A State of Flux:

An Honors Tutorial College Senior Thesis
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Abstract: This paper explores the history of accounting standards in the United States with emphasis on the recent alignment of US Generally Accepted Accounting Standards (US GAAP) with International Financial Reporting Standards (IFRS). Through a qualitative study, the future role of the Financial Accounting Standards Board (FASB) was explored. The interviewees, a group of experts in the accounting industry, had a consensus on many of the questions including the main research question. The majority of respondents believe that the FASB will continue its role as standards setter for US GAAP and will serve as a carve-out function for any future IFRSs issued by the International Accounting Standards Board (IASB).
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Introduction

After decades of proposals, timelines, and commitments to a single set of high quality financial reporting standards, the world is finally taking steps to unite under the same set of accounting standards to improve the flow of capital across borders and to eliminate wasted hours in reconciling financial statements to different standards. As of 2011, most of the world has either begun to mandate or set a deadline for the use of International Financial Reporting Standards (IFRS) for their publicly traded companies. These economically significant nations include the European Union, China, India, Brazil, Canada, Australia, and Japan (PwC, 2011a).

The United States has been much more reluctant in this changeover to international standards. Although the benefits of a single set of global accounting standards are clear and agreed upon, the United States is not satisfied with some of the specific standards in IFRS. Also, with the substantial size of the United States economy, the United States has been able to justify its own accounting standards while more and more of the world moves toward IFRS. However, the SEC was slated to make a final decision by the end of 2011 on whether the United States will begin requiring IFRS for public companies. The SEC has deferred that decision for the moment to allow the current convergence projects to be completed. The current convergence projects are the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) working together to eliminate certain differences between IFRS and US Generally Accepted Accounting Principles (GAAP). Should the SEC decide to mandate IFRS for public companies in the near
future, after the transition period is over, the role of the Financial Accounting Standards Board as the accounting standards setter of the United States will be gone. The International Accounting Standards Board sets and maintains IFRS, and would be the new standards setter for the United States.

The focus of this thesis is to identify the possibilities of the future role, if any, of the FASB should the SEC decide to mandate the use of IFRS for publicly traded companies in the future. This research is extremely timely in the accounting field today because the SEC is expected to make its announcement in the near future. With no clear decision made by the SEC yet, not much research has been done into the future role of the FASB, and an exploration on this topic would add value to the field. The possibilities identified in this research could lead to further research in the industry, whether there is a consensus, or not, on the future role of the FASB.

**Literature Review**

**Accounting Standards in the United States**

The task of being the American accounting standards setter has evolved much throughout the past century and passed through the hands of many boards and organizations. The underlying mission has always been the same: to create and update the highest quality financial reporting standards for the benefit of American companies. The primary accounting standards setter has changed hands a number of times leaving the old entity obsolete. Some of these organizations, such as the American Institute of Certified Public Accountants (AICPA), took the opportunity to
redefine their mission in order to serve another purpose within the accounting industry. This literature review explores the history of American accounting standards setters and the influence of international accounting on the US with an emphasis in how organizations adapted after becoming obsolete.

US Generally Accepted Accounting Principles (US GAAP) is the set of accounting standards that are used and required within the United States. The first authoritative source for determining US GAAP was the AICPA and its predecessor organizations. The American Association of Public Accountants (AAPA) was formed in 1887 to become the first organized body of accountants in the United States. In 1916, the organization changed to the Institute of Public Accountants, which changed again one year later to the American Institute of Accountants (AIA). In 1936, the American Institute of Accountants agreed to restrict future membership to solely Certified Public Accountants. The name was changed one last time in 1957 to its current name of the American Institute of Certified Public Accountants. At these early stages of accounting standards, there were no written standards, but developed “best practices” in reporting (AICPA, 2011a).

The first trend towards accounting standards began soon after the Securities Exchange Act of 1934 created the Securities and Exchange Commission (SEC). The SEC allowed professional organizations to form the basis for accounting standards based on their expertise in the field. In 1936, the AIA formed the Committee on Accounting Procedure (CAP) to become the authoritative source for accounting standards in the United States. From 1936 to 1959, the CAP issued 51 Accounting
Research Bulletins that were viewed as the accepted accounting standards, which formed the beginning of US GAAP. In 1959, the AICPA formed the Accounting Principles Board (APB) to replace the CAP as the accounting standards setter for the United States. From 1959 to 1973, the APB issued 31 authoritative opinions updating US GAAP from the Accounting Research Bulletins issued by the CAP (Bateman & Co. Certified Public Accountants, 2002).

In 1973, the face of accounting in the United States was changed significantly with the formation of the Financial Accounting Foundation (FAF), Financial Accounting Standards Advisory Council (FASAC), and the Financial Accounting Standards Board (FASB). Leaders in the accounting industry noticed the need for change in the APB, and formed the Wheat Committee (led by chair Francis Wheat) to reform the structure. This restructuring removed authoritative power of accounting standards setting from the AICPA’s APB and granted that power to the newly formed FASB (Financial Accounting Standards Board, 2011a). The AICPA needed to evolve its main functions to remain relevant in the accounting scene in the United States. Instead of becoming obsolete, the AICPA filled other needs within the accounting community. Upon the formation of the FASB, the AICPA created the Accounting Standards Executive Committee (AcSEC) to issue non-authoritative opinions on highly technical accounting issues and to address accounting issues not handled by the FASB (AICPA, 2011b). The opinions of the AcSEC are reviewed and considered by the FASB in deliberations regarding new standards. In addition to forming the AcSEC, the AICPA began the standardization of the CPA exam. Today, the AICPA governs
the CPA exam and is the largest membership organization of accountants in the world with over 370,000 members in 128 countries (AICPA, 2011c).

In addition to offering opinions on accounting standards, governing the CPA exam, and being the largest accounting membership organization, the AICPA evolved to govern auditing standards. No longer being the authority on accounting standards meant that the AICPA needed to find another way to benefit the accounting profession. Beginning in 1972, the AICPA issued 120 SASs (Statements on Auditing Standards), which until 2002 were the authoritative source for auditing standards in the United States (AICPA, 2011d). Because of the major accounting scandals at Enron, WorldCom, and others in 2001, Congress passed the Sarbanes-Oxley Act in 2002 to create more regulation of the auditing of public companies. One of the major changes implemented with Sarbanes-Oxley was the creation of the PCAOB (Public Company Accounting Oversight Board). The PCAOB instantly became the authoritative source for auditing standards for public companies, superseding the SASs issued by the AICPA (United States Congress, 2002). Although the AICPA no longer issues auditing standards for public companies, it is still the source for auditing standards for private companies. Over the past century, the AICPA has evolved to fit the needs of the accounting profession despite constantly being superseded by increasing governmental regulation.

