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STAYING COMPETETIVE: INSIGHT ITNO THE CONVERGENCE OF US GAAP AND IFRS ACCOUNTING STANDARDS

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Abstract

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are currently working to converge their separate accounting standards in order to improve the consistency of financial reporting and smooth away some of the big differences that exist between the two sets of standards.

At the moment, a significant number of standards are slated for introduction during 2011. Some of these standards include financial statement presentation, revenue recognition, leases, financial instruments with characteristics of equity, and insurance contracts.

The current dilemma revolves around the decision of introducing these new accounting standards immediately through what we have come to know as the "Big Bang" approach, or introduce the new standards in a phased or more commonly known as a "Roll Out" approach, which leads us to ask the question: "What is the best way to implement the convergence of US GAAP and IFRS convergence?" Throughout this thesis the question at hand will be answered by providing insight into the most efficient and effective way to implement convergence.

In recent years, there has been a lot of debate in regards to the best way of implementing the convergence of US GAAP and IFRS Accounting standards. Many financial statement users have argued that the impact of simultaneous adoption will be overwhelming and cause great confusion to investors. On the other hand, there are those who believe that a drawn out approach to implementation will require too

much of a company's time and divert attention from more important business activities.

Regardless of which method of implementation is adopted, change will take place, as convergence of US GAAP and IFRS is inevitable in today's global business environment. United States companies must adopt and accept convergence in order to stay competitive and maintain their reputation for quality reporting they have worked so hard to achieve. A number of companies have already gained an advantage with an early to start to convergence.

In determining the best method of implementing convergence, there are many factors and stakeholders that must be identified and considered. Furthermore, not only should the short-term effects be included this decision, but the long-term effects as well. This thesis will take a look back in history, analyzing times of change that have fell upon the United States in the past and identify how our country has adapted and dealt with such challenges. This information will be utilized in determining the best course of action for convergence.

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The Road to Convergence

In September 2002, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) held a meeting where the Norwalk agreement was issued. This agreement solidified the commitment of FASB and IASB to producing a set of high-quality, compatible accounting standards that could be used globally in financial reporting. In addition, they pledged to continue to work closely together in future projects in order to maintain comparability.

Following the meeting in 2002, FASB and IASB met again in October 2005 and in February 2006 where they issued a Memorandum of Understanding (MoU), which laid out a preliminary plan for convergence and goals to be a achieved chronologically. There were three main principles on which the memorandum was based on and they were the following:

• Convergence of accounting standards can best be achieved through the development of high quality, common standards over time.

• Trying to eliminate differences between two standards that are in need of significant improvement is not the best use of the FASB's and the IASB's resources—instead, a new common standard should be developed that improves the financial information reported to investors.

• Serving the needs of investors means that the Boards should seek convergence by replacing standards in need of improvement with jointly developed new standards. [1]

Based on these principles, FASB and IASB created milestones for convergence detailing priority standards that would be implemented first. These priority standards were introduced in 2008 by way of an exposure draft. A few of the projects proposed included a new fair value option, as well as a new way for accounting for research and development. In order to prioritize the newly proposed standards and arrive at the best method for implementing them, FASB and IASB had to determine which standards would have the greatest effect on the financial statements. They did this by looking the current US GAAP and IFRS standards, identifying areas that differed the most between the two sets of standards, and essentially assigning them a level of materiality. Experts on the convergence of accounting standards were required to have a great understanding of both US GAAP and IFRS in order to be effective in doing so.

U.S. Generally Accepted Accounting Principles (GAAP)

US GAAP has evolved into plethora of accounting standards that all American businesses have adopted and follow today. Standards have since been codified for easy access. To make sure these standards are followed, teams of public and

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[1] IFRS. "A Roadmap for Convergence between IFRS and US GAAP—2006-2008." *AICPA | Www.IFRS.com - International Financial Reporting Standards Resources*. Web. 13 Apr. 2011. <http://www.ifrs.com/updates/fasb/memorandum_0911.html>.

internal auditors monitor and control the accounting methods of businesses to ensure accuracy.

