998 (2005)	IFRS 3 Combinations of companies	2004	IFRS 10 Consolidated financial statements	2011
IAS 38 Intangible assets	1998 (2004, 2007)	IFRS 4 Insurance Contracts	2004 (2007)	IFRS 11 Joint Arrangements	2011
IAS 39 Financial instruments: recognition and measurement	1998 (2000, 2003, 2004, 2007)	IFRS 5 Non currents assets held for sale and discontinued operations assets	2004 (2007)	IFRS 12 Disclosures of interest in other entities	2011
IAS 40 Investment properties	2000 (2003, 2004, 2007)	IFRS 6 Exploration for and evaluation of mineral resources	2004	IFRS 13 Measurement of fair value	2011
IAS 41 Agriculture	2001 (2007)	IFRS 7 Financial instruments: Disclosure	2005		

Table 1 presents the standards created by the IASC (IAS) and by the IASB (IFRS). Also presents in parentheses the revisions. The period covers since 1975 to the last created by the IASB in 2011, for a total of 36 years of creation and revision of accounting standards.

To create IFRS the due process consists of six steps: setting the agenda, project planning, develop and publish the document discussion, elaboration and publication of the standard draft, development and publication of a rule after the exposure of a standard. In 2003 the IASB created IFRS 1, adoption for the first time of the IFRS. In 2011, it creates the IFRS 13, measurement of fair value. Of the 13 existing IFRS the IASB revised in 2007 the following ones: IFRS 1, IFRS 4, contracts of insurance and IFRS 5, non-current assets held for sale and discontinued operations. In short term is expected IFRS for leases, revenue recognition and impairment.

To meet the needs of uniform disclosure of the credit sector and creditors on July 9, 2009, the IASB published IFRS for SMEs or little IFRS. This event was the culmination of a five-year project designed to reduce the complexity of implementing IFRS to private companies. The implementation guidelines reduced substantially when compared to the IFRS for public companies and the US GAAP (Carfang, 2009 and Miller, 2010). The adoption of these new standards will provide cost and time savings in the preparation and audit of financial reporting for SMEs (Kemp, 2009).

Use of IFRS vs. US GAAP

The US has on average 27 million small businesses that can apply US GAAP or little IFRS. Only 17,000 companies are registered with the Securities and Exchange Commission and apply local standards (Love, 2011). When compared the use of local standards in the US with the implementation of IFRS in the European Union is observed in the later one that about 5 million companies apply full IFRS (Needles and Powers, 2013).

Around the world 111 countries use IFRS in companies that are listed, of which 102 countries require the application and 9 allow the application. In America 20 countries require companies the application of the full IFRSs and permit it only 3 (2012 PWC). On the other hand, the US does not allow the implementation of full IFRS to public enterprises with American base however, it allows the use of IFRS for SMEs (Lozada and Ríos, 2013).

Table 2 shows a comparison of the countries of North America that require (R) or allow (P) the use of little IFRS and full IFRS.

Table 2: ***Countries of North America that use IFRS complete and IFRS small to December 2012***

Country	Do full IFRSs are required or permitted to publicly traded companies?	Full IFRSs are required, permitted or prohibited for statutory purposes?	¿Small IFRS are required, permitted or prohibited for statutory purposes?
Canada	R	R *	PR
Mexico	R	P	PR
US	NOT	NOT	P

Source (PWC, 2012). This table presents the status of North American countries in relation to the full IFRSs in companies listed in the stock exchanges and for statutory purposes. In addition, presents the status of the countries for the small IFRS for statutory purposes. R = required / R * required with some exceptions / P = allowed / PR = forbidden