The Financial Accounting Standards Board (FASB) is part of its parent organization, the Financial Accounting Foundation (FAF) as seen in Figure 1 (Appendix A). The FAF is a private independent organization responsible for the
funding, oversight, and administration of the FASB, the Financial Accounting Standards Advisory Council (FASAC), the Governmental Accounting Standards Board (GASB), and the Governmental Accounting Standards Advisory Council (GASAC). The FASB is responsible for setting and updating US GAAP upon the authority of the SEC. There are also a number of committees and task forces that serve under the FASB and GASB to assist them in their decision making processes. (Financial Accounting Standards Board, 2011b).

**Figure 1: Structure of the Financial Accounting Foundation (Appendix A)**

Source: (Accounting Standard Organizational Structure, 2011)
In 1984, upon the recommendations from the profession, the FASB formed the Emerging Issues Task Force (EITF), which helps the FASB to identify, discuss, and decide on major upcoming issues within the accounting profession. From 1973 to 2009, the FASB issued 168 Financial Accounting Standards (FAS) that served as the authoritative source for US GAAP. In 2009, the FASB superseded all of its previous statements with the release of the Accounting Standards Codification (ASC), an online encyclopedia of all accounting standards that is constantly updated with changes in the accounting profession. The codification is the one and only authoritative source for US GAAP today. The codification revolutionized the way that accountants research issues in accounting standards. Previously there were volumes and volumes of accounting standards that one would need to sift through to make sure that the most up-to-date and correct accounting standard is being used. Today, with the use of a web form, all of the accounting standards are in the same place and always up to date (Financial Accounting Standards Board, 2011c).

Call for International Accounting Standards

After the end of World War II, the reconstruction of Europe and many other parts of the world spurred a truly global economy. Much of the infrastructure, industry, and development was decimated by the war, and these nations turned to the United States for help in rebuilding (Jones, 2005). Because of the increased flow of capital across borders, the accounting profession observed a need for international accounting standards and voiced its opinion in the 8th International Congress of Accountants in 1962. As a result of this conference, the AICPA reinstituted its
Committee on International Relations to conduct research and compare the various accounting standards throughout the world. In 1964, the committee published *Professional Accounting in 25 Countries* reviewing and comparing various accounting standards (Financial Accounting Standards Board, 2011d).

In 1966, the Accountants International Study Group (AISG) was formed between the United States, the United Kingdom, and Canada by the AICPA, the Institute of Chartered Accountants in England and Wales (ICAEW), and the Canadian Institute of Chartered Accountants (CICA). The group was formed under the recommendation by the president of the ICAEW Sir Henry Benson. Benson, a forward-thinking professional, led the effort to combine the best accounting practices of the three nations and report them to the rest of the world. The topics discussed in the meetings by the study group varied from accounting standards to education and training to auditing procedures. For 12 years, the study group had significant publications regarding accounting for inventories, corporate income taxes, materiality, goodwill, and many other topics (Camfferman & Zeff, 2007).

In the same year that the FASB was established (1973), the International Accounting Standards Committee (IASC) was created by the AICPA, the ICAEW, the CICA, the Institute of Chartered Accountants in Australia (ICAA), the Order of Accounting Experts and Qualified Accountants (France), the Institute of Auditors (IDW) and the Chamber of Auditors in Germany (WPK, Germany), the Japanese Institute of Certified Public Accountants (JICPA), the Mexican Institute of Public Accountants (IMCP), and the Netherlands Institute of Registered Auditors (NIRVA).
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(Camfferman & Zeff, 2007). After considerable debate about which countries should be allowed in the IASC (India and the Philippines ended up becoming “associate members”), the group decided on the mission of the organization:

“To formulate and publish in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance.”

The formation of the IASC was an enormous step toward creating a single set of high quality financial reporting standards for all nations of the world to use (Financial Accounting Standards Board, 2011d).

From 1973 to 2001, the IASC issued and revised 41 International Accounting Standards (IASs) that covered a variety of accounting topics. The topics varied from valuation of assets, consolidation of financial statements, depreciation, taxation, presentation of financial statements, revenue recognition, and business combinations. Over the decades the various standards issued by the IASC were updated and revised as the standards evolved. Although the AICPA was a member of the IASC and contributed to the development of all the IASs issued, the United States still mandated the use of US GAAP as issued by FASB (Deloitte & Touche, 2011a).

Although the FASB continued setting standards for US GAAP, it was not completely oblivious of the international accounting standards developing throughout the world during the latter half of the twentieth century. When developing a standard regarding foreign currencies in 1979, FASB allowed representatives from other
countries on its Task Force. Although this Task Force was created for a US GAAP standard, it was the first attempt by FASB to collaborate with other nations. In 1988, the FASB joined the IASC Consultative Group and became a non-voting observer to the IASC. Upon request of the AICPA, the FASB joined this group creating a formal relationship between the FASB and the IASC for the first time. Later in 1988, FASB Chairman Dennis Beresford slated his support for one set of superior accounting standards, which triggered initiatives for the FASB to get more involved in the development of international accounting standards (Deloitte & Touche, 2011b).

The 1990s was a decade where the intensity of the US, and more specifically FASB’s, involvement in the development of international standards really ramped up. It began in 1991 when the FASB released its first strategic plan for international activities. The plan stated that the ultimate goal was to have a single set of high quality financial reporting standards accepted as GAAP in all countries. The FASB realized that this goal was out of immediate reach, so some short-term objectives were set to move the process along (e.g., joint projects with the IASC). This same plan was affirmed in 1995, along with updates to the immediate goals including a new project to compare US GAAP with IASC Standards. The following year, the US Congress conveyed its support for high quality international accounting standards in the National Securities Markets Improvement Act of 1996. In that law, the SEC was required to report back to Congress in a year regarding the progress of developing international accounting standards. In 1999, the FASB further clarified its vision when it published the manuscript *International Accounting Standard Setting: A Vision for*
the Future. The publication detailed the vision of a single set of high quality standards set by an independent international body (Financial Accounting Standards Board, 2011d).

Throughout the past decade, the face of international accounting standards changed greatly. In 2001, because of calls for reform, the IASC was restructured into the International Accounting Standards Board (IASB). This move was a complete overhaul in how the organization was structured, funded, and governed. Instead of having national accounting organizations as members, it was restructured into a board of 14 members from nine countries. In addition to the board, there are also established trustees, an advisory council, and a monitoring board (See Figure 2; Appendix B). The model for the structure, financing, and governance of the new IASB was the FASB itself (IFRS Foundation, 2011).

**Figure 2: Current Structure of the IFRS Foundation (Appendix B)**

Source: (IFRS Foundation, 2011)
Due to its dominance of capital markets during the 1990s, many believed that the rest of the world would align their financial reporting standards with US GAAP to fulfill this vision of a single set of high quality standards. Two major events occurred in 2001-2002 that drastically changed the international accounting standards scene (European Union Center of North Carolina, 2006). After the IASC had been restructured into the IASB, the European Union, in a bold move, declared that by 2005 all listed companies within the EU must report their financial statements using IFRS. This move solidified the legitimacy of the IASB and IFRS as true international accounting standards. The EU requiring reporting with IFRS for public companies increased the number of companies reporting with IFRS from 350 to over 7,000 (Bebbington & Song, 2004). The other significant event that led to many nations preferring IFRS over US GAAP was the major accounting scandals of Enron and WorldCom in 2001. Seeing multiple billion dollar frauds in such a critical time period made many nations lose faith in US GAAP as the international accounting standard. Not to mention, the US reaction to the scandals, the Sarbanes-Oxley Act of 2002, made it more difficult for foreign companies to report in US GAAP. The increased requirements in terms of internal controls were very costly to implement for foreign companies (Zeff, 2008).

