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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) VS. US GAAP: A GLOBAL PERSPECTIVE

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ABSTRACT

In light of the growing tendency of firms extending their operations into international markets, the adoption of worldwide accounting standards has become more urgent. The direction of attempts to bring international accounting standards closer to parity with US GAAP has been drastically changed as a result of two recent opinions issued by the SEC with a considerable impact. This article discusses the consequences that the SEC's decision to allow international enterprises to use IFRS in financial reporting, separate from reconciliation to US GAAP, has had on investors, multinational corporations, and global financial reporting by examining the implications of this decision. The idea that the Securities and Exchange Commission (SEC) has to bring together foreign authorities to discuss the harmonization of accounting standards is also discussed. According to the Securities and Exchange Commission (2018), the International Accounting Standards Committee Foundation (IASCF) is planning to establish a Monitoring Group that will include of the European Commission, the Japan Financial Services Agency, and the International Organization of Securities Commission (IOSC). In this section, we will examine the differences between IFRS and US GAAP. After careful consideration, the authors have arrived at the conclusion that there is an immediate need for a unified set of global accounting standards that are based on both IFRS and US GAAP. Many of the problems that have been plaguing the globe's financial reporting system will be resolved, and as a consequence, the economy of the whole world will become more secure and prosperous.

Keywords: *Globalization, SEC, IFRS, GAAP, IOSC.*

Introduction

Due to the rapid globalization of economies and the enormous financial impact of corporate America's overseas development, it became necessary to have a unified set of global accounting standards that multinational corporations from the United States and throughout the world could use for both their domestic and cross-border financial reporting. This was necessary because of the fact that the globalization of economies has occurred. Every single one of these factors—technology, the Internet, less trade barriers, the North American Free Trade Agreement (NAFTA), communication and transportation networks—has led to an expanded market for companies. Although the headquarters of a multinational organization may be located in the United States, the firm does business in every region of the globe. Although the trend of American firms expanding their revenues from abroad operations is not a new phenomenon, it has gained steam and expanded to span a wide variety of sectors over the course of the last several years. Some of these multinational businesses are seeing sales outside of the United States account for more than half of their overall revenue. This is a direct effect of the increased internationalization of American industry. According to Holstein (2007), businesses such as IBM, Pepsi, Honeywell International, and Coca-Cola have generated at least fifty percent of their revenue from sales

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that take place in countries other than the United States. The New York Stock Exchange is home to around 500 worldwide firms, whereas the London Exchange is home to more than 400 of these same corporations.

For the purpose of reporting on US stock exchanges on November 15, 2017, the Securities and Exchange Commission (SEC) exempted international firms from the need that they include a reconciliation from International Financial Reporting Standards (IFRS) to US Generally Accepted Accounting Principles (US GAAP). When adopting IFRS for their filings, publicly listed corporations that are located outside of the United States are no longer required to reconcile their financial statements to US GAAP. As a result of this modification, the requirements for financial statements are now required to be in accordance with both US GAAP and IFRS (SEC, 2017).

According to a press release issued by the Securities and Exchange Commission (SEC) on June 18, 2008, global securities regulators are planning to collaborate in order to strengthen their oversight of international accounting standards. The European Commission, the Japan Financial Services Agency, and the International Organization of Securities Commission (IOSC) will be members of the Monitoring Group that will be formed by the International Accounting Standards Committee Foundation (IASCF), as stated by the Securities and Exchange Commission (2018). A potential increase in the SEC's power on a global scale is one of the most significant challenges that stands in the way of the unification of accounting standards in the United States and throughout the globe. There is a possibility that concerns about the United States' and the Securities and Exchange Commission's (SEC) dominance in monitoring the internationalization of accounting standards would be addressed as a consequence of this trend toward engaging foreign regulators.

This article discusses the consequences that the SEC's decision to allow international enterprises to use IFRS in financial reporting, separate from reconciliation to US GAAP, has had on investors, multinational corporations, and global financial reporting by examining the implications of this decision. The idea that the Securities and Exchange Commission (SEC) has to bring together foreign authorities to discuss the harmonization of accounting standards is also discussed. The European Commission, the Japan Financial Services Agency, the International Organization of Securities Commission, and the International Organization for Securities Commission are going to be the members of the IASCF Monitoring Group that is going to be established later on. (2018) of the SEC IFRS and US GAAP are compared, and the distinctions between the two are examined. There is a detailed list of all the countries that have adopted the International Financial Reporting Standards (IFRS).