Convergence Process in America

It’s been 126 years since the American Association of Certified Public Accountants was founded in the US in 1887 (AAPA) in 1957 its name changed to American Institute of Certified Public Accountants (2013 AICPA), these agencies have been responsible for the development of accounting in the US In 2002 it’s singed the Convergence Project or Norwalk Agreement. In 2003, the SEC issued a statement reaffirming the FASB as issuer of accounting standards of the private sector in accordance with the Sarbanes-Oxley Act of 2002. In the same statement the SEC also said that it supports the project of convergence between the FASB and the IASB. In 2005 the SEC issued a proposal for the elimination of the reconciliation requirement or form 20F. Since 2007 the SEC allowed foreign companies that were listed on American stock exchanges to submit their financial statements using IFRS. Previously these companies submitted the form 20F, to reconcile the differences between the two standards (Amir, Harris and Venuti, 1993). The agreements reached between both boards are updated for 2008 and 2010. Currently the SEC and the FASB follow the path of convergence. However, in the US has not been established date for the adoption of the (PWC NIIF, 2013[b])

Despite the belief of some in various sectors in the US of the inevitability of the global acceptance of IFRS, others believe that US GAAP is the gold standard, and that a certain level of quality will be lost with the adoption of IFRS. Other users of local standards who do not keep large number of operations or customers abroad can resist the adoption of IFRS. This happens because they don't have an incentive in the market to prepare financial statements using IFRS. In addition, consider that the costs outweigh the benefits associated with the adoption (AICPA, 2013b).

<u>Convergence Project: IASB and FASB</u>

For 11 years the boards have worked together to reduce the divergence of both existing financial reporting standards. They also coordinate their work in order to ensure that the compatibility reached is maintained. The Convergence Project seeks to align rules however, they maintain a degree of divergence as both accounting rules are not identical (INCP, 2013).

In 2002 the Convergence Agreement settled the following initiatives: work altogether, directing efforts in the short term to reduce the differences, encourage the coordination of future work. In 2004, the FASB issued: the *FAS 123 (revised 2004) Stock Based Payments, FAS 151, Inventory Costs, and FAS 153 Exchange of Non-monetary assets*, these were promoted by the initiative of both boards to submit projects on short-term (IFRS, 2013[a]). On 2005 the SEC proposes to eliminate the requirement of reconciliation, the form 20F.

The Memorandum of Understanding (MoU) was published in February 2006 by the FASB and the IASB. It describes the advances expected to achieve by 2008. In the MoU, the two boards reaffirmed their common objective of developing high quality and common accounting standards (IASB 2002).

In 2007 the SEC removed the requirement of reconciliation for foreign companies that are traded on the American stock exchanges. On August 6 of that year the SEC issued "Concept Release" to allow the issuers in the US prepare the financial statements in accordance with IFRS.

In September 2008, boards published an update of the MoU to report the progress made since 2006 and to set convergence targets until 2011. In 2008 the SEC issued a document proposing a route for the adoption of IFRSs in the US and a proposal for a regulation on the optional use of IFRS on 2014. It was established that the SEC would decide in 2011 if the adoption of IFRS served the public interest and would benefit investors. The SEC also proposed that US issuers that meet certain criteria can file their financial statements prepared using IFRS starting from December 15, 2009. Also in 2008 ended the first phase of the creation of the new conceptual framework (IASB, 2008).

In March 2009, the FASB reiterated their support in creating quality standards and recommends evaluating strengths, weaknesses, costs and benefits the US could face to advance towards the objective of convergence. Also that year the group created by the boards the Financial Crisis Advisory Group (FCAG) published several recommendations to improve the effectiveness of the work to be done (IASB, 2009). That year the Financial Accounting Foundation (FAF) in collaboration with the AICPA and the National Association of National Accounting Boards began the process of creating a panel (Blue Ribbon) for the study and improvement of the accounting rules in private companies. This new panel was created three years later.

In February 2010 the SEC issued a statement in support of convergence and global accounting standards. In April 2010 the boards published a quarterly report on the progress of the work. In addition, they agree to work for the implementation of a plan that studies the effects of the adoption of IFRS in several areas and examining the regulatory environment that may be affected by the new rules, among others. In June 2010, the FASB and the IASB agreed to modify its work plan and give priority to the most important projects that were agreed upon in the MoU, 2006.

In 2011 the boards reviewed strategies and discussed technical IASB projects and joint projects between this one and the FASB (IFRS, 2013b). In addition, IASB conducted an inquiry and identified that they must work with the conceptual framework so it provides a consistent and practical way of creating IFRS. They also have to improve some rules so that they respond to the needs of the users. It was also identified as necessary to strengthen the process of creating standards. The next conference will be held in 2015.