Only months after the European Union chose IFRS as its accounting standards, the FASB and the IASB met in a historical meeting in September 2002. The meeting took place in Norwalk, Connecticut, and it ushered in the modern era of international accounting standards convergence. The product of the meeting, “The Norwalk
Agreement,” was an understanding and a commitment between the FASB and the IASB to work jointly through short-term and long-term projects to eliminate the differences between US GAAP and IFRS. The two main goals of the agreement were to 1) make the two accounting standards fully compatible as soon as possible, and then once that had been achieved, 2) to maintain that compatibility (FASB & IASB, Norwalk Agreement, 2002).

With the Norwalk Agreement of 2002, two main approaches to international accounting standards had been established: adoption and convergence. Adoption, as the EU mandated for public companies beginning in 2005, is the complete changeover from the previous accounting standards to IFRS. Adoption is the acceptance of the new standards without making any changes. This approach has been used by many smaller nations that have had no accounting systems prior to IFRS and by larger nations seeking to establish the cross border relevance of their standards (Institute of Chartered Accountants of England and Wales, 2011). Convergence has been the unique approach taken by the United States with the ultimate goal of creating a single set of high quality financial statements. Since the FASB and the SEC disagreed with the IASB regarding a number of standards in IFRS, the United States did not want the adoption approach. Instead, the FASB and the IASB agreed on a number of projects to align the two standards over time to a point where a complete changeover would be easier and more acceptable in the United States (PwC, 2011b).

In 2006, the FASB and the IASB reaffirmed and improved the Norwalk Agreement by issuing a joint Memorandum of Understanding. It detailed the expected
projects for the IASB and the FASB until 2008 including impairment, income taxes, segment reporting, and the fair value option. They also agreed that the best way to achieve convergence was to jointly develop new higher quality standards rather than attempt to eliminate the existing differences between the standards. The groups decided that the best way to serve the interest of investors was to replace weak standards with new stronger standards (FASB & IASB, "A Roadmap for Convergence", 2006).

In 2007, the SEC released a proposal to eliminate the reconciliation requirement for foreign issuers using IFRS on US markets. The comments to the proposal were so overwhelmingly positive that later that year, the SEC decided to eliminate the requirement (Securities & Exchange Commission, 2008). The following year, the SEC issued its proposed roadmap for the adoption of IFRS for all companies that file their financial statements with the SEC. This roadmap for adoption of IFRS was a clear expression of the SEC’s commitment to a single set of high quality international accounting standards. It also displayed the belief that, with some modifications, IFRS, not US GAAP, would be that international standard. The roadmap included that, by 2010, companies would have the option to file their financial statements using IFRS. It also stated that, in 2011, the SEC would make a decision on whether to set a deadline for the mandatory adoption of IFRS. A decision towards adoption could mean the mandatory use of IFRS in the United States as early as 2014 (Securities & Exchange Commission, 2008).
Just as the process of convergence between US GAAP and IFRS seemed to be picking up some pace, an unexpected occurrence significantly hindered the process. In 2008, major financial institutions in the United States began to collapse due to the housing bubble bursting. The combination of sub-prime mortgages being bought and sold at much higher than their actual value began to unravel as soon as people began to default on their payments. The crumbling of the financial institutions kicked off a downward spiral that affected the rest of the economy from construction projects halting to retail sales plummeting because of less disposable income. The SEC had a great deal of issues on its plate with trying to get the American economy out of recession, so convergence with IFRS took a back seat. Also, the substantial cost for initially adopting IFRS made some fear that it would make it even more difficult to climb out of the recession. Creating a single set of high quality financial statements for the entire world left the spotlight for more pressing issues, such as major corporations failing and being bailed out by the government, and unemployment rising above 10 percent (Grant Thornton, 2009).

In February 2010, as the United States was beginning to emerge from the recession, the SEC issued a statement showing that its focus was again on international accounting standards. The statement considered the comment letters received regarding the 2008 Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards (IFRS) by U.S. Issuers. Proposals issued by the FASB, IASB, the SEC, and other organizations are released with an invitation from those in practice to write comment letters for a
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period of time. The request for comments is so that the opinion of accountants and firms can be heard regarding the issue at hand. The 2010 SEC statement reaffirms the SEC’s commitment to a single set of high quality global accounting standards. The statement requires the SEC to create a Work Plan laying out specific issues and projects that need to be completed before the 2011 decision is made (Securities & Exchange Commission, 2010a).

Throughout 2010, the FASB and the IASB gave a number of progress reports on their work to converge US GAAP and IFRS. They even decided to modify their set Work Plan to give enough time to work on the most urgent and highest priority projects. The goal in mind with these progress reports and schedule reconfiguration was to accomplish as much as possible by June 2011. The June 2011 deadline would give the SEC one-half of 2011 to make its final decision on the issue of adoption/convergence of IFRS before its ultimate deadline of December 2011. In April 2011, the FASB and IASB released another statement on their convergence projects. The statement detailed that the high priority projects were financial instruments, revenue recognition, insurance, and leases. Also, the two boards extended the deadline of these major projects so that they can be completed correctly and not hurried (Financial Accounting Standards Board, 2011d).

Although the SEC’s Roadmap and the FASB/IASB’s Work Plan are swiftly coming to a critical juncture, not everyone is sold on this being the best process. In his speech at the AICPA national conference in December 2010, SEC deputy chief accountant Paul Beswick introduced yet another approach: condorsement. The
condorsement approach would be a combination of convergence and endorsement (adoption) and include elements from each. The biggest factor in this novel methodology would be that US GAAP would still continue to exist. The FASB and the IASB would continue to work on and complete the current convergence projects to align the two standards, but they would not begin any new projects in the manner they have the past few years. Instead, the FASB would work independently on issues with IFRS, not on the agenda of IASB. Condorsement would be a continuous project to ensure that companies reporting with IFRS have financial statements suitable for use in the US capital markets. In addition to those ongoing projects, the FASB would have a process to consider new standards issued by the IASB and possibly assimilate them into US GAAP and the ASC codification. Beswick also believes the FASB would take part in the standard setting process of the IASB much like similar organizations for other countries do. However, he expects that the IASB will seriously consider the US opinion when developing any standard (Securities & Exchange Commission, 2010b).

