GENERAL APPROACH TO THE IFRS AND US GAAP CONVERGENCE

H. Bohušová

Received: January 28, 2011

Abstract


Two most significant organizations in the field of financial reporting regulation setters in the world – the Financial Accounting Standard Board (FASB) and the International Accounting Standards Board (IASB) have recognized that in order international capital markets to function properly, a single set of high-quality international accounting standards designed especially for listed companies around the world must exist. The effort should be especially aimed at spreading the IFRS around the world and the FASB – IASB Convergence. The most significant difference between the US GAAP and IFRS is in the area of the general approach. The IFRSs are based on basic accounting principles with limited application guidance, US GAAPs are based especially on rules with specific application guidance. The main objective of this work is to assist in the development of an improved common conceptual framework that provides a sound foundation for developing future accounting standards.

The structure of the paper is divided into three parts. The theoretical background presents the historical development of the IAS/IFRS and US GAAP convergence efforts in general. The second part of the paper is aimed at the comparative analysis of conceptual frameworks (the IAS/IFRS and US GAAP). At the end, based on the results of the comparative analysis, the basic principles for a common conceptual framework, which should be applicable, are clarified. The paper uses the standard methods of scientific work. Firstly, the method of description is used to describe the development in the area of IAS/IFRS and US GAAP convergence. Then, a comparative analysis is used to discuss the differences in the position and principles of conceptual frameworks the IAS/IFRS and US GAAP. At the end the method of synthesis, deduction and induction is used.

IFRS, US GAAP, conceptual framework, qualitative characteristics financial information
to be reached by 2008 were set in the document known as “A roadmap for convergence 2006–2008”.

The roadmap was recognized as relevant for the removal of the need for the reconciliation requirement for non-US companies that use IFRS and are registered in the United States, as well. In 2007 the US Securities and Exchange Commission (SEC) removed this requirement. In 2008, the U.S. Securities and Exchange Commission (SEC) issued for comment “Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers” that proposes an eventual adoption of IFRS for U.S. public companies beginning in 2014. The SEC has received a number of comment letters on its road map, with a variety of opinions. In the respondents’ opinion, the convergence of IFRS and US GAAP seems to be better, than the use IFRS by U.S. issuers.

An update to the MoU was issued in 2008. It identified priorities and milestones to complete the remaining major joint projects by 2011, emphasising the goal of joint projects to produce common, principle-based standards. In June 2010 the IASB and the FASB announced a modification to their convergence strategy, responding to concerns from some stakeholders regarding the volume of draft standards due for publication in close proximity. The strategy retained the June 2011 target date to complete those projects for which the need for improvement of IFRSs and US GAAP is the most urgent.

Convergence is designed to bring U.S. GAAP and IFRS closer together. The main focus is on having similar general principles, and the overall objective is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged. Therefore the IASB and the US FASB (the boards) are undertaking the convergence project jointly. The most significant difference between the US GAAP and IFRSs is in the area of the general approach. The IFRSs are based on basic accounting principles with limited application guidance, the US GAAPs are based especially on rules with specific application guidance.

The main objective of this work is to assist in the development of an improved common conceptual framework that provides a sound foundation for developing future accounting standards. The work is based on information on the Conceptual Framework project. The Conceptual Framework project as a part of Convergence project aids to make consistent, update and refine the existing concepts to reflect the changes in markets, business practices and the economic environment that have occurred in the two or more decades since the concepts were first developed.

**METHODOLOGY**

The paper is concerned only with the most significant differences between the IFRSs and the US GAAP in the area of objectives of financial reporting and qualitative characteristics of financial information regarding to the large range.

The structure of the paper is divided into three parts. The theoretical background presents the historical development of the IAS/IFRS and US GAAP convergence efforts in general. The second part of the paper is aimed at the comparative analysis of conceptual frameworks under the IAS/IFRS and US GAAP. At the end, based on the results of the comparative analysis, the basic principles for a common conceptual framework in the area of objective of financial reporting, and qualitative characteristics, which could be applicable, are clarified.

The paper uses the standard methods of scientific work. Firstly, the method of description was used to describe the development in the area of IAS/IFRS and US GAAP convergence. Then, a comparative analysis was used to discuss the differences in the position of principles of conceptual frameworks the IAS/IFRS and US GAAP. At the end the methods of synthesis, deduction and induction were used.

