

Global Convergence of accounting Standards and Accounting for the Impairment

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Since the Norwalk Agreement in 2002, the FASB and the IASB published the Memorandum and Understanding (MOU) in 2006, and the U.S. Securities Exchange Commission (SEC) proposed the forced application of the IFRS in August 2008.

In December 2008, the European Commission made the final decision of the equivalent evaluations of the convergent works of the international accounting standards.

In the processes of these convergent works, the convergent direction of the impairment accounting, the asset valuations on the basis of the fair value, and the accounting for the impairments of goodwill have been examined.

However, the specific and fundamental issues of the impairment accounting has been unresolved. Some of these issues are the problems of the recognition of impairment losses and its applications of the fair

value as the measurement basis, and the changes from the periodic depreciation of goodwill to the impairment of it, or accounting for the reversal of impairment losses.

Accounting for the reversal of impairment losses are allowed by the SFAS and the accounting standards in Japan, but the IFRS doesn't allow its treatment. The reversal of impairment losses involves the important problems of the theoretical integrity of accounting.

This paper reviews some of the fundamental problems of the impairment accounting and researches the directions of the global convergence of the impairment accounting. Additionally, it compares the traditional accounting standards in Japan and the recent accounting standards that have been developed in Japan after the Tokyo Agreement in 2007 and considers the future direction of the global convergence of accounting.