When asked to comment on the condorsement approach, chair of the FASB, Leslie Seidman, saw both positives and negatives in the approach. She commented that Beswick’s approach would ease the United States into the use of an international standard. Seidman believes that the approach would minimize the training and implementation costs because it would keep the standards closer to US GAAP, and spread the changes over a longer period of time. With that said, Seidman believes that condorsement is not the right approach to take. Specifically, she disagrees with the proposal for the FASB to stop beginning any more convergence projects outside the
existing ones. Seidman emphasized that she believes the FASB should be an active participant in the standard setting process throughout the entire convergence period (AccountingWEB, 2011).

As the decision on IFRS approaches, prominent figures from the SEC have made speeches and announcements regarding their thoughts on the IFRS decision without revealing the precise stance of the SEC at the moment. In a May 2011 speech to the Financial Accounting Foundation’s Annual Board of Trustees Dinner, chair of the SEC Mary Shapiro reaffirmed the SEC stance on international accounting standards, but showed some doubts. Shapiro noted that the ongoing work of the FASB and the IASB to converge the two accounting standards is of “vital importance,” but at the same time, she asserted that her primary function is still to look out for US investors. Shapiro also claimed that investors are not as confident as she would like regarding the international accounting standards issue, and the SEC must consider this level of confidence. The chair was concerned with the funding source of the IASB as well: “A financial accounting board setting standards on which investors rely in a global financial marketplace measured in the hundreds of trillions of dollars, should not have to rely on voluntary contributions” (Cohn, 2011).

In a June 2011 speech by SEC Commissioner Kathleen Casey, a more positive picture of the situation was painted. Casey emphasized the importance of a single set of accounting standards by citing facts of the trillions of dollars of US investments in foreign entities and the trillions of dollars of foreign investments in US companies. She boasted the costs savings it would produce for multi-national corporations to be
able to report under one system only. The speech gave responses to some common criticisms with IFRS, such as the United States ceding the rights as standards setter to the IASB. Casey’s response is that the United States will have significant influence in the creation of those standards, and that the SEC is the ultimate decision maker regarding financial reporting in the United States. Another common concern with IFRS is the large transition cost for smaller companies that do not have overseas business and will not reap the global benefits. Casey agreed with this argument and supports the idea of allowing smaller companies to opt out of IFRS initially, if not permanently. To the argument that this would create a two-GAAP world, the Commissioner claims that it is already a two-GAAP world and allowing private companies to opt out would only produce benefits. The positive note of the speech was when Casey said, “The Commission is slated to make a decision on these questions this year, and we can no longer kick the can down the road.” As positive as that outlook seems towards convergence with IFRS, Casey’s term as an SEC Commissioner has expired, which significantly lowers her influence on the decision to be made later this year (Casey, 2011).

In January 2011, a Blue Ribbon Panel on Standard Setting for Private Companies published its findings and recommendations for how to deal with accounting standards for private companies in the United States. Private companies are not obliged to report under US GAAP, but a large percentage does because investors, lenders, suppliers, etc. are not only familiar with US GAAP, but also require GAAP statements. The Panel was comprised of 17 members and a chair who
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represented a number of stakeholders in this issue such as private companies, lenders, owners, investors, and auditors. One of the main conclusions of the Blue Ribbon Panel was that a separate board for developing accounting standards for private companies needs to be established ("Blue Ribbon Panel", 2011).

In October 2011, the Board of Trustees of the FAF released its proposal in response to the report by the Blue Ribbon Panel. The Board proposed that a new Private Company Improvement Standards Council be formed to handle these issues. The council, however, would not be independent of the FASB, and its decisions would be subject to both the review and approval of the FASB (Rapoport, 2011). This proposal met harsh criticism by proponents of the Blue Ribbon Panel’s recommendation including Barry Melancon, President and CEO of the AICPA, and Paul Stahlin, AICPA Chair at the time. The AICPA was disappointed that the FAF did not propose a separate and independent board for standards of private companies. The AICPA is upset that the FAF continues to ignore both the opinions of the stakeholders voiced through the Blue Ribbon Panel and the over 3,000 positive comment letters received since the publication of its report (AICPA, 2011e).

The deadline of December 2011 ultimately did not hold up. On December 5, 2011, the SEC announced that it would postpone its decision on IFRS for the moment. The SEC decided that it was going to postpone the decision until the convergence work plan had been finalized, a process that could take months. SEC Chief Accountant James Kroeker did note that there had been significant progress in the convergence projects but that there is much work yet to be done. The heads of the FASB and IASB
also announced that they believe convergence is not the best way to align standards and that a new method should be announced (Ohio Society of CPAs, 2011).

**The Example of Canada’s Accounting Standards Board**

The United States may be able to look north for some guidance in regards to what the role, if any, the FASB should have if the United States decides to adopt International Financial Reporting Standards in the near future. Canada, after lengthy discussion and analysis, chose definitively to adopt IFRS for public companies beginning on January 1, 2011. This choice might seem like a recent development, but the planning and preparation for this switch began many years before. Throughout 2004 and 2005, the Accounting Standards Board of Canada (AcSB) performed a thorough analysis of IFRS before the decision was made to move forward towards adoption.

In March 2007, a large step was made when the AcSB issued an implementation plan and timeline, although no deadline for mandatory adoption was set (The Finance Group, 2007). Throughout the next few years, steps were taken to align Canadian GAAP with IFRS instead of US GAAP. In February 2008, a progress report on the implementation was released. The report’s conclusion was that although there might be difficulties to have the full adoption of IFRS by 2011, a firm deadline would need to be set to drive all players to complete the necessary preparation before 2011. In May 2009, the AcSB stated that January 1, 2011 would begin the mandatory use of IFRS for publicly held companies in Canada.
The January 1, 2011 deadline was not simply an arbitrary date chosen to speed up the adoption of IFRS in Canada. Many reasons and factors were considered in choosing the date including the other countries adopting at the same time, the current status of Canadian GAAP, and the increasing costs of not changing. Since many other nations such as Brazil, Japan, India, South Korea, and Israel were slated to adopt IFRS in 2011, the IASB was working to make the transition easy. Canadian GAAP had moved away from US GAAP in an attempt to align with IFRS but had not yet fully converged with IFRS. The standards were caught in the middle, which put public Canadian businesses at a disadvantage in the international capital markets. Also, there were high costs to reconcile the financial statements both back to US GAAP and to IFRS in the EU. These Canadian public companies listed on US or European stock exchanges were required to reconcile their financial statements to the appropriate standards, which costs time and money. Many companies were ready for the jump because they had taken advantage of the early adoption option. The early adoption option was available to Canadian companies that wished to report under IFRS before it was mandated by the AcSB (Accounting Standards Board of Canada, 2009).

Canada is a number of years ahead of the United States in the process of aligning with a truly international set of financial reporting standards. Because of its smaller size and cost inefficiency of having its own set of standards, Canada had incentive to more quickly switch over to IFRS. The Accounting Standards Board of Canada (AcSB) went through the identity crisis that will assail the FASB in the coming years if the SEC makes the decision final that the United States will use IFRS (Accounting
Standards Board of Canada, 2007). Using the example of how the AcSB evolves in the coming years could provide the blueprint for an option the FASB has in the future.