History of Accounting Standards in the United States

The Securities Act of 1933 and the Securities Exchange Act of 1934 were both established by Congress in an attempt to reassure investors after the collapse of the stock market in 1929 and the Great Depression that followed. In addition, the Securities and Exchange Commission (SEC) of the United States of America was founded under the 1934 Act. Congress has given the Securities and Exchange Commission (SEC) the ability to set accounting and reporting requirements for firms whose securities are sold publicly on recognized stock exchanges or over-the-counter marketplaces. Also, the SEC has the jurisdiction to adopt these regulations. Clearly, the Securities and Exchange Commission (SEC) has delegated the responsibility of establishing standards to the Financial Accounting Standards Board (FASB), but it has not granted the FASB the authority to do so. As a result, the Securities and Exchange Commission (SEC) has the ability to disagree with or modify the standards of the private sector, as it has done.

The initial creation of the standard was the responsibility of a collection of individuals from the business world who were known as the Committee on Accounting Procedure (CAP). A number of committees were a part of the AIA, and one of them was the CAP. Originally known as the American Institute of Certified Public Accountants (AIA), the organization changed its name in 1957. Between the years 1938 and 1959, the Accounting and Publication Committee (CAP) released fifty-one Accounting Research Bulletins (ARBs) that addressed a variety of topics that were associated with accounting reporting. In 1959, the Accounting Principles Board (APB) took over from the Accounting Council of America (CAP), which had been criticized for its inability to provide a conceptual underpinning for accounting procedures. Every single person who was a member of the APB was also a member of the AICPA organization. In the period of time between 1959 and 1973, the Accounting Principles Board (APB) was responsible for the production of 31 APBOs. A conceptual framework for financial reporting and accounting that outlines accounting's core principles was the major emphasis of the Accounting Policy Board (APB), which was responsible for developing and implementing the framework. In order to better represent and strengthen the APB, members of the accounting community worked together. Every single person who participated in the APB did so on their own will. APB was criticized by both the private sector and the government for not being sufficiently independent. The Financial Accounting Standards Board (FASB) was founded in 1973 as a direct response to the problems that were being raised. In contrast to the 18–21 volunteers who work part-time to make up the APB, the FASB is comprised of seven members who work full-time. FASB representatives are individuals who are members of a number of different bodies that are focused on accounting standards. In order to maintain its operations, the Financial Accounting Foundation (FAF) provides financial contributions. The FAF is in charge of the selection procedure, and those who are chosen to become members of the FASB are required to retire from their existing posts and work only for the Federation of American States.

In a ground breaking research that will serve as a basis for accounting and reporting standards both today and in the future, the Financial Accounting Standards Board (FASB) has released a study that will be considered a milestone. The Financial Accounting Standards Board (FASB) has released seven statements of financial accounting concepts (SFACs) in order to elucidate its conceptual framework. Over 163 different accounting standards have been adopted by the Board up to this point in time.

Voluntary International Accounting Standards

The International Accounting Standards Committee (IASC) was created in 1973, marking the beginning of the process that would eventually lead to the establishment of accounting standards that are applicable all across the globe. Following the reform of the International Accounting Standards Committee (IASC) in 2001, the International Accounting Standards Board (IASB) was founded. At the present time, the International Accounting Standards Committee (IASC) functions as a committee that acts as an umbrella organization, comparable to the American Financial Accounting Foundation FAF. The IASC has developed and published a total of 41 International Standards (IAS). As soon as it was established in 2001, the International Accounting Standards Board (IASB) sanctioned these standards. Since that time, the International Accounting Standards Board (IASB) has issued six further standards that are together referred to as IFRS. The International Accounting Standards Board (IASB) does not have the authority to force compliance, hence these rules are deemed to be voluntary. Having received the IOSCO's seal of approval, members are now able to make use of these standards for making offers across international boundaries and for listing their stocks on global stock exchanges. Since 2005, it has been necessary for all companies who are listed on the European Union's stock exchange to use IFRS when consolidating their financial accounts. There are around seven thousand enterprises that are affected.