**Theoretical background**

The efforts to unify accounting systems of the Member States are connected with the establishment of EEC. These efforts were crowned by adoption of directives concerned accounting (the 4th directive No. 78/660/EEC, the 7th directive No. 83/349/EEC and the 8th directive No. 84/253/EEC). They create the code of EU accounting legislative and represent the basic harmonization tool of European Commission. The most important directive in the area of accounting represents the fourth directive which concerns the financial statements of large and medium sized capital companies. Due to the directives, national accounting systems have become similar in the EU (Veele, 2005).

**IAS/IFRS**

Besides the harmonization process in the EU, the world financial accounting a financial reporting started in 1973. The International Accounting Standards Committee (IASC) has played a very important role in the area of accounting harmonization since 1970s. The aim of the Committee was to elaborate and publish international accounting standards for the use in published financial statements of business companies. IASC was followed by International Accounting Standards Board (IASB) which was asked to create unified International Accounting Standards (IAS). In 2003 their name was changed to International Financial Reporting Standards (IFRS) and the main accent was placed on the data interpretation in the form of financial statements. All publicly traded companies have been obliged to
prepare their consolidated accounts in conformity with the IAS/IFRS in accordance with Regulation (EC) No. 1606/2002 of the European Parliament on the application of International Accounting Standards since 2005 or Member States may require to prepare their annual accounts in conformity with IAS/IFRS for non publicly traded companies. According to the study “GAAP Convergence 2002”, more than 90% of surveyed countries have already implemented or and/or intend to converge to IFRS.

At present, the EU directives connected with accounting are undergoing a revision. The aim is to adapt the directives to the requirements connected with the internalization of business environment and also to harmonize the directives with IFRS (there is EU harmonization in the form of directives and international harmonization in the form of IAS/IFRS) and to cover the areas which are not solved by IAS/IFRS. The public consultation on this topic was aimed to gauge an opinion of a stakeholder on several proposals how to modernize and simplify the 30 years old directives.

**US GAAP**

There is the further important financial reporting system in the United States. This system is based on requirements of the New York Stock Exchange and is respected by all stock exchanges over the world. US GAAP are accounting rules used for preparation and presentation financial information for variety of entities. US GAAP is not written in law, but the Security and Exchange Commission (SEC) requires that it be followed in financial reporting by publicly-traded companies. The Financial Accounting Standards Board (FASB) is the highest authority in establishing accounting principles and rules for public, private companies, and non-profit entities, as well since 1973 and replaced the Accounting Principles Board, and the Committee on Accounting Procedure.

The US GAAP is a system of financial reporting which inspired the financial reporting harmonization process in the end of the last century. The philosophy of this system is based on generalization of procedures, which were accepted, and used in the course of time. It is the significant information source for financial decision making, because this system is not infl uenced by income tax rules.

**US GAAP and IAS/IFRS convergence**

The goal of the IASB and FASB is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. In pursuit of this goal, the IASB works in close cooperation with stakeholders around the world, including investors, national standard-setters, regulators, auditors, academics, and others who have an interest in the development of high-quality global standards.

Consistently with the roadmap the IASB and the FASB have agreed to work towards goals through short-term convergence projects and other joint projects. The convergence was supposed to be achieved until 2008. The table shows, that the intended goal was not reached and convergence process goes on. The IASB and the FASB are supposed to complete their convergence project by the end of 2011.

The goal of the short-term convergence was reached through short-terms standard-setting projects:

<table>
<thead>
<tr>
<th>To be examined by the FASB</th>
<th>To be examined by the IASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value option</td>
<td>Borrowing costs</td>
</tr>
<tr>
<td>Impairment (joint project)</td>
<td>Impairment (joint project)</td>
</tr>
<tr>
<td>Investment properties</td>
<td>Government grants</td>
</tr>
<tr>
<td>Research and development</td>
<td>Joint ventures</td>
</tr>
<tr>
<td>Subsequent events</td>
<td>Segment reporting</td>
</tr>
<tr>
<td>Income tax (joint project)</td>
<td>Income tax (joint project)</td>
</tr>
</tbody>
</table>

In following areas should be reached the convergence through other projects:
- Business combinations
- Conceptual Framework
- Fair value measurement guidance
- Consolidations.
- Post-employment benefits
- Revenue recognition
- Liabilities and equity distinctions
- Derecognition
- Financial instruments
- Intangible assets
- Leases.

The current situation of convergence process is shown in the table I.