In preparation for the IASB becoming the accounting standard setter for Canadian public companies, the AcSB made some cutbacks on parts of the organization that would no longer be necessary by 2011 and into the future. Specifically, the AcSB terminated its Emerging Issues Committee (EIC) in April 2010. The EIC, which is the Canadian equivalent to the FASB’s Emerging Issues Task Force (EITF), was established in 1988 to provide a timely forum for discussing new and potentially problematic issues in accounting. With the IASB becoming the new standard setter, the need for having this committee was superseded, and thus, it was eliminated.

However, at the same time, the AcSB did establish the IFRS Discussion Group, the Private Enterprises Advisory Committee, and the Not-for-Profit Advisory Committee. The IFRS Discussion Group was designed to research and debate how certain IFRS standards affect Canada, and to decide if the issues need to be brought to the attention of the IASB. The two advisory committees set the stage for the AcSB’s transition to focusing on the standards for private and not-for-profit companies (Chartered Accountants of Canada, 2010).

Although the AcSB will no longer be the decision maker when it comes to accounting standards for public companies in Canada, the organization still has a role to play in the standard setting. The AcSB plans on actively participating in the standard setting process of the IASB into the future. The AcSB also plans on researching and maintaining the standards for Non-Publically Accountable Enterprises
(NPAE) and Not-for-Profit Organizations (NFPO). In addition to maintaining those standards, the AcSB knows that the accounting industry will continue to evolve and have changing needs, which the AcSB will be ready to provide (Accounting Standards Board of Canada, 2007).

Currently in Canada, NPAEs have a choice regarding the type of accounting standards they can report under. These entities can choose to report under IFRS or Accounting Standards for Private Enterprises (ASPE). ASPE were developed as simplified accounting standards designed for the use of smaller companies that would find more extensive accounting standards as a financial burden rather than a tool to accurately report the economic state of the company. Although this manner does result in a two-GAAP system for NPAEs in Canada, smaller companies are no longer burdened by a costly reporting requirement yet, larger companies may still go public while preparing for an IPO. The continuing development and maintenance of ASPE also provides a role for the AcSB into the future (Chartered Accountants of Canada, 2011a).

Not-for-Profit organizations have a different reporting requirement in Canada that also leaves another role for the AcSB. NFPOs cannot report in IFRS, but beginning January 1, 2012, they must report using the newly updated version of the CICA (Canadian Institute of Chartered Accountants) Public Sector Accounting Handbook. With over 160,000 NFPOs in Canada, the AcSB along with the Public Sector Accounting Board decided that a separate set of standards for NFPOs was necessary (Chartered Accountants of Canada, 2011b). Although the Public Sector Accounting
Board will continue to maintain the standards for governmental NFPOs, the AcSB sets Canadian GAAP for private sector NFPOs, and the two will work together in the future to maintain these new standards (Chartered Accountants of Canada, 2011c).

The FASB will undergo some major changes in the near future. All these changes are hinged upon the SEC’s decision whether to mandate IFRS for public companies. The SEC was slated to make its decision by the end of 2011; however, the SEC has since delayed this decision. If the SEC decides to set a deadline for required IFRS reporting, the FASB will continue to work on the convergence projects with the IASB in the short term. However, in the long term the FASB must begin to decide what its future role shall be. Based on the recent decision of the FAF’s Board of Trustees to create a committee under FASB to govern private company accounting standards, the future role of FASB may lie in private company standards.

**Methods**

The main research question being explored in this paper follows: what will be the future role of the Financial Accounting Standards Board (FASB) in the face of continued alignment of accounting standards with International Financial Reporting Standards (IFRS) as set by the International Accounting Standards Board (IASB)? Since the SEC has yet to make a final decision on the United States’ position in this regard, there are many directions that it could take. The purpose of this research is to perform a qualitative exploratory study to ascertain the opinions of some of the leaders in the accounting industry as to what they believe the future role of the FASB will be.
To conduct this study phone interviews were determined to be the best method of contacting accounting leaders from across the country at no cost. Before beginning the study, Institutional Review Board (IRB) approval was needed. The list of questions was carefully selected (see Appendix C), and the IRB project summary form was submitted for approval. Upon hearing of IRB approval, the study could commence.

The interviews were conducted using an online conference calling service, www.freeconferencecall.com. The website allows a user to create conference calls for free by simply creating an account. More importantly, it also allows the user to record and download the conference calls for free. Using this free service was the most cost effective way of hosting the interviews and recording them for later analysis. The interviews ranged from 12 minutes to an hour based on how in depth the interviewee answered the questions.

The sample of interviewees was chosen from the author and advisor’s personal networks. Also, members of the Ohio University School of Accountancy’s Advisory Council were contacted for interviews. In addition to those with ties to the author, advisor, or school, invitations were sent to many industry leaders through email addresses obtained online. The breadth of experience in the group of people contacted ranges from partners at “Big Four” accounting firms to partners at smaller firms, academics to regulators, CPE training specialists to leaders of national accounting organizations. The ideal demographic of the candidates was American CPAs with knowledge of IFRS and FASB’s role as a standards setter. The individuals contacted
are viewed as industry experts whose opinions on the research questions are valuable. Fifty-one people were contacted for interviews, and 15 completed an interview, almost a 30 percent response rate. Of the 15 people who were interviewed, four were acknowledged by Accounting Today as part of the top 100 most influential people in accounting for 2011 (Accounting Today, 2012). To see a complete list of those interviewed and background information, see Appendix D.

**Limitations**

One of the major limitations to this study is the small sample size of 15 interviewees. It is hard to extrapolate information from such a small sample, especially with the careers of the interviewees ranging broadly across the industry. The sample would be stronger if all 15 were partners at a Big Four firm, all academics, etc. Despite these weaknesses, it is important to revisit that the goal of this research is meant to be exploratory in nature only. No statistically significant data was expected to be gathered from these research interviews.

Furthermore, the total number of people interviewed does not necessarily need to be large. According to the Cultural Consensus Theory, structured qualitative interviews have been found to produce statistically reliable data when the sample size is small as long as those being interviewed are subject matter experts (Romney, Weller, & Batchelder, 1986). This theory was expanded to include open-ended questions that deal with perceptions and beliefs as long as the same questions are used for all interviewees (Guest, Bunce, & Johnson, 2006). The author does not intend to
claim any of the results as statistically significant, but rather use the Cultural Consensus Theory as support for having a small sample size.

Having such a broad range of individuals across the accounting industry and interviewees both helps and hurts the validity of the sample. Having interviewed members of big firms, small firms, academia, regulators, and trainers gives a voice to many sectors of the accounting industry in regards to the research question. However, with such a small number of interviews crossed with a broad range of sectors of the industry, it often resulted in only one interview representing the opinion of a whole sector. The opinion of one accountant in a sector cannot be relied upon as the consensus opinion for that sector of the accounting industry. Also, while having as many of the sectors of the accounting industry as possible, the SEC and AICPA leadership are missing from the sample.