When the International Accounting Standards Commission (IASC) and the Financial Accounting Standards Board (FASB) worked together in 1994 to develop new guidelines for computing profits per share (EPS), this was a significant step toward the convergence of accounting standards. There is no indication that harmonization has been made any progress.

Acceptance of IFRS Globally

An increase in the use of IFRS, which stands for International Financial Reporting regulations, may be attributed to the need of establishing accounting rules that are applicable all over the globe. Figure 1 provides a visual representation of the percentage of the worldwide market capitalization that adheres to US GAAP, International Financial Reporting Standards (IFRS), intends to use IFRS, has partly implemented IFRS, or employs other standards. The International Financial Reporting Standards (IFRS) are now being used to report worldwide capitalization at a rate of 33%, while US GAAP is being used at a rate of 35%. Additionally, 22% of other territories, including China and India, want to partly adopt IFRS, as stated by the International Accounting Standards Board (IASB), which is a global marketing capacity of accounting standards. According to the Financial Times (2007), the proportion of other countries that are not likely to participate is anticipated to be 10%. According to a more recent webcast by Deloitte & Touche, India, Brazil, and Canada are among the large countries that have proclaimed the obligatory adoption of International Financial Reporting Standards (IFRS). Since 2005, all member states of the European Union have been required to use IFRS for their reporting.

A summary of the countries and regions that are presently compiling their external financial reports using the International Financial Reporting Standards (IFRS) as their primary accounting standard can be found in Table 1. As can be seen in the table, 68 different nations have adopted IFRS in order to become themselves operational. The auditor will include it into their report in order to guarantee that it is in accordance with IFRS. The following table illustrates how the International Financial Reporting Standards (IFRS) are used in the realm of external financial reporting.

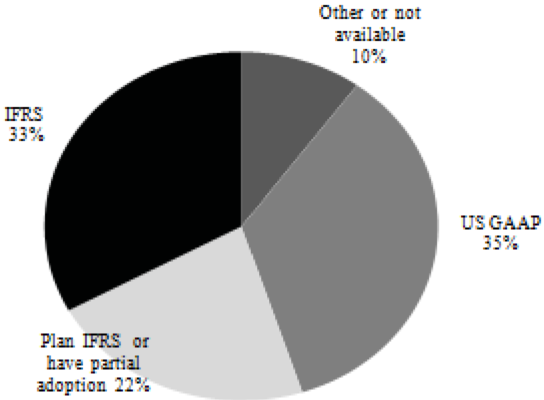

Figure 1: Global Market Value according to Accounting Standard

Figure 1 provides a visual representation of the percentage of the worldwide market capitalization that adheres to US GAAP, International Financial Reporting Standards (IFRS), intends to use IFRS, has partly implemented IFRS, or employs other standards. The data that we used came from the Financial Times Research department.

Table 1: Details of the Geographical Area and Countries that have Adopted or Permit IFRS, Including some Context about their Adoption Status

Africa	
1	**Algeria** - IFRS is permitted for listed companies.
2	**Angola** - Adopts IFRS.
3	**Bahrain** - IFRS is required for all listed companies.
4	**Egypt** - IFRS is required for listed companies.
5	**Kenya** - IFRS is mandatory for all companies.
6	**Nigeria** - IFRS is required for all publicly listed companies.
7	**South Africa** - Fully adopted IFRS.
8	**Tunisia** - IFRS is adopted for listed companies.
Americas	
9	**Argentina** - Adopted IFRS for publicly traded companies.
10	**Brazil** - Mandatory for all publicly traded companies.
11	**Canada** - Fully adopted IFRS since 2011 for publicly accountable enterprises.
12	**Chile** - IFRS is required for listed companies.
13	**Colombia** - Mandatory for all listed companies since 2015.
14	**Mexico** - IFRS is used for publicly traded companies.
15	**Peru** - IFRS is adopted for listed companies.
16	**United States** - While primarily using GAAP, IFRS can be used by foreign companies listed in the U.S.
Asia	
17	**Armenia** - IFRS is adopted.
18	**Azerbaijan** - IFRS is required for all listed companies.
19	**Bangladesh** - IFRS is adopted for listed companies.
20	**China** - IFRS is permitted for listed companies, but local GAAP is commonly used.
21	**India** - IFRS converged standards for large companies and listed entities.
22	**Indonesia** - IFRS is adopted.
23	**Israel** - Fully adopted IFRS.
24	**Japan** - Permitted for certain companies, primarily those that are listed.
25	**Kazakhstan** - IFRS is mandatory for listed companies.
26	**Kuwait** - IFRS is adopted.
27	**Malaysia** - Fully adopted IFRS.
28	**Philippines** - IFRS is adopted for publicly listed companies.
29	**Saudi Arabia** - IFRS is required for listed companies.

