

2008 Survey

Priorities of the Financial Accounting Standards Board

February 2008



Financial Accounting Standards Advisory Council

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2008 SURVEY ON THE PRIORITIES OF THE FASB

Financial Accounting Standards Advisory Council
February 2008



This survey solicits views on:

- ◆ The FASB's Role in the Future Direction of Financial Accounting and Reporting
- ◆ The FASB's Current Agenda Priorities
- ◆ Future and Past Financial Reporting Issues

Your response is requested no later than **Monday, March 3, 2008**.

In order to accumulate the response information more efficiently, we are asking that you respond to this survey online.

If you are unable to respond online, please contact Alicia Posta at (203) 956-5207 or aaposta@fasb.org.

1.

Respondent Information

Please provide the following information with your response. Respondents' names and affiliations are included in the summary of responses to the survey.

First Name: _____

Last Name: _____

Title: _____

Company: _____

State/Province: _____

Country: _____

Phone: _____

Email address: _____

2.

Affiliation: (please check all that apply)

- FASB member
- FASAC (current)
- FASAC (former)
- ITAC
- PCFRC
- SBAC
- UAC
- Other, please specify _____

Section A—The FASB’s Role in the Future Direction of Financial Accounting and Reporting

On December 21, 2007, the Securities and Exchange Commission (SEC) released its final rule that permits foreign private issuers to file their financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) without reconciliation to U.S. generally accepted accounting principles (GAAP).

On August 7, 2007, the SEC released a concept release to obtain information about the possibility of allowing U.S. issuers to file their financial statements in accordance with IFRS, rather than U.S. GAAP.

The SEC final rule and concept release, as well as many other ongoing efforts by the FASB and the SEC, increases the eminence of IFRS in the U.S. Recent and ongoing efforts continue to raise questions about the ultimate desired outcome for U.S. financial reporting. Some possibilities that have been raised for discussion include:

- a. **“Mutual recognition” for foreign issuers only:** Foreign private issuers would be permitted to file their IFRS financial statements in the U.S., as required by the December 2007 SEC ruling
- b. **Two-GAAP system for U.S. issuers:** U.S. issuers would be given a choice of whether to file their financial statements using IFRS or U.S. GAAP, as proposed in the SEC concept release.
- c. **A single set of high-quality international accounting standards:** U.S. issuers would prepare and file their financial statements using international financial accounting and reporting standards. That approach could include an option for all or some companies in the intervening period to use either U.S. GAAP or IFRS, but not for an extended period.

The FASB and the FAF support the third possibility—a single set of high-quality international standards for all U.S. public companies. They believe that would be best accomplished by moving U.S. public companies to an improved version of IFRS. That outcome:

- a. Is preferred by investors because it enhances comparability and reduces analytical complexity;
- b. Is consistent with continuing globalization of capital markets; and
- c. Would bring the U.S. into a common stance with most other international capital markets (Europe, Australia, China, Russia, Japan, Korea, Canada, India, etc.).

The FASB and the FAF believe that permitting extended periods of choice between U.S. GAAP and IFRS will result in a two-GAAP system that will create unnecessary complexity for investors and other users of financial information. FASB and FAF support for that possibility is conditioned on improvements to certain international standards, as well as other aspects of a robust global financial reporting system being in place (discussed in Question 7).

Related Links

[Final SEC Ruling on Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP](#)

[SEC Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards](#)

3. Which possibility do you support?

- “Mutual recognition” for foreign issuers only
- Two-GAAP system for U.S. issuers
- A single set of high-quality international accounting standards
- Other (please describe below)

4. Why?

The IASB designed IFRS for general purpose financial reporting of *all profit-oriented entities*. The preface to the International Financial Reporting Standards also observes that entities other than profit-oriented entities (such as those that have not-for-profit activities in the private sector, public sector, or government) may find the standards appropriate.

In the U.S., the FASB currently establishes financial accounting and reporting standards for both public and private for-profit entities, as well as nongovernmental not-for-profit entities. Governmental accounting is outside the jurisdiction of the FASB. Accounting and financial reporting standards for state and local governments are established by the Governmental Accounting Standards Board, and the Federal Accounting Standards Advisory Board establishes accounting standards for federal governmental entities.

The IASB also is in the process of considering the overall financial reporting needs for certain small and medium-sized entities in their project, *Small and Medium-sized Entities*. The objective of the project is:

To develop an International Financial Reporting Standard (IFRS) expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such external users include owners who are not

involved in managing the business, existing and potential creditors, and credit rating agencies.

