FASB’s Evolving Position on the Use of Financial Statements Prepared in Accordance with IFRS for U.S. Issuers: A Student Writing Assignment
By Stephanie Dehning Grimm* and Drew Hoag

*Please contact the corresponding author with comments at: sdgrimm@stthomas.edu or 651-962-4176
# Guest Book

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Overview:

Students are required to research the history of accounting convergence using resources from the FASB website as well as two FASB comment letters to the SEC. Students are also required to apply and compare U.S. GAAP and IFRS revenue recognition criteria to a realistic sales transaction in China. The case provides students with an appreciation for the complex political process surrounding U.S. adoption of IFRS.
Goals:

1. Introduce students to the key institution and events in the convergence of accounting standards.

2. Allow students to critically assess the costs and benefits of U.S. adoption of IFRS.

3. Allow students to apply and compare the U.S. GAAP and IFRS revenue recognition standards.

4. Develop student writing skills.
Intended Audiences:

• Students:
  – Graduate
  – Upper Level Undergraduate

• Courses:
  – International Accounting
  – Intermediate Accounting
  – Financial Statement Analysis
Part A: The Convergence of International Accounting Standards
Source Documents: FASB website

- International Convergence of Accounting Standards: Overview

- International Convergence of Accounting Standards: A Brief History

http://www.fasb.org/
Write a memo that:

a. Explains the concept of international convergence of accounting standards.

b. Identifies how FASB and the IASB have been working together to enhance the comparability of financial statements. Specifically, identify any agreements or plans that two standard setters have made.

c. Identifies how the SEC is proceeding with the potential adoption of IFRS. Specifically, are any public firms in the U.S. allowed to report under IFRS?
Part B: FASB’s Comments to the SEC Relating to IFRS Adoption
Source Documents: The FASB Comment Letters to SEC

- “Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with IFRS” (November 7, 2007)

Write a memo that:

a. Summarizes the recommendations made by FASB in the comment letters submitted to the SEC.

b. Assesses how FASB’s position on U.S. adoption of IFRS has (or has not) changed between the 2007 and 2009 comment letters.

c. Discusses the benefits and costs of IFRS adoption for U.S. issuers. State your opinion on whether or not you agree with FASB’s recommendations.
Part C: Applying Revenue Recognition for Gemini’s Chinese Operations
Gemini is a U.S. company that recently expanded into China by purchasing Apollo Man. Gemini currently reports under U.S. GAAP but will also need to report Apollo Man’s revenue figures using IFRS. The case details include how an order is placed (typically verbally), when it is shipped & delivered (often without confirmation) and when goods are paid for (often 200+ days after the order).
Write a memo that:

a. Describes and depicts a timeline of the significant events in the Apollo Man sales process.

b. Applies U.S. GAAP revenue recognition criteria to a typical Apollo Man sales transaction. Describes the revenue recognition criteria and identifies when the criteria are met for a typical Apollo Man sales transaction.

c. Applies IAS 18, revenue recognition, to a typical Apollo Man sales transaction. Describes the revenue recognition criteria and identifies when the criteria are met for a typical Apollo Man sales transaction.
Classroom Validation

• Learning objectives achieved
  – Written responses reflected a clear understanding of the concept of convergence
  – Student responses showed a thoughtful reflection on the costs and benefits of IFRS adoption.
  – Students adequately summarized the revenue recognition criteria under the two reporting regimes and applied the criteria to Gemini’s particular business scenario.
Student Comments: FASB Letters

- “Before this assignment I knew nothing about this topic, now I have basic knowledge [of the subject].”
- “[The assignment] offers an in depth summary of the current positions of the two standard setters and their future plans on compatibility and development of GAAP and IFRS.”
Student Comments: Gemini

• “[Gemini] seems like a very relevant and realistic case. Many companies that are expanding globally could be facing similar issues.”

• “The Gemini case is interesting for me because it happened in an international [setting] and provides a learning experience by combining a theoretical policy with a company example.”