Another limitation of the study is the geography of the sample. Seven of the 15 interviewees are either from, or have direct ties to, the state of Ohio. The geographic cluster of interviewees can be expected based on the author and advisor’s personal networks, but this could significantly skew the results of the interviews to overly represent the opinions of Ohio accountants. Another important geographical region that was completely left out of the sample was accountants outside of the United States. Since the research question has direct ties to IFRS and the IASB, the opinions of international accountants could add significant value to the research. Without this input, the results must be limited to the American opinion on the future role of the FASB.
Results

Throughout the interview process the chief purpose was to explore the opinions of those in the accounting industry who have current knowledge of the main research question. The main research question that the author sought to provide insight to the future role of the Financial Accounting Standards Board (FASB) if the SEC decides to continue the process of aligning US Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) as pronounced by the International Accounting Standards Board (IASB). Since the SEC has been delaying its final decision on this issue, the opinions and knowledge of those in the accounting profession regarding this topic could provide insight as to what could happen to the FASB. The answers given by the interviewees represent their personal opinion only, not the opinion of any organizations, associations, or firms that they are affiliated with.

To begin, the interviewees were asked a simple question of whether the FASB should continue alignment of standards with IFRS. A complete list of the interview questions can be found in Appendix C. The response was particularly strong in favor of continued alignment with 80 percent responding that they wanted to see continued alignment. Peter Margaritis, IFRS training specialist and professor at Ohio Wesleyan University, is one of the proponents of continued alignment, “the SEC should move quicker in aligning US GAAP with IFRS or implementing IFRS within the financial reporting structure here in the US. We are the largest economy in the world, but we
can’t be on our own island when it comes to accounting standards and global competitiveness.”

Not all of those interviewed were in favor of continued alignment of US GAAP with IFRS. David Costello, President of the National Association of State Boards of Accountancy, believes that there should be one international set of accounting standards, but IFRS as it stands today is not that standard. Keith Peterka, professional standards group member for Mayer, Hoffman, McCann, believes that the IASB is missing a regulation body, which is critical in the enforcement of its standards. The United States has the FASB as the standards setter and the SEC as its regulator; the IASB has no such body. Paul Miller, professor at UC – Colorado Springs and columnist for the Journal of Accountancy, believes that the SEC is not even moving in that direction. Miller stated that “the world is not ready for uniform standards. The international board is not competent in creating the quality standards that would be needed worldwide.”

Although most of the interviewees believe that the FASB should continue the process of alignment with IFRS, only 20 percent of the interviewees think that we will get to the point where there is one set of international accounting standards. Two-thirds of the interviewees believe that we will get much closer to a single set of accounting standards but there will always be differences and carve outs due to legal and cultural discrepancies. Lynn Rees, FASB research fellow and professor at Texas A&M, stated that too many obstacles and differences remain, claiming “there are still
differences in standards released by those two boards that were supposed to be converged.”

Mike Fritz, partner at Deloitte, and Jerry Esselstein, principal at Jerry Esselstein Company LLC, noted that only a small number of countries have adopted “pure” IFRS, and of those countries, they are very small nations with small GDPs. “Pure” IFRS is defined as accepting IFRS as issued by the IASB with no carve outs or differences. Only 47 countries have adopted “pure” IFRS and the aggregate GDP of those 47 nations is only 4 percent of the world’s total GDP (Allen, 2009). The larger countries that have adopted IFRS have taken country specific carve outs to allow the standards to fit within their systems.

Despite most interviewees agreeing that the FASB should continue to align US GAAP with IFRS, there was no such consensus in which method would be best to accomplish this goal (See Figure 3). The most common answer was adoption, with one third of the interviewees supporting that method. Steve Henning, partner at Marks, Paneth, & Shron, supports that route, “It’s imperative that we all adopt the same system, and let’s then work within that system to make the reporting even better.” The next most common answer was condorsement, as first introduced by Deputy Chief Accountant for the SEC Paul Beswick in December 2010, with four of the interviewees preferring this approach. Another 20 percent of the interviewees supported the incorporation method. Incorporation involves the FASB looking at each of the standards developed by the IASB and determining whether to incorporate them into US GAAP. One interviewee, Jim Wilcosky, partner at PricewaterhouseCoopers,
still supports convergence citing the importance of giving companies lead time for the transition.

**Figure 3: Summary of Preferred Alignment Method**

Another strong consensus was found amongst the interviewees for the following: will the SEC ever give full standards setting power to the IASB? The resounding answer was “no,” with 93 percent of the interviewees agreeing that the SEC will not give up this power. The one dissenting opinion, was unsure and did not want to respond one way or the other because political winds can change drastically. One of the common reasons given for the SEC not willing to give away standards setting power was political pressure. Wilcosky thinks political pressure is why the SEC will not give up control, “I think there is too much political and financial pressure on both parties to come to an agreement; I don’t see that happening.”

The interviewees agreed that there was a certain resistance to the IASB, and they cited multiple reasons for this opposition. Of the 12 interviewees asked this
question, 83 percent agreed there was opposition to the IASB because of a lack of independence, a poor funding model, and a lack of a regulator. The most common reason offered is that the IASB is not independent due to its current funding model. Other significant reasons cited are the lack of a regulatory function and political pressure. In the United States, the SEC serves as a regulator of the capital market and enforces US GAAP as issued by the FASB; the IASB has no such body. Giving control over the United States capital markets to an international board creates significant political resistance. One outlier, Lynn Rees, disagreed with the premise of the question, offering the AICPA’s support of convergence as an example.

Despite the ongoing discussion of creating a new accounting standards board in the United States sparked by the AICPA’s Blue Ribbon Panel, 13 interviewees agreed with the Financial Accounting Foundation that the FASB will retain the responsibility of setting accounting standards for private companies. The AICPA Blue Ribbon Panel called for the creation of a separate board for creating private company accounting standards and had the support of many accountants in the private sector. The Financial Accounting Foundation responded by proposing a private standards council that would answer to the FASB. Steve Henning wants to see the FASB continuing to set private and public company standards. He believes that “private companies have at least as complex transactions as public companies do and … would like to … fundamentally see the same standards for public and private companies with the tacit acknowledgement that for a private company … that we have some scaled back disclosures.” Thomas Hazelbaker, chairman at Clark, Schaefer, Hackett, & Co.,
and Peter Margaritis, also support the Blue Ribbon Panel’s suggestion of a separate private company standards board.

Despite disagreeing on a couple of the questions, most interviewees agreed that the FASB will continue its current role as standards setter of the United States, and will work closely with the IASB in creating new standards (see Table 1). The interviewees agree that any new IFRSs issued by the IASB will need to be “blessed” by the FASB, or the FASB will create a US specific carve out. Jerry Esselstein put it simply, “I think that FASB will have to bless every change or alteration of IFRS for its application in the US.” The FASB will also need to exist to handle domestic accounting issues and set standards for private companies.