**RESULTS AND DISCUSSION**

**Convergence in the area of the Conceptual Framework**

Both financial reporting systems have to be based on the common conceptual framework. It is the fundamental prerequisite to reach the full compatibility of both systems (US GAAP and IFRS) and to provide the best foundation for developing principle-based standards. The conceptual Framework should be based on fundamental economic concepts rather than a collection of arbitrary convention. The revised common Conceptual Framework should replace the existing IASB or FASB frameworks and result in a basis for standard-setters. It will help to eliminate the risk of reaching different conclusions about identical issues or events.

A conceptual framework of financial reporting system establishes the concepts that underlie
financial reporting. It is a coherent system of concepts that flows from an objective. The objective identifies the purpose of financial reporting. The other concepts provide guidance on identifying the boundaries of financial reporting, selecting the transactions, other events, and circumstances to be represented, how they should be recognized and measured, and how they should be summarized and reported (FASB, 2008). Based on opinion of international experts (Dopuch, Sunder, 1980; Horgreen, 1981) a conceptual framework should help in setting standards consistent with accounting theory. Solomons (1986) argues that a conceptual framework should be directed towards the establishment of sound principles for standard-setters to use in shaping accounting practice. Milburn (1991), DePree (1989), Chamberrs (1996) argue that a conceptual framework should provide a basis for standard-setters to deduce logical accounting recommendations. Mozes (1992) sees a conceptual framework as a useful instrument for organizing and formulating normative accounting research and for defining the term of debate with respect to various standard-setting proposals. The need for a high-quality conceptual framework is highlighted by accounting scandals in the USA and Europe. To restore public confidence in the financial reporting process was argued that regulators should move toward principle-based rules.

A conceptual framework does not replace any standard. It should serve as a starting point in a new standard-setting process; it should help to more quickly solve new and emerging practical problems. It does not define any standards for any particular measurements or disclosure issue, and nothing in the framework overrides any specific standards. It assists preparers and users of financial statements, as well as auditors and others, to understand better its approach to formulating accounting standards. It should also help them to understand better the general nature and function of information reported in financial statements. It is important to remember that a conceptual framework is not an accounting standard and, therefore, does not prescribe

---

1 Royal Ahold (NLD), Enron (USA), WorldCom (USA)
how financial statements should be prepared or presented.

A conceptual framework focuses on the financial statements that are either intended to give a true and fair view of the organisation's financial performance and financial position or are intended to be consistent with financial statements that give such a view. Although current frameworks do not deal directly with this concept, they deal with the application of the qualitative characteristics and appropriate accounting standards which result in generally understood financial statements and information useful to users. The qualitative characteristics are the attributes that make this information true and fair and useful. The principal qualitative characteristics are understandability, relevance, reliability and comparability. Abide by the qualitative characteristics and underlying principles should lead to prevention of preparation of misleading financial statements and users will be provided by the valuable information about financial position, performance and changes in financial position of an entity that is useful to a range of users in making economic decisions.

The FASB devoted a significant portion of its resources toward the conceptual framework development in the time of its establishment. It was referred as a Conceptual Framework for Financial Accounting and Reporting. Pressure for its development came especially from accountants in public practice which saw it as a means of reducing the difficulty of judgments that have to be made about the relative desirability of accounting alternatives in areas that were not already covered by well-defined standards (Nobes, Parker, 2006). However, it is not clear whether or not the conceptual framework in its present state help to force the FASB to particular conclusions in any topic area (Nobes, Parker, 2006).


Despite of some weaknesses, the FASB's framework has been influential around the world. The IASB Conceptual Framework was derived from it. The Framework for the Presentation of Financial Statements was published in 1989. The Framework was especially designed for the IASB when setting accounting standards and for prepares, auditors and users of financial statements. In contrast to the US GAAP conceptual framework, it does not consist of particular standards. The IASB Conceptual Framework is forgoing to all International Accounting Standards but it is not an International Accounting Standard and does not define standards for particular measurement or disclosure issue. Nothing in the Conceptual framework overrides any specific International Accounting Standard. In limited number of cases there even may be a conflict between the Framework and an International Accounting Standard. The Conceptual Framework deal with The objective of financial statements, the qualitative characteristics that determine the usefulness of information in financial statements, the definition, recognition and measurement of the elements from which financial statements are constructed and concepts of capital and capital maintenance.

