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DECIPHERING DIVERGENT ACCOUNTING STANDARDS

SAMANTHA WHITE[†]

Recently, the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) made yet another effort to show their dedication to one set of globally accepted financial reporting standards. It resulted in an exposure draft published on November 14, 2011 entitled *Revenue from Contracts with Customers*.¹ The collaborative standards may supersede all previous international and local reporting standards regarding revenue recognition as early as January 1, 2015.² The new rules set forth clarified principles for recognizing revenue from the original draft released in June, 2010 and ensure the standards will be consistently applied in different transactions and industries.³ As imperative as revenue is in assessing a company’s success and viability, the differences in international and U.S. standards make it a challenge to compare the two results.

The two standard-setting boards first realized that both the current international standards and U.S. standards resulted in inadequate information being relayed to investors in order to understand the judgment and estimates used by a company in getting to their financial results.⁴ Specifically, international standards contain too limited of guidance for complex transactions often resulting in applying U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) in certain situations.⁵ Due to the specificity of industry regulations under U.S. GAAP, a similar transaction across industries may vary in results.⁶ The framework proposed by the FASB and IASB in the draft would solve these problems and revenue will be recognized when it reflects the transfer of promised goods or services in an amount the transferor expects to receive for those goods or services.⁷

For an example on reactions to the draft, one of the biggest accounting firms in the world, PricewaterhouseCoopers, commented by making suggestions to amend the details of the standards, but the firm showed their overall support for the goal of one set of revenue recognition standards and the effort that both the standard setting

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¹ See generally Financial Accounting Standards Board, *Financial Accounting Series Exposure Draft Proposed Accounting Standards Update, Revenue From Contracts with Customers*, (Nov. 14, 2011), <http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175823564392&blobheader=application%2Fpdf>

² International Accounting Standards Board, *Snapshot: Revenue from Contracts with Customers*, 20 (Nov., 2011) http://www.ifrs.org/NR/rdonlyres/DE497799-E21E-4C74-9B33-07ACBA16A175/0/Snapshot_RevRec2_Nov2011.pdf.

³ See *id.* at 1.

⁴ See *id.* at 2.

⁵ See *id.*

⁶ See *id.*

⁷ See *id.* at 4.

boards put into addressing comments from the original exposure draft.⁸ The comment period for *Revenue from Contracts with Customers* ended on March 12, 2012.⁹

⁸ PricewaterhouseCoopers, *Exposure Draft – Revenue from Contracts with Customers* (March 12, 2012) <https://pwcinform.pwc.com/inform2/show?action=informContent&id=1221144003151454>.

⁹ International Accounting Standards Board, *supra* note 2, at 1.