Table 1: Summary of Opinions on Future Role for FASB

<table>
<thead>
<tr>
<th>Future Role for FASB</th>
<th>Interviewee Support</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Carve Out</td>
<td>11</td>
<td>The FASB will serve to bless standards issued by the IASB or carve out US specific standards.</td>
</tr>
<tr>
<td>Obsolete</td>
<td>2</td>
<td>FASB is no longer standards setter for public companies; US looks to influence the IASB.</td>
</tr>
<tr>
<td>Major Influence</td>
<td>1</td>
<td>FASB is no longer standards setter for public companies but influences international board.</td>
</tr>
<tr>
<td>Joint Standards</td>
<td>1</td>
<td>FASB and IASB work closely together to set standards as described in the Memorandum of Understanding.</td>
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</table>

Not all interviewees agreed with this majority opinion that the FASB will serve as a carve-out function. Despite admitting that the FASB will most likely serve in a carve-out function, Clarke Price believes that the IASB needs to become the standards setter for the United States. Hazeltaker and Wilcosky believe that the FASB will
become obsolete and that the United States will become a major player on the international board. Fritz agreed that the FASB needs to become a large influence on whatever international board emerges, representing the needs of the United States. Peterka, despite serious concerns about the independence of the IASB, wishes to see the FASB and the IASB to continue to work together as originally spelled out in the Memorandum of Understanding. It is interesting to note that only two of the interviewees believe that there is no continuing role for FASB going forward.

Paul Miller and Paul Bahnson, co-columnists for the *Journal of Accountancy*, shared an interesting opinion on the SEC’s postponement of a decision on IFRS. They believe that the SEC has already made its decision not to go forward with IFRS. The delay implies this decision, and Miller and Bahson believe the SEC is easing the accounting profession into its decision to reject IFRS. Bahnson, also a professor at Boise State University, thinks that the accounting profession got caught up in the idealism of a single set of accounting standards, and it failed to look at the details. Once realizing how difficult it may be to actually implement this change, the SEC is deciding against it. Bahnson puts it simply, “implementation is always harder than conceptualization.”

**Discussion**

One limitation of the IASB cited by interviewees is that the SEC cannot legally give the standards setting power to the IASB. Congress through the Securities and Exchange Act of 1934 gave the SEC the power to prescribe the accounting standards
for public companies in the United States (United States Congress, 1934). The accounting profession convinced the SEC to delegate that authority to accountants, which today is housed in the FASB (Securities and Exchange Commission, 2003).

Although the SEC has granted the authority of accounting standards setting to the FASB, the legal restrictions do not stop there. As David Costello pointed out, “each state law permits the state to either accept or reject accounting standards that are set at any level, so it’s a sovereignty issue within the states.” There are 55 accounting jurisdictions within the United States: the 50 states, Washington D.C., the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the Virgin Islands (National Association of State Boards of Accountancy, 2012). The state boards of accountancy license CPAs, and those CPAs must follow the accounting standards and professional conduct approved by that state. In Ohio, for example, the Ohio Administrative Code Section 4701 details the rules for the Accountancy Board of Ohio. Section 4701-9-04 (D) states that: “The primary authoritative source of generally accepted accounting principles for non-governmental entities are defined as ‘FASB Accounting Standards Codification’ published by the ‘Financial Accounting Standards Board’ as of October 31, 2010” (Ohio General Assembly, 2011). Ohio also accepts IFRS as another method of accounting standards in Section 4701-9-04 (G), “An Ohio permit holder may comply with one or more of the ‘International Financial Reporting Standards’ issued by the ‘International Accounting Standards Board’ and published on the ‘IFRS Foundation’ website (www.ifrs.org)” (Ohio General Assembly, 2011).
Not all jurisdictions explicitly allow IFRS like Ohio does. The Mississippi State Board of Public Accountancy Rules and Regulations 6.10.2 has no mention of allowing IFRS as a viable reporting method, stating “Generally accepted accounting principles are represented by the Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and any predecessor entities” (Mississippi Legislature, 2010). Although some jurisdictions already mention IFRS as a form of accounting standards in their rules and regulations, many still do not have them in their codes. For IASB to be the main accounting standards setter in the United States, all 55 jurisdictions would have to revise their codes.

Even if the SEC decided to grant standards setting authority to the IASB and all 55 accounting districts accepted it, more obstacles are spelled out in the Sarbanes-Oxley Act of 2002. Miller pointed out, “The SEC cannot feasibly embrace the international board as the single standards setting body under the law as it exists. That law requires the standards setting body to be funded by American money collected by the PCAOB. It also requires that board to submit to oversight from the Securities and Exchange Commission. The international board would not accept either one of those conditions.” Miller was referring to the Sarbanes-Oxley Act of 2002 Section 108(b)(1)(A)(iii) which updated the Securities and Exchange Act of 1934 requiring the FASB to be funded directly from the Public Company Accounting Oversight Board (United States Congress, 2002). The SEC could go to Congress to request that it
change the Sarbanes-Oxley Act, but it is unlikely that the SEC would use its political capital in this manner.

The most common reasons that the interviewees predict resistance to the IASB involve an inadequate funding model resulting in suspect independence, a lack of a regulator/enforcement piece, and political pressure to not relinquish control. Currently, the “Big Four” accounting firms alone make up $8 million of the $26 million (See Figure 4) budget of the IFRS Foundation (the parent organization of the IASB). Much of the remainder of the budget comprises contributions from various nations that use IFRS (IFRS Foundation, 2012). This current funding model gives these large firms and nations undue influence into the standards setting process, thus affecting the independence of the IASB.

Figure 4: IFRS Foundation Annual Funding Commitments

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<th>Source: (IFRS Foundation, 2012)</th>
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The next major reason that interviewees believe that the IASB is not ready to be the sole accounting standards setter of the world is the lack of a regulatory element. Just as the FASB has the SEC to regulate and enforce its standards, this significant piece is missing for the IASB. This regulator could possibly solve the funding
mechanism issue by placing a levy on firms and registrants, but more problems would arise. This levy would be a fee upon public companies that register with the regulator to be traded on the various stock markets. With so few countries adopting “pure” IFRS and many nations reserving carve outs, how would this international regulator enforce the standards? Along with this issue, there is a lack of interpretive guidance issued from the IASB. With so many countries that carve out specific portions of IFRS, the lack of interpretive guidance creates a myriad of IFRS versions.

Another major reason for resistance to the IASB is significant political pressure. The United States capital markets are the largest in the world, and Congress and the SEC are reluctant to give up complete control of them. The NASBA is reluctant to go forward in an effort to protect the CPA designation. With so many idiosyncrasies amongst nations and uncertainties in the process, it makes sense to be cautious. Not everyone is opposed to the idea of the IASB as the standards setting board for the world. The AICPA has been in full support of continued convergence with IFRS through future work with the IASB.

The biggest limitation of this study, as mentioned earlier, is the small sample size of only 15 expert American accountants. This size restricts the study to only exploratory research through qualitative interviews. A more in-depth study could get more accurate and insightful results. A qualitative study performed across a much larger sample could produce statistically significant results for the research question attributed to various sectors of the accounting industry.
This exploratory qualitative study could be the basis of forming the instrument used in the extensive quantitative study. The results found through these interviews guide the line of questioning in the qualitative study. This follow-up study could potentially confirm the results found in this study noting that the FASB will most likely serve as a carve-out role in the future.