The initial comparative analysis was made for identification of common basic characteristics and of different characteristics of both conceptual frameworks. The FASB's framework was the first, the IASB's Framework is a much briefer single document of 110 paragraphs. Both conceptual frameworks have the same purpose – to assist standard setters in developing and revising accounting standards and do not override accounting standards, and therefore have a lower status than specific standards. The IASB framework has a broader purpose than the FASB framework; in comparison to the FASB framework it also assists preparers, auditors, and users. The existing frameworks differ, especially in their authoritative status. Entities using the IAS/IFRS are required to follow the IASB's Framework for the Presentation of Financial Statements if no standard or interpretation specifically applies (IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, § 10 and 11). The FASB Concept Statements have a lower standing in the hierarchy of the US GAAP (AU Section 411), and the entities are not required to follow those concepts in financial statement preparation (FASB, 2005). In the US GAAP the Concept Statements are ranked as accounting textbooks or handbooks. The IASB framework applies to general-purpose financial statements while the FASB framework applies to general purpose external financial reporting. It includes financial statements and other financial and non financial information (contained in annual reports, company prospectuses). The results of analysis are summed in the following tables.
The objective of general purpose financial reporting forms the foundation of the conceptual framework. The FASB framework contains two kinds of objectives – one relating to business entities, another relating to non-business entities. The IASB framework contains only objectives in the context of business entity. The detailed results of the comparative analysis in the area of objectives of financial reporting under the US GAAP and the IAS/IFRS are shown in table.

Both frameworks use qualitative characteristics of financial information in terms of attributes that make the information useful to users in making economic decision. There are similar characteristics used in both frameworks. Both use similar constraints of accounting information. The differences are in the form of setting out the characteristics. The FASB framework sets them out in a hierarchy, treating the understandability separate from the others, relevance and reliability as the primary qualities, and comparability as a secondary quality while the IASB framework consider all these characteristics as primary characteristics.

Since October 2004, the FASB and the IASB have been working on a joint project to develop an improved, common conceptual framework that is based on the existing frameworks and on fundamental economic concepts. The improved conceptual framework should provide the best foundation for development principle-based standards, and eliminate the risk of reaching different conclusions about similar or even identical issues and events. The common framework should be internally consistent and internationally converged. Therefore the IASB and the US FASB (the boards) are undertaking the project jointly. The boards concluded that a comprehensive reconsideration of all concepts would not be
efficient. Many aspects of their frameworks are cons-
tents (it is seen from the comparative analysis,
table’s xx, as well) and do not need fundamental
revision. Instead, the boards adopted an approach
that focuses mainly on improving the framework
(IASTB, 2006).

The boards are conducting the Conceptual
Framework Project in 8 phases:

- **A** – Objectives and qualitative characteristics
  (completed, chapters 1 and 3 of the new Conceptual
  Framework)
- **B** – Definitions of elements, recognition and
derecognition (DP will be published in 2011)
- **C** – Measurement (DP will be published in 2011)
- **D** – Reporting entity concept (Exposure Draft was
  published in March 2010)
- **E** – Boundaries of financial reporting, and
Presentation and Disclosure (not yet active)
- **F** – Purpose and status of framework (not yet active)
- **G** – Application of the framework to non-profit
entities (not yet active)
- **H** – Remaining issues (not yet active)

During the work on the phase A–Objectives and
qualitative characteristics a discussion paper (DP)
„Preliminary Views on an Improved Conceptual
Framework for Financial Reporting“ was published.
This discussion paper resulting from the Conceptual Framework Project have attracted much
fercer criticism than the standard setters seem to
have anticipated, or that much of this criticism has
come from within the EU, which is committed to
adopting the IFRS at the IASB (Whittington, 2008).

The Boards received 179 responses related to that
DP. The comments received have demonstrated
that the proposals are controversial and have
justified the decision to issue a discussion paper,
allowing further consultation on the subsequent
exposure draft. The Exposure draft (ED) was
published for comment in May 2008. The board
received 142 Comment Letters. Some respondents
were contacted to gain further insights into their
comments.

In the IASB opinion (IASB, 2010) the global
financial crisis brought a sharp focus on some of
the fundamentals of financial reporting, such as
who are primary users of financial reports. The
boards revised the recommendations from the
Financial Crisis Advisory Group and compared to
the respondents’ comments. The recommendations
were consistent. The strong support for the
Conceptual Framework Project was received in
Comment Letters. On the other hand, there were
some disagreements with some of preliminary views
(especially with articulation of the objectives of
financial reporting).

The DP, ED and final version of Conceptual
Framework (Chapter 1, CON 8) refer the terms
financial reports and financial reporting to general
purpose financial reports and general purpose
financial reporting. General purpose financial
reports provide information about the financial
position of a reporting entity, which is information
about the entity’s economic resources and the
claims against the reporting entity. Financial
reports also provide information about the effects
of transactions and other events that change a reporting entity’s economic resources and claims. Both types of information provide useful input for decisions about providing resources to an entity. The used ways of initial recognition, measurement and presentation are not influent by the purpose for which are statements prepared.