The SEC in 2012 reported that IFRS in the US would not yet be used in public enterprises (FASB, 2103[a]). The work plan discussed in July of that year did not discuss the voluntary adoption. Moreover, the SEC did not indicate when and how these standards will be incorporated into the American accounting system. They did not provided full support to the adoption however, reported that the SEC is exploring other methods to incorporate IFRS in the US GAAP. We can deduce from the expressions of the SEC executives that the US still shows their disposition to stay involved in the process of convergence. However, it is understood that the convergence era is about to end (PWC, 2013[b]). With the collaboration of the FAF and the AICPA the Private Company Council is created in 2012. The Private Company Council together with the FASB determines the modifications to the US GAAP that are needed to meet the needs of users of private companies (PWC, 2013[b]).

The members of the IASB in October 2012 as a response to the final work plan of the SEC, disclosed that they recognize that the US economic system is unique and that this represent major challenges for the implementation of IFRS. They also recognize that these challenges can be overcome with the appropriate policies.

By 2013 the foundation of IFRS, which is responsible for overseeing the processes in the IASB created the Accounting Standards Advisory Forum (ASAF) to expand the collaborative efforts of the IASB. The FASB is one of the 12 members (FASB, 2013[a]). That same year the AICPA also announces its plan to establish a framework of financial reporting for SMEs (PWC, 2013).

For the last quarter of 2013 the future of the Convergence Project is uncertain because both boards are giving attention to their particular agendas. However, although the compulsory adoption or voluntary adoption in the US is not in sight in the near future, the IFRS continue to be an important issue for American companies. Currently IFRS are still influencing changes in the US GAAP (PWC, 2013).

The boards are still working together. In addition they still maintain separate agendas. Table 3 shows the rules and amendments that both boards are working together on and the approximate date of issue. Table 4 and 5 present separate projects that each board in working on by October 2013. It's assigned to projects C = Comment deadline / DP = Discussion Paper / ED = Exposure Draft / RFI = Request for Information / F = Final.

Table 3: Projects of IASB and FASB summarizes at October 2013

Joint Projects Standards and amendment	Responsible Board	Anticipated issuance: 2013	Anticipated issuance: 2014
Emissions trading schemes	Joint	ED	F
Financial Instruments (classification and measurement)	Joint	ED	F
Impairment	Joint	ED	F
Hedge accounting	Joint	F	
Financial Instruments	Joint	ED	
Financial statement presentation	Joint		
Insurance contracts	Joint	ED	
Leases	Joint	ED	
Revenue recognition	Joint	F	

Source: PWC. C = Comment deadline / DP = Discussion Paper / ED = Exposure Draft / RFI = Request for Information / F = Final

Table 4 and 5 present the status of the IASB projects. It also presents the approximate date of completion for projects in process.

Table 4: Summarizes Projects of IASB at October 2013

Project	Anticipated issuance: 2013	Anticipated issuance: 2014
Conceptual framework		
Rate Regulated activities		DP
Annual improvements - 2010-2012 cycle	F	
Annual improvements - 2011-2013 cycle	F	
Annual improvements - 2012-2014 cycle	ED	

Source: PWC. DP = Discussion Paper / ED = Exposure Draft / F = Final

Table 5: Summarizes Projects of FASB at October 2013

Projects	Anticipated issuance: 2013	Anticipated issuance: 2014
Research Projects		
Private Company Decision - Making Framework	C	
Discontinued operations	C	
Consolidation		
Disclosure Framework		
Technical corrections and improvements	F	
Definition of a nonpublic entity	C	
Disclosure of Uncertainties about an Entity completo	C	
Going Concern Presumption		
Transfers and servicing: repurchase agreements and similar transactions	F	

Source: PWC. Comment deadline / DP = Discussion Paper / ED = Exposure Draft / RFI = Request for Information / F = Final

IMPLICATIONS

IASB and FASB

Barth (2008) suggested that even when a single set of standards is a goal for the Boards, convergence rather than adoption creates some obstacles. This is due to the difference in styles and their particular agendas. Also, if implementation guidance for applying those standards is not the same in all jusidictions boths set of accounting standards will not be comparable (Schipper, 2005).