U.S. GAAP provides businesses with a formal set of rules and a conceptual framework for recording the changes in assets and liabilities, cash flows, and determining performance ratios among other measures. The conceptual framework allows for equitable treatment to all users of financial statements, as well as creates a sense of objectivity, truth, and fairness in financial reporting. In achieving these benefits, comparability and consistency were set at the top of the accounting standards hierarchy.

Following a set of standards with a high regard for comparability and consistency adds great value to the information derived from them and increases its usefulness. In establishing these consistent accounting standards, determining materiality and relevance is key. After all, the purpose of accounting standards is to provide investors and stakeholders with a set of information that is useful and relevant. FASB played an important role in determining these qualities and putting them into writing.

While the accounting industry in America has taken great leaps in establishing a coherent set of accounting standards, nations elsewhere around the globe have developed set of accounting standards of their own known as International Financial Reporting Standards (IFRS). Although similar to US GAAP in providing quality information respective to the countries own markets, there are many factors that are detrimental to the comparability of the financial statements of

American and international companies, as well as the competitiveness of global businesses.

Impact of International Accounting Standards

For quite some time now, there has been a debate on whether a foreign business should be allowed to enter the New York Stock Exchange (NYSE) while operating under international accounting standards. In the past it, in order for a company to be listed on the NYSE they were required to recast their financial information to reflect US GAAP standards. Additionally, these companies were required to file a Form 20-F with the SEC 6 months prior to the first years end.[6]

The SEC required foreign companies to do this in order to protect investors within the market. Additionally, earnings in an international market are valued differently then in the US market. However, recasting international standards with US GAAP standards would cost a great deal of money. In 2007, after much debate the SEC decided to amend the 20-F Form allowing foreign companies to file according to International Financial Reporting Standards (IFRS).

The SEC rationalized this amendment in the hopes of standardizing accounting standards and drawing US GAAP and IFRS closer to convergence. Unfortunately, the American Accounting Association committee deemed this move premature and laid out a couple of requirements asking for at least one to be met before allowing an international company to file under IFRS standards. The first was that at a minimum, US GAAP and IFRS were informatively equivalent sets of

[6] Chorafas, Dimitris N. *IFRS, Fair Value and Corporate Governance: the Impact on Budgets, Balance Sheets and Management Accounts*. Oxford: Elsevier, 2006. Print.

accounting principles. The second requirement was that it would be feasible for investors to reconstruct financial statements that were comparable and consistent with US GAAP from IFRS financial statements. The committee concluded with a few points one being that there were difficulties arising from the differences between the two reporting methods.

Although both accounting standards produced quality financial information in their own respective markets, when bringing international standards to America there were discrepancies and variations between financial performance ratios that resulted in misleading and sub-par investor information. For information on financial statements to be considered quality they must be understandable, relevant, reliable, and comparable.[7]

That being said, a businessperson with a reasonable amount of economic and financial knowledge should be able to understand the information presented on financial statements and find it useful in making corporate decisions. Additionally, this information must be consistent from year to year, as well as comparable between other corporations.

US GAAP and IFRS Convergence

In order to create international cohesiveness, the SEC and FASB have endorsed the idea of converging US GAAP and IFRS accounting principles into one common set of standards. The benefits of convergence would not only include the creation of a common set of reliable, relevant, and comparable standards, but also

[7] Schroeder, Richard G., Myrtle Clark, and Jack M. Cathey. *Financial Accounting Theory and Analysis: Text and Cases*. Hoboken, NJ: Wiley, 2010. Print.

allow U.S. business to stay competitive and on a level playing field with their foreign counterparts.

Dwight Eisenhower once said, “Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him.” These wise words are more prevalent then ever today. In order for American businesses, and America’s economy, to stay competitive globally companies must embrace this change and accept IFRS convergence.