In the ED the following objective of financial reporting was defined: The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. Capital providers are the primary users of financial reporting. In the ED the boards decided to identify present and potential capital providers as a part of the primary group of users for general purpose financial reporting. The information of general purpose financial statements is concerned especially on the present and potential capital providers – to the users who:

- are providing, or are considering providing resources to the entity, and
- Do not have the power to compel the entity to provide information directly to them and must rely on general purpose financial reports.

Most respondents agreed with it, but a few respondents noted that the needs of this part of primary users will meet many needs of other users, but not most of the needs of other users. Some respondent suggested that should be neglected the information needs of other users of the primary group of users. Some respondents recommended retaining the current approach if the IASB – defining the investors of risk capital as primary user group. Government, their agencies, regulatory bodies, and members of the public were identified as groups that may find information in general purpose financial reports useful. However, these groups were not identified as primary users in the ED. Some respondents argued that the boards failed to fulfill its mandate – to develop a single set of accounting standards for the world's capital market and other users to make economic decisions in their choice of the primary users group. Some respondents suggested that management should be considered as a primary user of financial reports. In respondents’ opinion, identification of a primary user group could result in ignoring the information needs of other users, despite the fact that their information needs do not significantly differ.

On the 28 September 2010 the IASB and the FASB announced the completion of the first phase (A) of their joint project to develop an improved conceptual framework for International Financial Reporting Standards (IFRSS) and US generally accepted accounting practices (GAAP). The new framework builds on existing IASB and FASB frameworks. The IASB has revised portions of its framework and incorporated the new chapters 1 and 3; while the FASB has issued the new ‘Concepts Statement 8 – Conceptual Framework for Financial Reporting—Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial Information (a replacement of FASB Concepts Statements No. 1 and No. 2). The objective of financial reporting is fundamental to the remainder of the framework. The final version of Phase A Conceptual Framework Project reiterates the existing concern to produce general purpose financial statements because there not significant differences of both frameworks in this area.

In respect to the respondents’ suggestions the objective of financial reporting and not only of financial statements is defined: “to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity”. Potential investors, lenders and other creditors are the primary users to whom the general purpose financial reports are directed in the final version of Conceptual Framework (Chapter 1, CON 8). By the concepts used in Chapter 1 and CON 8 are general purpose financial reports based on management’s best estimates, judgments, rather than exact depictions and are not designed to show the value of a reporting entity, but they provide information for estimation of the value if reporting entity. Despite the fact, that the information needs of individual primary user could differ, the general purpose financial reporting should provide information that will meet the needs of the maximum number of primary users. Some respondents stated that all qualitative characteristics should be considered equal, other respondents prefer differentiating among the qualitative characteristics. The boards prefer distinction between fundamental and enhancing characteristics. Financial information without relevance and faithful representation is not useful. That is the reason why these two characteristics are considered as fundamental.

Definitions of relevance in both CF are consistent. The information is relevant when is capable of making a difference in users’ decision – only if it will help users to make new predictions, confirm or correct prior predictions (predictive and confirmatory value in the IASB CF and predictive value and feedback value in CON 2). In the final version used the same term – confirmatory value. Despite the fact, that materiality is defined in both frameworks similarly, in CON 2 is considered as a constraint of financial reporting, while the IASB CF considered materiality as an aspect of relevance. Based on respondents’ opinion, the boards agreed with the view that materiality is an aspect of relevance, in the final version.