Universities

US universities should prepare students on the topic of IFRS. The method of teaching should emphasize principle based approach rather than rules based approach. This will allow evaluating the theories on which the financial statements are based. It should be emphasized in the valuation and estimates and how should be audited. It also allows the students to exercise their judgment (Barth, 2008).

US companies

Convergence between IFRS y USGAAP provides benefits for US companies. Boths standards represent a hight quality, mitigate information asymmetry and provide information for valuation. In terms of equivalent financial reporting quality the results are not conclusive (Bradshaw, 2010). One important benefits for US companies and investors is the increase in comparability of financial disclosure (Ball, 2006). However, until the convergence is not achieved the obstacles in the process of comparing information remain.

US Capital marktes

The creation of the Sarbanes - Oxley Act has caused high costs on businesses to comply with the new requirements. The capital markets have experienced volatility due to the new changes. The adoption of IFRS can again provide reliability in the markets and reduction of costs in the companies (Bradshaw, 2010).

CONCLUSIONS

After 11 years of the signing of the Norwalk Agreement some convergence projects have been completed successfully. Several projects have been partially completed and others were discontinued. In some cases there was no consensus between the boards and different standards were created. To date some projects are still in process. The opinion of the auditing and consulting firm PWC is that a single set of global international standards is necessary; IFRS is better positioned than others to achieve this goal. In addition, emphasizes that the users should be bilingual in accounting terms, this will serve to create standards that would better serve users. The SEC still has not decided when the IFRS will be adpot in the US

Those interested in the topic in the US want clarity about the conduct of the IASB and the FASB with the process of convergence. Other users outside the American nation want greater commitment from the nation with the adoption of the IFRS and are waiting for substantial progress. Accounting service providers understand that both boards are keeping their commitment with the convergence project. However, the completions of projects together are a priority and will not be completed until beyond 2014. They also understand that a fast mandate of change is needed by the government, business and other sectors (PWC, 2013[a]). The members of the IASB understand there are still differences that can be reconciled. They are working and have undergone alternate solutions that understand can complement the work of the SEC team.

However, although the adoption of IFRSs in the US will not be immediately it is advisable that the American companies are kept informed about the process. It is important they know in what way it will affect transactions such as mergers and acquisitions. In addition, it is necessary to disclose information of subsidiaries using IFRS to users abroad. Finally, it is important that users in the US understand that future changes in the USGAAP are based on joint efforts between the IASB and the FASB.

Based on a review of the literature, we concluded that a move to an international set of financial reporting standards is a desirable goal for the SEC and the FASB. Material differences continue to exist between IFRS and USGAAP. Also, efforts must be directed to both sets of standards in order to be informationally equivalent. The joint work of the Boards is recommended, since this way it generates competition and collaboration in standard setting may aid in improving the quality of the standards. However, boths Boards faces differents political presures, maintains differents priorities and literature. In addition, their styles and the level of detailed guidance are not equal. These differences make the convergence process more difficult. It is important that US universities teach IFRS at a rigorous level in preparation for the adoption.

Recommendations

To the extent that markets increase their global presence, the number of foreign investors in American companies will increase. These shall require the IFRS-based financial statements. In addition, the American companies that have subsidiaries overseas should report their financial statements as required by each country. It is therefore recommended that MNE and SMEs in the US stay informed about changes in IFRS and to also implement the agreement achieved in the convergence project. These companies should immediately identify what they can do to keep an understanding and mitigate the negative impact, if any, that new changes can bring with IFRS. It is advisable that the executives of the companies participate in the standards creation process. In addition, keep a constant monitoring in subsidiaries overseas. This is because as more complex transactions arise the accounting standards require changes and new IFRS are created. These changes directly affect the activities between American and foreign companies. They also affect the taxes arising from these mergers and transactions generated jointly and separately.

Both boards should establish accounting guidelines for the disclosure of financial information that reflects the economic substance of the transactions, for timely decision making. It is pertinent that the FASB prioritize issues where simplification is needed and where the current information does not provide useful information anymore to meet the changing needs of users in the US

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