30	**Singapore** - Fully adopted IFRS.
31	**South Korea** - IFRS is mandatory for listed companies.
32	**Taiwan** - Adopted IFRS.
33	**Thailand** - IFRS is adopted.
34	**Vietnam** - IFRS is being gradually implemented.
Europe	
35	**Austria** - IFRS is required for consolidated financial statements.
36	**Belgium** - IFRS is mandatory for listed companies.
37	**Bulgaria** - IFRS is required for listed companies.
38	**Croatia** - IFRS is adopted for listed companies.
39	**Cyprus** - IFRS is adopted for all companies.
40	**Czech Republic** - IFRS is allowed for listed companies.
41	**Denmark** - IFRS is required for listed companies.
42	**Estonia** - IFRS is mandatory for listed companies.
43	**Finland** - IFRS is required for listed companies.
44	**France** - IFRS is mandatory for consolidated financial statements of listed companies.
45	**Germany** - Fully adopted IFRS.
46	**Greece** - IFRS is mandatory for listed companies.
47	**Hungary** - IFRS is adopted for listed companies.
48	**Iceland** - IFRS is adopted.
49	**Ireland** - IFRS is mandatory for listed companies.
50	**Italy** - Fully adopted IFRS.
51	**Latvia** - IFRS is required for listed companies.
52	**Lithuania** - IFRS is adopted.
53	**Luxembourg** - IFRS is required for listed companies.
54	**Malta** - IFRS is mandatory for listed companies.
55	**Netherlands** - IFRS is required for listed companies.
56	**Norway** - IFRS is required for listed companies.
57	**Poland** - IFRS is mandatory for listed companies.
58	**Portugal** - IFRS is adopted for listed companies.
59	**Romania** - IFRS is required for listed companies.
60	**Slovakia** - IFRS is required for listed companies.
61	**Slovenia** - IFRS is adopted for listed companies.
62	**Spain** - IFRS is mandatory for listed companies.
63	**Sweden** - IFRS is required for consolidated financial statements.
64	**Switzerland** - IFRS is allowed for listed companies.
Middle East	
65	**United Arab Emirates** - IFRS is adopted for listed companies.
66	**Qatar** - IFRS is required for listed companies.
67	**Oman** - IFRS is mandatory for listed companies.
68	**Jordan** - IFRS is required for listed companies

This overview indicates that many countries across different continents have adopted IFRS either fully or for certain categories of companies

When it comes to encouraging convergence of standards, the standard-setters may choose to use any one of three strategies. If both the FASB standard and the IFRS standard are found to be inadequate, then it is possible that a new norm will be devised. There is also the possibility that they will decide to utilize an IFRS standard. In the year 2006, Arthur Once, they made the decision to bring an IFRS standard into conformity with the standard for discontinued operations that is used in US GAAP. After reviewing IAS #35, which is titled "Discontinuing Operations," the entities responsible for establishing standards came to the conclusion that FASB #144, which is titled "Accounting for Impairment or Disposal of Long Lived Assets," was the preferable standard. In order to accomplish this goal, the International Accounting Standards Board (IASB) issued IAS #5: Noncurrent Assets Held For Sale and Discontinued Operations. This standard was, in general, consistent with FASB #144. In a different instance, the convergence of the standards required by US GAAP and IFRS took place. It was determined by those responsible for establishing standards that IFRS #8—Accounting Policies and

Changes in Accounting Estimates and Errors—is the superior standard when compared to prior versions of US GAAP APB #20. In June of 2005, the Financial Accounting Standards Board (FASB) issued Statement #154, which was titled Accounting Changes and Error Corrections, in order to conform to the criteria of International Accounting Standard #8. The third scenario involves people who are responsible for creating standards working together to establish a new benchmark by devising an innovative method or an acceptable compromise. For instance, the standard-setters from FASB and IFRS have not been able to come to an agreement on how to account for extraordinary items, which is a component of the earnings per share calculation (Herman, 2006). Therefore, they have not been able to achieve a consensus. For the converged standards, it is anticipated that they will adopt a more clear or principled approach as the number of nations that use IFRS continues to increase.