Some countries (such as Canada) have decided to pursue separate financial reporting strategies for three major categories of reporting entities: public companies, private businesses, and not-for-profit organizations. Whereas, other countries (such as New Zealand) have decided to pursue a single strategy for all reporting entities, including governmental entities. Some countries (such as New Zealand) also have delayed the mandatory adoption of their financial reporting strategy for certain small entities, in light of the ongoing debates about the financial reporting by small and medium-sized entities (SMEs).

Related Links

IASB's project update on [Small and Medium-sized Entities](#)

5. Should all authoritative guidance in the U.S. for public, private, and not-for-profit organizations ultimately emanate from the global accounting standard setter?

Yes

No

6. If not, for what type of entities should authoritative guidance by a U.S. standard setter continue to be provided and what are the associated benefits or complexities that should be considered?

Establishing a robust global financial reporting system that either broadly permits or eventually requires the use of IFRS in the U.S. calls for consideration of many different aspects, including:

- a. *Funding.* A stable and independent funding structure that allows a global standard setter to maintain adequate, skilled Board members and staff.
- b. *Enforcement.* High-quality enforcement of internationally promulgated standards that are consistently applied in all countries.
- c. *Auditing Standards.* The creation of global auditing standards.
- d. *Review of Existing Reporting Requirements.* Review and possible revision of Sarbanes-Oxley reporting requirements and SEC reporting and disclosure requirements.

- e. *Continued and Timely Improvements of Accounting Standards.* A commitment to continued and timely improvement of financial reporting and accounting standards from a global standard setter.
- f. *Endorsement Processes.* Input from national jurisdictions during the development of the standards to streamline the endorsement processes, allowing for efficient dispersal of the standards across all jurisdictions.
- g. *Review of Existing Plans and Objectives.* Review of the SEC Roadmap and the Memorandum of Understanding to determine whether key areas of investor concern have been addressed.
- h. *Conceptual Framework Joint Project.* Completion of the conceptual framework joint project.
- i. *Representation of User Needs.* Assurance that the standard-setting process, enforcement, and other areas of the financial reporting system focus on user needs rather than simply the concerns of preparers or regulators.
- j. *Representation of U.S. Needs and Views.* Creation of a mechanism for ensuring that U.S. capital market participants' needs and views are considered in the standard-setting process.
- k. *Education and Training.* Development and delivery of educational materials and training programs.
- l. *Infrastructure Changes.* Identification of changes needed in the U.S. to adopt IFRS effectively and development of plans to do so.

7. While many aspects of these may be considered simultaneously, which of the following aspects should be fully considered or resolved first (please select up to six)?

- Funding
- Enforcement
- Auditing Standards
- Review of Existing Reporting Requirements
- Continued and Timely Improvements to Accounting Standards
- Endorsement Processes
- Review of Existing Plans and Objectives
- Conceptual Framework Joint Project
- Representation of User Needs
- Representation of U.S. Needs and Views
- Education and Training
- Infrastructure Changes

8. Why?

The FASB plans to work together with the SEC and other affected parties to develop a national transition plan or “blueprint” for moving U.S. public companies to IFRS. As noted in the SEC concept release, a move to IFRS by all U.S. public companies would be a complex, multiyear endeavor. The FASB and the FAF support a U.S. blueprint that provides an orderly move to IFRS that minimizes the disruptions and costs to capital market participants and to other U.S. entities that use FASB standards.

9. What are the Board’s primary role(s) in these (or other) aspects of a national plan for the use of IFRS in the U.S.?

The current financial reporting environment raises many different strategies that the FASB could use in improving and converging U.S. financial accounting standards to an improved version of IFRS, including:

- Improving consistency with international accounting standards by replacing sections of U.S. GAAP with IFRS
- Improving the quality of financial information by addressing fundamental areas that need improvements in both U.S. GAAP and IFRS.

The FASB is advocating a well-planned “improve and adopt” approach to transitioning U.S. GAAP to IFRS:

- Improvement through continued joint projects between the IASB and the FASB in major areas; and
- Direct adoption of other parts of IFRS.

Under that approach, new standards or existing IFRS would be adopted. The adoption of existing IFRS could be gradual—over a period of several years. A gradual adoption would replace parts of U.S. GAAP with IFRS and would

smooth the transition process and avoid the capacity constraints. Alternatively, the adoption of IFRS could be abrupt. An abrupt change would replace multiple sections of U.S. GAAP with IFRS at the same time (or perhaps a staggered change for different sized entities), which would avoid continuing changes related to the direct adoption of IFRS over an extended period.