Currently, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are working together to improve both US GAAP and IFRS by making both standards fully compatible with each other. [8] They have been working on multiple projects involving convergence and plan on unraveling them soon. A list of major projects currently underway include:

- Financial Instruments
- Revenue Recognition
- Leases
- Statement of comprehensive income
- Fair value measurement

With the introduction of these projects, there is the goal of improving financial reporting information of international businesses while aligning the

[8] "IFRS Reporting: The Transition from US GAAP to International Financial Reporting Standards." *PwC US: Building Relationships, Creating Value*. Web. 09 Nov. 2010.

accounting standards of US GAAP and IFRS. In determining which projects to implement first, FASB has been looking at which standards will require the most attention and have the biggest impact on a business and its investors. These projects will potentially affect contractual agreements, investment decisions, and the financial ratios that measure business performance.

The primary purpose and reason for companies to prepare financial statements is for giving investors relevant and accurate information on the state of the company. Since investors are the primary users and analyzers of financial statements, the convergence to IFRS should be based around what suits them best.

On November 15, 2007, the SEC unanimously approved rule amendments under which financial statements from foreign private issuers in the U.S. will be accepted without reconciliation to US GAAP if they are prepared using IFRS as published by the IASB.[9] This is significant as statements previously had to be transferred into GAAP format in order to be listed on the New York Stock Exchange.

Since the fiscal year of 2008, companies have been permitted to have their financials prepared using IFRS and be listed on the NYSE. Over these last three years, investors have gained some experience evaluating financials of companies that use IFRS; therefore, there is some level of experience in identifying and handling the differences between GAAP and IFRS.

Though investors have some experience analyzing companies using IFRS most of the companies that they analyze are still companies that use GAAP. Therefore, the more time that is given for investors to be able to become

[9] U.S Securities and Exchange Commission. *SEC Takes Action to Improve Consistency of Disclosure to U.S. Investors in Foreign Companies*. Print.

comfortable in analyzing each new change from GAAP to IFRS the better overall understanding they will have on how each new principle that has changed will affect the company's financials.

The changing of the financials will also affect financial ratios that investors use to gage a company's performance. Financial ratios are often key indicators of a company's performance; as well as, a level of attractiveness for investors. Since these ratios will change with the convergence to IFRS, investors will have to alter the standards that they use in evaluating companies. In implementing convergence FASB and IASB must provide investors with a sufficient amount time to evaluate how each individual new change will affect not only the financials, but also performance ratios.

Stacey Tedeshi, a Managing Director of Finance and Accounting for Resource Global Professionals a company that advises clients on issues such as IFRS convergence, states that she believes that many aspects of a company will be affected in addition to the accounting and finance departments. She believes that it will affect a company's information systems, supply chain organization, human resources, and metrics that are used to evaluate the performance of their company.[10]

Changes in IFRS could lead to the necessity for these types of departments to change fundamental aspects of how they operate. Things such as how they record raw data from transactions could need to be changed. This could necessitate a

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[10] Tedeschi, Stacey. "IFRS: Not Just An Accounting Issue." Rpt. in *Resource Global Professionals*. 2009. Web. 9 Oct. 2010.

change in software that is used to record information, which could in turn lead to the requirement for employees to receive additional training in order to learn how to operate the new software. Essentially, changes in these departments could wind up being significant, and so the more time that is given for companies to absorb each change, the more efficiently and productively they will be able implement each change.

Implementation of Convergence

The Financial Accounting Standards Boards and International Accounting Standards Board have announced their intent to determine the most efficient and effective way to implement the convergence of US GAAP and IFRS. The current dilemma seems to revolve around the decision of introducing these new accounting standards immediately through what we have come to know as the "Big Bang" approach, or introduce the new standards in a phased or more commonly known as a "Roll Out" approach.

The "Big Bang" Approach would essentially involve the immediate adaptation of a significant amount of accounting standards. Some of these standards would include: revenue recognition, financial statement presentation, leases, financial instruments, and insurance contracts to name a few. As a result, public companies, auditors, financial analysts/advisors, and investors would be affected.[11]

[11] "PwC IFRS Blog: 2009 with a Big Bang?" *PwC Blogs* -. Web. 09 Nov. 2010.