There is still a significant amount of work to be done if accounting standards are to be converged and compromised. Some of these domains are summarized in Table 2, which may be found here. Additionally, there are a number of significant differences. With regard to the interpretations of measurements, IFRS standards are used. These standards, in contrast to US GAAP, have a tendency to be more comprehensive and concept-based. The standards that are used in the United States are founded on core ideas and are subject to severe demands from the government and regulatory agencies. Therefore, in light of the present context, it is imperative that the reporting of financial information in the United States comply to more stringent standards. Ernst and Young (2007), along with other researchers, believe that. As a result of the fact that different countries have different methods of implementation and enforcement, there will be an appearance of consistency in the financial records.

Table 2: Accounting Topics That Have Not Been Converged and Comprised

Conceptual Frame wood	Comprehensive Income
Earnings Per Share	Inventories
Statement of Cash Flows	Valuation of Property, Plant and Equipment
lower of Cost or Market	Interest Capitalization
Valuation of Intangible Assets	Impairment of Value
Research and Development Expenditures	Fair Value of Options-Investments
Impairment of Goodwill	Comprehensive Income
Equity Method	Contingencies
Classification of Liabilities to be refinanced	Convertible Bonds
Distinction *between* debt and equity for preferred % tick	Post Retirement Benefit Plans
Leases	Use of the Term Reserves
Recognition of Pension Asset	Classification of Cash Flow
Error Correction Non-Cash Activities	standards for Presentation of information in Financial Statements and Segment Reporting

Reconciliation to US GAAP and the Effects of Letting International Corporations Adopt IFRS

Significant implications have been brought about as a result of the decision made by the SEC to let foreign firms to use IFRS without first reconciling them to US GAAP. These repercussions are detailed in this section. The first item that we will discuss is the impact that it has on investors. The consequences on multinational corporations are going to be discussed in the following paragraphs.

Impact on Investors

Companies from other countries who sought to list their shares on US markets were required to reconcile their financial statements using both IFRS and US GAAP for a considerable amount of time. The topic of Choi's writing was the influence that cultural diversity has on other parts of the globe. After that, he proceeded to discuss Daimler-Benz AG, which was the first German company to go public on the New York Stock Exchange. In order to comply with the requirements of Form 20F, Daimler was required to reconcile its financial statements to the standards of US GAAP. In 1993, the discrepancy between German accounting rules and US generally accepted accounting principles was $1.3 billion. Through the use of the German accounting technique, Daimler was able to claim a profit of 733 million US dollars. Using US GAAP, the loss was calculated to be 589 million dollars. As a consequence of this, the standards of US GAAP and the rules of international accounting were obviously distinct from one another (Choi, 1998).

There are a large number of countries and jurisdictions that have embraced IFRS reporting, and the United States, despite its dominant position in global commercial activity, cannot afford to continue operating independently in accordance with US GAAP accounting rules. This is because of the massive number of countries and jurisdictions that have adopted global accounting standards.

When attempting to compare financial statements that were prepared using US GAAP reporting with those using IFRS, investors face a number of issues. By adopting IFRS standards for financial reporting, global firms may be able to obtain some latitude in completing the statutory filing responsibilities in each area. This is despite the fact that there are difficulties.

The International Financial Reporting Standards (IFRS) provide a system that is both complicated and easy to understand for those who are wanting to begin their financial reporting from scratch. There has also been an increase in the complexity and amount of US GAAP requirements. Acquiring an understanding of the rules is difficult. Potential investors should investigate if a company is using International Financial Reporting Standards (IFRS) in its financial reports before investing their money into the company. An explanation for the differences between US GAAP and IFRS reporting might be provided by this. Companies such as GlaxoSmithKline are already making this information available to shareholders and other prospective investors. In addition, any company have the ability to explain the inconsistencies to interested investors in a way that is analogous to the reconciliation of IFRS to US GAAP that was imposed in the past. Credit rating agencies and financial specialists are two other valuable tools that investors may use.

