

The Movement of the Acceptance of International Financial Reporting Standards (IFRSs) and Unresolved Issues for the Future in the United States

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The Securities and Exchange Commission (SEC) adopted rules to accept from foreign private issuers in their filings with the Commission financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) without reconciliation to generally accepted accounting principles (GAAP) as used in the United States. The adoption has great importance for a single set of high-quality globally accepted accounting standards.

The convergence efforts of accounting standards in the United States to date may be viewed as a hierarchy that consists of three categories. They are (1) category of accounting standards setting bodies: Financial Accounting Standards Board (FASB)–IASB (least authoritative), (2) category of securities authorities: SEC–Committee of European Securities Regulators (CESR), and (3) category of a

nation or a region: United States–European Union (most authoritative).

The researches on the IFRSs-U.S. GAAP reconciliation suggest that material differences between U.S. GAAP and IFRSs exist and that the reconciliation provides information incrementally useful to U.S. investors. Therefore, most of the academic literature does not support the SEC's proposal and adoption to eliminate the reconciliation requirement for the foreign private issuers. In addition, the testimonies before the Subcommittee on Securities, Insurance and Investment of the U.S.'s Senate were also that the elimination of the reconciliation is premature at this point in time.

To accept IFRSs as issued by the IASB and eliminate the reconciliation requirement, we need an appropriate transition period to educate issuers, investors, accountants, and students.