There are initial benefits of the "Big Bang" Approach are seemingly obvious. By introducing convergence immediately, less time would be spent on adopting new accounting standards leaving more time for important issues that need to be addressed. However, many users of financials argue that the immediate implementation of convergence will be overwhelming to financial statement preparers as well as stir confusion in investors. Additionally, immediate changes will place a large burden on companies as well as auditors that must deal with multiple changes to accounting standards all at once. This may be a very costly process for public companies and auditors that must train employees on a vast amount of new accounting methods in a short period of time.

From an investor standpoint, confusions may stem from the large number of immediate changes in accounting methods, and they may have a harder time learning the large amount of material. Furthermore, some changes to standards have the potential of inflating certain financial ratios resulting in misleading investor information. Since the investor is a major stakeholder in any company, it is imperative that they are heavily considered in the decision-making process. The disadvantage of burdening investors and analysts with various, immediate accounting changing will be a severe detriment to businesses and the economy. Many financial statement users will agree that the "Big Bang" Approach is not the most appropriate option for convergence.

On the opposing end of the convergence spectrum stands and more phased approach more commonly known as the "Roll Out" Approach. Due to the expected significance of changes emanating from these projects, many big players in the accounting industry feel that convergence would be implemented most efficiently and effectively through a phased approach. Staggering convergence would allow companies, investors, and stakeholders to develop a complete understanding of each project and its impact to their business before a standard would be put into use.

Of course, certain aspects of the change from GAAP to IFRS will be more significant than others. The changes to things such as revenue recognition and fair value measurement will be more significant than the change in how the statement of cash flows is reported. In a roll out plan companies could adopt the significant changes first without having to be bothered with the small changes at the same time. Revenue recognition and fair value management changes could force companies to make changes that would take exponentially longer than the change required for cash flows being reported. Therefore in a roll out approach companies could devote their entire focus to the large changes without being hassled by the other small changes.

On June 24, 2010, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) announced a new strategy for implanting convergence. This modified strategy addressed many concerns of stakeholders and outlined a new plan resembling that of a phased "Roll Out" approach. The boards have laid out a time-line in which major convergence projects have been prioritized keeping in mind the most important factors and urgent issues that convergence will bring about.

If the modified strategy was put into effect, financial statement users could expect to see the completion of convergence as soon as June 2011. This strategy would allow for the completion of major topics in earlier stages and end with less pressing projects, as well as topics that require further research and analysis. The plan includes introducing each new standard in a two-step process, first by releasing an exposure draft for the standard and later rolling out a final standard to be put into effect.

The first projects to be put into effect would be ones that the boards deemed "priority projects". The first priority would deal with financial instruments such as revenue recognition, impairment, and hedging. These instruments would be adapted and amended resulting in new methods for the way assets and liabilities are measured and recorded. Next, revenue recognition and leases would be addressed, followed by comprehensive income, fair value measurement, and balance sheet netting. Other projects that would come later down the time-line include disclosure, post employment benefits, financial statement presentation, and insurance contracts among other areas.

Over the past decade there has been many successful cases of convergence across Europe, Asia, and the US. Approximately 120 nations are required to report under IFRS, however; only 90 countries have fully conformed to IFRS. Countries such as the US and Canada are currently in the planning stages of convergence and hope to be fully implemented by the summer of 2011. Some other countries that are in the process of adopting IFRS include Mexico and Japan. [12]

Convergence and Revenue Recognition

In creating new standards for recognizing revenue, FASB's goal is to not only to take a step towards the convergence of US GAAP and IFRS standards, but also improve financial reporting methods by providing clearer guidance on when to recognize revenue. As a result, financial statement users will see revenue being recognized more consistently for similar contracts, regardless of the industry.