Impact on Multinational Corporations

The graphs that follow demonstrate that multinational firms based in the United States are moving their activities overseas, despite the many problems that are associated with convergent accounting regulations. Over the course of the years 2005-2007, the change in corporate profit receipts from domestic and international activities is shown in Figure 2. The data shown here originates from the Department of Commerce of the United States of America and demonstrates that domestic operations saw a significant fall in the year 2006, while simultaneously, US multinational corporations made more money from sales overseas than they did from sales inside the United States (Appel, 2007).

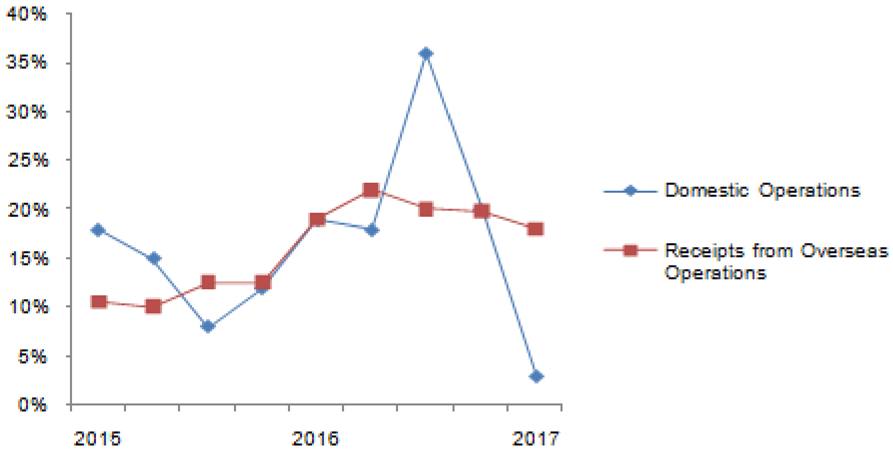

Figure 2: Variations in Corporate Profits Received from Domestic and Foreign Operations Between 2015 and 2017

It is possible to see the change from 2015 to 2017 in Figure 2. According to the Department of Commerce, domestic operations in the United States had a steep decrease in corporate profits in the year 2016. On the other hand, US multinational corporations experienced a rise in international sales income when compared to domestic revenues.

For the very first time in the company's history, General Electric's sales in international markets exceeded those in the domestic market in 2017 (Deutsch 2018). Earnings for the first quarter of 2018 were down by 6% despite an increase in sales in overseas markets. Following the presentation of the findings, the stock price saw the worst decline since 1987, falling from $36.75 to $32.05. Towards the end of March, their financial services saw a precipitous decline as a direct result of the crisis that was brought on by the near-collapse of Bear Stearns. In spite of the fact that the weakening economy is having a negative impact on sales in the United States, it is important to emphasise that sales in other countries are still growing (Deutsch, 2018). Not only IBM, but also Pepsi, Coca-Cola, and Honeywell International all achieved a sales volume in foreign markets that was more than fifty percent (Holstein, 2017).

When it comes to other parts of running a business, the majority of chemical companies have been establishing the bulk of their operations in nations that have lower operating expenditures for at least the last several decades. The low-cost businesses have developed into substantial markets in terms of their size. It was reported by Campoy (2018) that during the third quarter of 2007, international sales accounted for 64 percent of Du Pont's total sales and 65 percent of Dow Chemical's revenue when compared to domestic sales. The growth of the global economy seems to be slowing down notwithstanding these occurrences.

In most cases, revenue is recorded in accordance with IFRS whenever a sale takes place. A approach that is known as this is one that is based on these concepts. A frequent practice in the United States generally accepted accounting principles (US GAAP) is to postpone the recognition of revenue until after the earnings process has been completed, expenses have been recorded, and the revenue earned has been compared to the costs. The matching process is another term for this concept, which is also known as the prescriptive approach. Both names are often used interchangeably. Now that the SEC has granted its approval, overseas companies are able to publish their financial information using IFRS without having to go through the process of reconciling it to US GAAP. According to generally accepted accounting principles (GAAP) in the United States, these companies will report a higher revenue than a comparable global corporation in the United States.

