How U.S. Culture Affects Our Move to IFRS

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Abstract

Since the 1990s, the accounting standard setting bodies have seriously discussed the possibility of having one set of global accounting standards. When this idea first came about, the United States' Generally Accepted Accounting Principles (U.S. GAAP) was thought to be the most appropriate way to harmonize the world's financial statements. U.S. GAAP was considered to be of high quality and easily interpreted by stakeholders. The initial decision to consider U.S. GAAP was made on the basis that International Standards were not as comprehensive and not presented in as formal a manner as were U.S. standards. Also, the Financial Accounting Standards Board (FASB) was considered superior to the International Accounting Standards Committee (IASC). (O'Brien, 2008)

All of this began to change in early 2001. The IASC reorganized to form the International Accounting Standards Board (IASB). The FASB and the IASB formed the Norwalk Agreement in 2002. This meant that these two standard setting bodies had to face new accounting issues together as well as try to develop a set of standards together. (O'Brien, 2008) "Expansion of international business demanded a common set of principles for financial reporting. More significantly, the cost of preparing financial statements under multiple sets of standards was becoming increasingly costly and time consuming. The moment had come for deeds not words." (O'Brien)

In this paper, we will explain the reasons for most of the world moving to IFRS. We will also explain what culture is and also how culture may or may not be affecting the U.S. timeline. The United States is currently on its way to using the international standards, but what has taken so long? Why, with all of the persuasive reasons to switch, has the U.S. resisted?