As stated by FASB backing in June 2010, the boards are continuously striving towards creating a set of high quality, improved, and converged standards. In order to achieve these goals they are placing proposed standards under constants scrutiny and deliberation to ensure the best possible outcome.

Currently, the proposed revenue recognition standard would affect virtually every type of business that hold contracts with its customers. Public, private, and not for profit would all fall into this spectrum. However, a few exceptions were made as stated per FASB's Revenue Recognition Exposure Draft and they are the following:

- Lease contracts within the scope of FASB ASC 840, Leases
- Insurance contracts within the scope of FASB ASC 944, Financial Services—Insurance

[12] "AICPA: IFRS FAQs." AICPA: International Financial Reporting Standards Resources. Web. 09 Nov. 2010.

• Contractual rights or obligations within the scope of the following:

— FASB ASC 310, Receivables

— FASB ASC 320, Investments—Debt and Equity Securities

— FASB ASC 405, Liabilities

— FASB ASC 470, Debt

— FASB ASC 815, Derivatives and Hedging

— FASB ASC 825, Financial Instruments

— FASB ASC 860, Transfers and Servicing

• Guarantees (other than product warranties) within the scope of FASB ASC 460, Guarantees

• Nonmonetary exchanges between entities in the same line of business to facilitate sales to customers other than the parties to the exchange (for example, an exchange of oil to fulfill demand on a timely basis in a specified location)

The main focus of the revenue recognition standard requires an entity to recognize revenue so that it depicts "the transfer of goods or services to customers in an amount that reflects the consideration the entity receives, or expects to receive, in exchange for those goods or services."[13] To apply the proposed revenue recognition standard, an entity should:

[13] AICPA. *The Financial Accounting Standards Board and the International Accounting Standards Board Proposed Revenue Recognition Standard*. American Institute of Certified Public Accountants, 2010. Web. 15 Nov. 2010.

• Identify the contract(s) with a customer.

• Identify the separate performance obligations in the contract.

• Determine the transaction price.

• Allocate the transaction price to the separate performance obligations.

• Recognize revenue when the entity satisfies each performance obligation

If this proposed standard was adopted, revenue would be recognized as goods and services are transferred to or performed for the customer. On the contrary, the previous standard for revenue recognition was heavily based on the income statement. If the proposed standard were put into effect, recognition of revenue in several industries would be altered.

In the construction industry, specifically with long-term contracts, revenue would only be recognized if the customer had control of the asset while it was being designed or produced. Continuous revenue recognition would only occur if the customer controls the asset as it is developed or manufactured. If this requirement were not met, then revenue recognition would be delayed until there was full transfer of the asset.

Regarding the recognition of revenue from licensing and rights to use intellectual property, the pattern of recognition may vary between the current and proposed standard. The variance in recognition of revenue would depend on whether or not the intellectual property was granted on an exclusive basis. It if were, the standard would require the revenue to be recognized over the term of the license.

In situations were there was a third-party involved in the sale of a good, a business would no longer have to use the objective evidence of the third-party party. Also, changes would be made to the requirements for estimating selling price. Similar to other industries, when dealing with customer loyalty and benefit programs, revenue from customers who spent money for these benefits would not be able to be recognized until the obligation was fulfilled to the customer.

In instances where contract costs are incurred, they are permitted to be capitalized if they meet the requirements of another standard (for example, FASB ASC 330, Inventory; FASB ASC 360, Property, Plant, and Equipment; or FASB ASC 985) Another exception is if they are directly related to or generate resources of the business that will be for the completion of an obligation, and are expected to be recovered. The newly proposed revenue recognition standard will allow costs for obtaining a contract, completing, and disposing of waste from a contract to be expensed as they are incurred. Similarly, revenue recognition with product warranties would allow business to recognize the revenue immediately rather than making businesses wait until the warranty obligation was fulfilled, as long as the warranty is part of the goods original price.

In the Agricultural Industry, revenue would be recognized only when there is a contract involved or when a good or service is transferred to a customer. The same applies to non for profit would not recognize revenue when a transfer occurred which would in turn affect the amount of revenue recognized in non for profit contracts.