CON 2 and IASB CF use the term reliability to describe characteristic now called faithful representation. By CON 2 reliability includes aspects as representational faithfulness, verifiability and neutrality and completeness as a part of representational faithfulness. IASB CF supposed
information to be reliable when it is free from material error and bias, other aspects of reliability are substance over form, neutrality, prudence and completeness. Nor CON 2, neither IASB CF explains the meaning of reliability clearly. The boards replaced reliability with faithful representation and defined faithful representation clearly. Many DP respondents did not support the change in terminology; they argued that reliability is a wider term. The respondents suggested to the boards to clarify reliability rather than their replacement. The depiction of faithful representation has three characteristics – information has to be complete (includes all information necessary for user to understand the phenomenon), neutral (without bias in the selection or presentation of information) and free of error (no errors or omissions in the description). Faithful representation means that financial information represents the substance of an economic phenomenon rather than legal form. The respondents suggested to the boards to clarify reliability rather than their replacement. The depiction of faithful representation has three characteristics – information has to be complete (includes all information necessary for user to understand the phenomenon), neutral (without bias in the selection or presentation of information) and free of error (no errors or omissions in the description). Faithful representation means that financial information represents the substance of an economic phenomenon rather than legal form. The boards agreed that presented information is more useful if it can be compared with similar information reported by other entities or by the same entity in other periods. Comparability is related to consistency it refers to use the same methods for the same items, either from period to period within a reporting entity. Comparability helps to achieve comparability. Verifiability is not used in IASB CF as a qualitative characteristic while there is an aspect of reliability in CON 2. In the opinion of DP respondents, verifiability helps users to assure that information faithfully represents the economic phenomena, verifiable information can be used with confidence. On the other hand, some respondents pointed out that including verifiability as an aspect of faithful representation could limit information. Some information is not readily verifi able, for example forward-looking estimates cannot be verified directly. Omission of such information could make the financial report less useful. This is the main reason why verifiability is an enhancing characteristic. In IASB CF is timeliness described as a constraint of information, while CON 2 describes timeliness as an aspect of relevance. In final version is timeliness defined by having information available to decision makers in time to be capable of influencing their decisions. Timeliness is desirable, but it is not crucial.

In both frameworks is understandability defined in a similar way. Information is understandable when enables users to comprehend the information and therefore make it useful for decision making. There is the basic presumption that users have a reasonable degree of financial knowledge and a willingness to study the information with reasonable diligence. Understandability should not be fundamental but only enhancing characteristic. Accent on understandability could lead to not reporting information about very complicated things even if the information is relevant and faithfully represented. The understandability means classifying, characterizing and presenting information clearly and concisely.

The qualitative characteristics of financial information definitions are the basic presumption to both systems function properly. The hierarchy of characteristics helps provide high-quality financial statements to users.

The common conceptual framework development should be based on the unification of its status in the hierarchy of systems. There is the Conceptual Framework on the most significant position in the IAS/IFRS and should be used in every event, when a standard does not prescribe any treatment, while Statements of Financial Accounting Concepts (CONs) in US GAAP are considered only as opinions on transactions or events. The position should be strengthened by Conceptual Framework Project in the US GAAP. This should be the main objective for the further convergence process in the Conceptual Framework Project.

SUMMARY

The paper is based on the presumption that is neither suitable, nor possible to replace the US GAAP system by another system as SEC proposed in their Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers where an eventual adoption of IFRS for U.S. public companies is planned to begin in 2014. The convergence of US GAAP and IFRS is supposed as an optimal solution. The convergence process has started in October 2002 in common meeting of FASB and IASB in Norwalk and was confirmed in 2006 by MoU. The convergence project was divided into many particular projects on the IASB side, the FASB side, and common projects. An update to the MoU was issued in 2008. It identified priorities and milestones to complete the remaining major joint projects by 2011, emphasising the goal of joint projects to produce common, principle-based standards. Development of a common philosophy as a conceptual framework is the fundamental prerequisite of the convergence process. The Conceptual Framework project is divided into eight phases concerning the individual topics of the philosophy of general purpose financial reporting. The first phase
(phase A) was finished in October 2010 by publication of CON 8 in US GAAP and Chapters 1 a3 of Conceptual Framework in IFRS. The first phase was devoted to Objectives of financial reporting and Qualitative characteristic of financial information. The amended chapters in IFRS and the Concept Statement – CON 8 do not bring significant changes into these systems. The development of IASB Conceptual Framework in 1989 was eminently inspired by US GAAP. The unified definition of the objective of financial reporting under this systems, definition of primary group of users of financial reporting, and classification of qualitative characteristics of financial information (as primary and enhancing) could be considered as the main contribution of this phase of Conceptual Framework Project.

The common conceptual framework development should be based on the unification of its status in the hierarchy of systems. There is the Conceptual Framework on the most significant position in the IAS/IFRS and should be used in every events when a standard does not prescribe any treatment, while Statements of Financial Accounting Concepts (CONs) in US GAAP are considered only as opinions on transactions or events. The position should be strengthened by Conceptual Framework Project in the US GAAP. This should be the main objective for the further convergence process in the Conceptual Framework Project.

REFERENCES

Address
doc. Ing. Hana Bohušová, Ph.D., Ústav účetnictví a daň, Mendelova univerzita v Brně, Zemědělská 1, 613 00 Brno, Česká republika, e-mail: hana.bohusova@mendelu.cz