10. Under an “improve and adopt” approach, do you support a gradual (“piecemeal”) or an abrupt (“big bang”) adoption of IFRS?

- Gradual (“Piecemeal”) adoption
- Abrupt (“Big Bang”) adoption
- Need to become more familiar with IFRS requirements before supporting a specific adoption approach

11. Why?

Section B—The FASB's Current Agenda Priorities

The FASB believes it is appropriate to take a fresh look at its agenda each year. For purposes of Section B, assume that the FASB implements the “improve and adopt” approach discussed in Section A to transitioning U.S. GAAP to IFRS—that is, improvement through continued joint projects between the IASB and the FASB in major areas and direct adoption of other parts of IFRS. Consider the accounting and financial reporting issues to which the FASB should give the highest priority before U.S. companies are permitted or required to use IFRS.

The links for the project updates below provide details on the items currently on the Board's technical agenda and may be helpful as a reference tool. Projects with an anticipated completion date in the first quarter of 2008 are excluded.

Another reference tool to consider in your response is the IASB's Work Plan. That plan reflects the objectives of the Memorandum of Understanding with the FASB, which sets out the 2006-2008 roadmap for convergence between IFRS and U.S. GAAP for the period.

Related Links

[IASB's Work Plan](#)

12. If the FASB was setting its agenda today, what priorities would you assign to the current agenda projects? (please select up to five projects to rank “1”—the most important issues that the Board should address)

	1 (High)	2	3	4	5 (Low)
CONCEPTUAL FRAMEWORK PROJECT					
Objectives and Qualitative Characteristics (Phase A)					
Elements and Recognition (Phase B)					
Measurement (Phase C)					
Reporting Entity (Phase D)					
Presentation and Disclosure, including Financial Reporting Boundaries (Phase E)					
Framework Purpose and Status in GAAP Hierarchy (Phase F)					
Applicability to the Not-for-Profit Sector (Phase G)					
Entire Framework (Phase H)					

STANDARDS PROJECTS:					
Earnings per Share					
Income Taxes					
Financial Statement Presentation					
Revenue Recognition					
Liabilities and Equity					
Accounting for Leases					
RESEARCH PROJECTS:					
Financial Instruments Comprehensive Fair Value Measurement					
Financial Instruments Derecognition					
Accounting for Insurance Contracts					
Consolidations: Policy and Procedures					
FASB PROJECTS:					
Statement 140 Implementation Transfers of Financial Assets					
Accounting for Certain Nonfinancial Liabilities					
Statement 133 Hedging					
Emission Allowances					
Fair Value Option (Phase 2)					
Mergers and Acquisitions by a Not-for- Profit Organization					
GAAP Hierarchy					
Insurance Risk Transfer					
Loan Loss Disclosures					
Postretirement Benefit Obligations including Pensions (Phase 2)					
FASB Staff Positions and Other Activities (View the listing and timing of individual projects)					
OTHER TECHNICAL ACTIVITIES:					
XBRL					
FASB Accounting Standards Codification™					

For the projects that you ranked “1”, why are those issues the most important ones for the Board to address? Please be as specific as possible.

13.

First project (top priority):

14.

Second project (top priority):

15.

Third project (top priority):

16.

Fourth project (top priority):

17.

Fifth project (top priority):

18. Are there other issues or projects that are not included in the current FASB technical plan that you believe the FASB should address in the next 2 to 3 years?

Yes

No

19. If yes, what are those issues and how would you prioritize those issues relative to the current FASB technical plan?

If the FASB needed to remove or to abridge (that is, to change or limit a project's objective(s)) projects from its agenda to devote resources to other identified priorities, what three projects should it consider removing or abridging and why?

20.

First project (remove or abridge):

21.

Second project (remove or abridge):

22.

Third project (remove or abridge):

23. If you suggested abridging a project, how should the Board change or limit the project's objective?

Section C—Future and Past Financial Reporting Issues

In Section B, the survey asked for views on the most important accounting and financial reporting issues that the Board should have on its agenda now. The Board also wants to look to the future and become aware of:

- Potential financial reporting issues before practices become entrenched
- Efficacy of recently issued guidance in addressing past financial reporting issues.

24. *What specific business, industry, or economic trends might give rise to financial reporting issues?*

25. *In what other specific areas do you foresee potential accounting and financial reporting issues?*

26. *Are there aspects of a recently issued standard (or standards) that:*

- ***Are particularly costly or difficult?***
- ***Have provided information that users of financial reporting are not finding particularly helpful?***

Yes

No

27. If yes, what are they?