Convergence and Accounting For Leases

In addition to revenue recognition, accounting for leases is one of the leading priorities. Leases are often key entries in the financial statements of companies and account for a large number of assets and liabilities. For quite some time now, the methods for accounting for leases have faced criticism and have come under scrutiny of financial statement users and investors alike. They have been called unnecessarily complex and are known to emphasize conformity over quality.

US GAAP and IFRS convergence has the potential to greatly improve the standards for accounting for leases. Currently, an exposure draft (rough draft) has been proposed by the boards detailing the changes to be made to leases in converging with IFRS. According to the American Institute of Certified Public Accountants, lessees would be required to recognize the following:

> a. An asset representing its right to use the leased item for the lease term (measured initially at the present value of the lease payments plus any initial direct costs).
>
> b. A liability for its obligation to pay rentals (measured initially at the present value of the lease payments). [14]

Currently, the US GAAP model divides leases into two categories: capital leases, which recognize assets and liabilities; and operating leases that do not. The

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[14] AICPA. "Accounting and Financial Reporting Guidance." *American Institute of Certified Pubic Accountants*. Web. 20 Nov. 2010.

new standard proposes that regardless of the lease type all assets and liabilities should be recognized. The lessor would be able to recognize an asset and its ability to generate income by way of lease payments. The American Institutes of Certified Public Accountants released a statement commenting further on the effects the of the new lease standard saying:

> "Depending on its exposure to risks or benefits associated with the underlying asset, would either recognize a lease liability while continuing to recognize the underlying asset (performance obligation approach), or derecognize the rights in the underlying asset that it transfers to the lessee and continue to recognize a residual asset representing its rights to the underlying asset at the end of the lease term (derecognition approach).[15]

The derecognition approach is similar to the current accounting for sales-type leases under U.S. GAAP. However, the approach does have its differences in terms of the amount of profit recognized and the measure of lease receivable.

In regards to lessors with leveraged leases, there would be no change from the current US GAAP standard. With leveraged leases, both parties may elect, depending on the lease terms, a simplified standard when dealing with short-term leases. A short-term lease is considered a lease that has a term of 12 months or less

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[15] FASB/IASB: Leases." *American Institute of Certified Pubic Accountants*. 2010. Web. 23 Nov. 2010.

including any options that could extend the terms, anything greater would be considered a long-term lease. Additionally, the lessee may choose to account for the liability of lease payments as well as the right-of-use assets at an undiscounted rate. Contrarily, the lessor may elect to not recognize assets and liabilities from the statement of financial position, nor derecognize underlying assets.

The burden of monitoring and record keeping would fall heavily upon the lessee, especially for operating leases. In turn, this would create more work for auditors requiring them to conduct a more detail intensive audit.

Public companies may take on the effects of the proposed standard as well. Stock prices may potentially increase or decrease due the financial statements of their business, as well as their competitor. However, despite the possibility of a negative effect on stock prices, the financial statements themselves will be more comparable and useful in determining the performance of a business.

Implications of Convergence

Although, a select few of larger American firms have already began to adopt IFRS by way of their foreign subsidies, most companies are still required to report their financials using US GAAP Principles. They will continue to do so until the get the okay from the Securities Exchange Commission to being reporting financials under International Financial Reporting Standards.

In adopting IFRS standards American companies will have the opportunity to reap a few benefits. Businesses will be able to report their financials on a level playing field with other global companies, increasing financial statement comparability, relevance, and usefulness among global markets. This after all, is one of the main goals and purposes of US GAAP and IFRS convergence. Convergence will be especially beneficial to companies who have already established subsidiaries in foreign countries who operate under IFRS. Convergence in the United States will allow these companies to operate under the same set of standards, increasing comparability; as well as eliminating a lot of confusion, and unnecessary costs. In that same token, foreign companies who have invested in or hold subsidiary companies in American may also reap the same benefit.