One issue with this potential qualitative study is the time frame in which it would need to be completed. With the SEC expected to announce its decision on IFRS within the next few months, the future role of the FASB will become apparent. The extensive primary research would need to be conducted immediately, and the data would need to be analyzed as soon as it comes. If the study is not completed before the SEC makes its decision, the relevance and impact of the research could be obsolete instantly.

Conclusion

The accounting industry in the United States has come to a critical juncture with some potentially historic changes on its doorstep. With so many stakeholders, including students, professors, auditors, bookkeepers, financial analysts, business owners, bankers, regulators, and more, being affected by this decision, the SEC is wise to take its time in making it. Although the decision has been delayed, a final decision is expected to be made in the coming months.

Through interviewing a number of experts in the American accounting industry, a number of patterns have emerged. Most of those interviewed believe that
the United States should continue to align accounting standards with IFRS. They also agree that US GAAP and IFRS will never be completely identical, due to carve-outs and cultural differences. Although they agree that the process should continue, there was dissent on the best method to continue the alignment. Adoption, condorcet, and incorporation were the most common answers although none claimed a majority.

The current state of the IASB, with its perceived issues and problems, has opened a role for the FASB going forward. An overwhelming majority of the interviewees stated that the SEC will not give standards setting control to the IASB. The interviewees cited a myriad of reasons for the resistance to the IASB as an accounting standards setter in the United States including legal restrictions, a poor funding model leading to inadequate independence, lack of a regulator, and political pressure.

The interviewees agreed once more on the future role of the FASB: a carve-out function for the United States. The interviewees believe that the FASB will continue to set US GAAP and will work closely with the IASB in the pronouncement of IFRSs. The FASB will then look at each standard as issued by the IASB and decide whether it will become part of US GAAP. The FASB will also continue to issue standards that are specific to American companies. In addition to this function, the majority of interviewees agreed that no separate board should be created for standards setting for private companies. Instead, they believe that the FASB will continue to set standards for private companies in the future.
The apparent legal restrictions set from Sarbanes-Oxley and the 55 accountancy jurisdictions further support the conclusion that there will be an ongoing role for the FASB in the future. Even if the SEC decides to adopt IFRS as issued today, it cannot declare that the IASB is the standards setter of US GAAP without changing many laws. This decision would leave the FASB as the carve-out function for the United States, blessing any new IFRS issued by the IASB and carving out any US specific rules.

This potential future role for FASB seems highly likely for two reasons: the commitment to one set of high quality accounting standards that the SEC has reiterated many times, and the legal restrictions and problems with the IASB prevent that board alone from setting standards in the United States. At this point and in the near future, a carve-out role for the FASB in incorporating IFRS into US GAAP makes the most sense for the United States.
Appendix A: Structure of the Financial Accounting Foundation

Source: (Accounting Standard Organizational Structure, 2011)
Appendix B: Current Structure of the IFRS Foundation

Source: (IFRS Foundation, 2011)
Appendix C: List of Interview Questions

Interview Questions:

1. Would you like to remain anonymous in my thesis paper?

2. Do you think that the SEC and the FASB should continue the movement to align standards with IFRS?

3. With the recent SEC deferral to make a decision on incorporating IFRS in the United States, do you believe that there will ever be one global set of accounting standards?

4. Do you believe that the SEC will accept IFRS in the United States as GAAP? If so, when do you believe it would be mandated for public companies?

5. What do you believe is the best form of aligning US GAAP to IFRS: adoption, side-by-side convergence, condorsement, U.S. incorporation commitment, some other method?

6. Assuming that US GAAP and IFRS are aligned in the future with the IASB as the standard setting body, what do you believe the future role, if any, of the FASB will be?

7. Do you believe there would be any role for the FASB regarding standard setting for private companies?

8. Will the SEC ever give full standards setting power to the IASB for setting US GAAP?

9. Why do the SEC, NASBA, etc. seem to resist and are opposed to the IASB (Funding, Independence, Regulation)?
### Appendix D: List and Description of Interviewees

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<tr>
<th>Interviewee</th>
<th>Occupation</th>
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<tbody>
<tr>
<td>Anonymous</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Clarke Price, CAE</td>
<td>CEO of Ohio Society of CPAs; top 100 Influential Accountant 2011 by <em>Accounting Today</em></td>
<td></td>
</tr>
<tr>
<td>Thomas Hazelbaker, CPA</td>
<td>Chairman at Clark, Schaefer, Hackett &amp; Co.</td>
<td></td>
</tr>
<tr>
<td>David Costello, CPA</td>
<td>President of NASBA since 1994; top 100 Influential Accountant 2011 by <em>Accounting Today</em></td>
<td></td>
</tr>
<tr>
<td>Ray Stephens, CPA</td>
<td>Professor at Ohio University; former Academic Fellow for the SEC; CPE Instructor</td>
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<tr>
<td>Jim Wilcosky, CPA</td>
<td>Partner at PwC Cleveland</td>
<td></td>
</tr>
<tr>
<td>W. Michael Fritz</td>
<td>Partner at Deloitte in Columbus; Member of the Accountancy Board of Ohio</td>
<td></td>
</tr>
<tr>
<td>Jerry Esselstein, CPA</td>
<td>CPE Instructor; Principal at Jerry L. Esselstein Company LLC; former member of the AICPA Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Dr. Lynn Rees</td>
<td>FASB Research Fellow, Professor at Texas A&amp;M</td>
<td></td>
</tr>
<tr>
<td>Peter Margaritis, CPA</td>
<td>Specialist in IFRS Training; Professor at Ohio Wesleyan University; Member of Ohio Society of CPAs executive board of directors</td>
<td></td>
</tr>
<tr>
<td>Dr. Steven L. Henning, CPA</td>
<td>Partner at Marks, Paneth, &amp; Shron; served as an Academic Fellow to the Office of the Chief Accountant at the SEC</td>
<td></td>
</tr>
<tr>
<td>Dr. Terry Warfield</td>
<td>Professor at University of Wisconsin - Madison; former member of the FASB Advisory Council; Co-author of Intermediate Accounting with Kieso &amp; Weygandt</td>
<td></td>
</tr>
<tr>
<td>Dr. Paul B. W. Miller, CPA</td>
<td>Professor at University of Colorado - Colorado Springs, previously staff of FASB and SEC’s OCA; top 100 Influential Accountant 2011 by <em>Accounting Today</em></td>
<td></td>
</tr>
<tr>
<td>Dr. Paul R. Bahnson, CPA</td>
<td>Professor at Boise State University; top 100 Influential Accountant 2011 by <em>Accounting Today</em></td>
<td></td>
</tr>
<tr>
<td>Keith Peterka, CPA</td>
<td>Mayer, Hoffman, McCann; IFRS for SMEs Implementation Group Member; former PCAOB member</td>
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