



International Accounting Standards Board®

# Press Release

FOR IMMEDIATE RELEASE

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## **INTERNATIONAL ACCOUNTING STANDARDS BOARD WELCOMES US MOVE TO CONVERGE WITH IFRSs**

The International Accounting Standards Board (IASB) welcomes the release of four Exposure Drafts by the US national standard-setter, the Financial Accounting Standards Board (FASB). The proposals are part of a joint effort to eliminate differences between US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). The four FASB Exposure Drafts released today address the accounting for changes in accounting policies, earnings per share, exchanges of non-monetary assets, and inventory measurement. A fifth US Exposure Draft, on the classification of liabilities as current or non-current, is expected in January 2004.

The FASB Exposure Drafts are part of a series of proposals likely to result from the short-term convergence project that was initiated after the joint meeting of the IASB and the FASB in September 2002. At that meeting, and in the subsequent Norwalk Agreement of October 2002 (attached), the FASB and the IASB “agree[d] to quickly commence deliberating differences identified for resolution in the short-term project with the objective of achieving compatibility by identifying common, high-quality solutions.” Through the convergence project, the two boards are able to build on existing practice to improve their respective accounting standards, while reducing differences that serve to confuse the investing public and increase barriers to the free flow of capital.

The IASB has already published, in its Exposure Draft ED 4 *Disposal of Non-current Assets and Presentation of Discontinued Operations*, proposals to bring international practice (now set out in IAS 35 *Discontinuing Operations*) into line with US GAAP. The IASB and the FASB are also working on proposals to reduce differences in the accounting for research and development, income taxes, and interim reporting. Furthermore, the two boards are cooperating to reach similar conclusions on issues related to business combinations, share-based payment and revenue recognition.

In welcoming the FASB's proposals, Sir David Tweedie, Chairman of the IASB, commented, "Both the IASB and the FASB see the convergence project as an opportunity to build upon existing best practice, contained in IFRSs and in US GAAP and other national standards. In pursuing the convergence goal, the two boards will improve the quality of their existing standards, while reducing differences that cause unnecessary confusion and barriers to cross-border investment and economic growth. In the first year of the project, we have made good progress towards our shared goal of achieving a single set of high quality global accounting standards. The FASB's proposals are a further step in that direction, and clearly demonstrate the US board's commitment to our shared objective."

## **END**

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### ***NOTES TO EDITORS***

1. The International Accounting Standards Board (IASB), based in London, began operations in 2001. It is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 Board members (12 of whom are full-time) reside in nine countries and have a variety of functional backgrounds. The Board is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the Board cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.

2. The IASB and the US FASB reached an agreement to achieve work together on both short-term and long-term convergence issues. The agreement was formalised in a Memorandum of Understanding, now known as the Norwalk Agreement (copy attached).

## **Appendix**

### **Memorandum of Understanding**

#### **“The Norwalk Agreement”**

At their joint meeting in Norwalk, Connecticut, USA on September 18, 2002, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) each acknowledged their commitment to the development of high-quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting. At that meeting, both the FASB and IASB pledged to use their best efforts to (a) make their existing financial reporting standards fully compatible as soon as is practicable and (b) to coordinate their future work programs to ensure that once achieved, compatibility is maintained.

To achieve compatibility, the FASB and IASB (together, the “Boards”) agree, as a matter of high priority, to:

- a) undertake a short-term project aimed at removing a variety of individual differences between U.S. GAAP and International Financial Reporting Standards (IFRSs, which include International Accounting Standards, IASs);
  - b) remove other differences between IFRSs and U.S. GAAP that will remain at January 1, 2005, through coordination of their future work programs; that is, through the mutual undertaking of discrete, substantial projects which both Boards would address concurrently;
  - c) continue progress on the joint projects that they are currently undertaking;
- and,

- d) encourage their respective interpretative bodies to coordinate their activities.

The Boards agree to commit the necessary resources to complete such a major undertaking.

The Boards agree to quickly commence deliberating differences identified for resolution in the short-term project with the objective of achieving compatibility by identifying common, high-quality solutions. Both Boards also agree to use their best efforts to issue an exposure draft of proposed changes to U.S. GAAP or IFRSs that reflect common solutions to some, and perhaps all, of the differences identified for inclusion in the short-term project during 2003.

As part of the process, the IASB will actively consult with and seek the support of other national standard setters and will present proposals to standard setters with an official liaison relationship with the IASB, as soon as is practical.

The Boards note that the intended implementation of IASB's IFRSs in several jurisdictions on or before January 1, 2005 require that attention be paid to the timing of the effective dates of new or amended reporting requirements. The Boards' proposed strategies will be implemented with that timing in mind.