Used by over one hundred countries, IFRS provides high quality financial reporting and will only improve the quality of financials reported by American based companies through convergence. Many believe, if the United States were to fail at convergence, it would be put at a great disadvantage.

However, there are also those who believe that the U.S. is just not ready for convergence and that differences will always exist between accounting standards. They feel that US GAAP has been the backbone of U.S. capital markets and has distinguished the nation from others with a unique set of accounting standards. It is argued that convergence will essentially be destroying our position as a world leader in accounting standards and giving up our right to creating accounting standards without outside opposition.

Although some of these arguments have merit to them, those in opposition appear to be overlooking the true purpose of convergence, which is to stay completive globally while providing quality financial reporting. Those who argue against adopting a set of standards that would bring more cohesiveness to capital markets are similar those who argued against the adoption of the metric system in the United States.

In 1875, the U.S. was committed to the development of an internationally recognized metric system becoming one of seventeen signatory nations to the Treaty of the Meter. Later, the General Conference on Weights, which consisted of the same seventeen countries, became the governing body for the modern metric system. In 1960, they created a modern version of the metric system known as the International System of Units (SI). The metrification of the United Kingdom among other nations increased pressures on the U.S. to adopt the metric system.

The U.S. Metric Study was conducted by the Department of Congress during the late 1960's in order to assess the feasibility of adopting the metric system in the United States. They found that many areas throughout the U.S. were already using the metric system in various ways and that a successful transition was quite possible. The U.S. Metric Study suggested that the United States implement the system in a carefully planned manner. However, the transition was never successful due to a lack of support and a weak effort by the U.S. government to enforce conversion.[16]

The effects of the failed conversion to the Metric System have since been seen. In 1999, confusion in the use of U.S. customary units and metric units was responsible for the destruction of NASA' s Mars Climate Orbiter. A subcontractor had used metric units in their work, which subsequently caused the orbiter to orbit

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[16] Martha Brockenbrough. "Whatever Happened to the Metric System?". *Whatever Happened to the Metric System?*. Retrieved January 15, 2008.

to low and burn up in the Martian atmosphere.[17] Unfortunately, there have been many other cases where wrong measurement units have been used.

Failure to successfully converge US GAAP and IFRS accounting standards may not lead to the destruction of a NASA orbiter, but can certainly lead to the destruction of the global competitiveness of U.S. businesses. In the upcoming months, the Financial Accounting Standards Board must take great care and the necessary time with the modified "Roll-Out" approach to ensure the successful implementation of US GAAP and IFRS convergence.

Into the Future

Throughout this thesis the question: "What is the best way to implement the convergence of US GAAP and IFRS convergence?" has been answered and the outcomes of the modified "Roll-Out" approach have been considered. We now look forward to the future and seeing these plans come to life. The SEC is forecasting the new standards to be complete and incorporated into the U.S. domestic reporting system sometime during 2011. They also expect to see U.S. business reporting under these new standards as early as 2014. This timeline will be continuously evaluated as time passes and new standards are put into effect.

As part of this process, the active participation of U.S. companies will be necessary. Companies need to persistently monitor and participate standard-

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[17] "NASAs Metric Confusion Caused Mars Orbiter Loss - CNN." Featured Articles from CNN. 30 Sept. 1999. Web. 12 Apr. 2011. <http://articles.cnn.com/1999-09-30/tech/9909_30_mars.metric_1_mars-orbiter-climate-orbiter-spacecraft-team?_s=PM:TECH>.

setting process.[18] Regardless how these standards are introduced, companies will be well-served to understand the upcoming changes and exactly how they will affect their businesses. By directing continuous attention to convergence a company will be positioned to handle any changes in the future.

[18] "IFRS Reporting: Current Situation and next Steps." PwC: Building Relationships, Creating Value. Web. 13 Apr. 2011. <http://www.pwc.com/us/en/issues/ifrs-reporting/transition-to-ifrs-status.jhtml>.

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Presentations/Activities:
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