Sales are the primary metric that analysts use to evaluate organizations; hence, investors often use revenue as a stand-in for net worth. Only those businesses that have a higher income will be able to enjoy the benefits. Companies who report their financial information in line with International Financial Reporting Standards (IFRS) would, as a result, have a major advantage over US multinational corporations that utilize generally accepted accounting principles (GAAP). Even if many of these gaps have not yet been closed, the settlement of financial reporting variations between IFRS and US GAAP occurs as a result of interest in the disparities in revenue recognition and the fears of US multinational firms. These interests play a part in bringing about the settlement.

The United States' Role in Regulating Accounting Standards and the World's Aversion to It

These European countries are experiencing a great deal of worry as a result of the notion that the International Accounting Standards Board has been attempting to force its will on them. "Carve-outs" are exceptions to IFRS that are industry- or region-specific, and several European governments that have made the IASB standards law have started to advocate "carve-outs" (Reason, 2018). IFRS standards are not consistent as a result of these "carve outs," which are exceptions.

Following the filing of statements in accordance with IFRS, the SEC conducted comprehensive interviews with European chief executive officers. It is beyond their comprehension why the United States is allowing them to use IFRS. In response to their point of view, Roel Campos, who had previously served as a commissioner of the Securities and Exchange Commission, said that "the SEC is simply trying to respond to registrants that have a global presence and may find using IFRS more practical" (Reason, 2018). The decision made by the Securities and Exchange Commission (SEC) to allow international firms to report using International Financial Reporting Standards (IFRS) is, in his opinion, a reasonable reaction to the need that they have for more timely and intelligible financial reporting.

According to a press release issued by the Securities and Exchange Commission (SEC) on June 18, 2008, global securities regulators are planning to collaborate in order to strengthen their oversight of international accounting standards. The European Commission, the Japan Financial Services Agency, the International Organization of Securities Commission (IOSC), and the International Accounting Standards Committee Foundation (IASCF) are going to be members of the monitoring committee that will be established by the International Accounting Standards Committee Foundation (IASCF).(SEC, 2018) The International Accounting Standards Committee (IASCF) is the organization that is responsible for establishing those standards for international financial reporting.

Each of the two largest financial markets in the world, Euronext and the New York Stock Exchange, are under the supervision of the Securities and Exchange Commission (SEC). Consequently, this indicates that the Securities and Exchange Commission (SEC) will have a greater effect on a global scale as it seeks to develop global accounting standards and to internationalize those that already exist. This has created substantial worry among authorities all over the globe. The possible consequences of increasing global dominance are one of the primary points of contention in relation to the consolidation of accounting standards in the United States and throughout the globe.

The accounting standards of listed companies are subject to acceptance or recognition by national authorities; the Securities and Exchange Commission (SEC) has said that this will be made easier by the establishment of a monitoring organization known as the International Accounting Standards Committee (IASCF). To bring the standards into global convergence, it was predicted that a significant amount of time would be required for debate and compromise over a period of several years. It is possible, on the other hand, that it will swiftly adopt IFRS, following the example set by the SEC.

Future FASB and the Benefits and Drawbacks of IFRS

Both the International Financial Reporting Standards (IFRS) and the United States Generally Accepted Accounting Principles (US GAAP) share core accounting principles that are almost similar. IASB will include regulations from the FASB as well as guidelines from US GAAP.

While the Financial Accounting Standards Board (FASB) is not going away anytime soon, it will have a significantly smaller role in the future. As of the 30th of June in 2018, there have been three instances of departures from the board. There will be just one member that the FASB will replace. Due to the fact that there are only five people on the board, it is probable that its future will be limited by its size. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) could combine in the future (Wyatt, 2018).

Using International Financial Reporting Standards (IFRS) as their global reporting standard may help businesses who have activities in more than one country reduce the amount of time and money they spend on the production of their financial statements. When investors have access to a single set of financial statements, they will be able to more readily compare different companies, which will make it simpler for them to make decisions. firms located in Asia and Europe have found that adopting International Financial Reporting Standards (IFRS) results in a reduction in their cost of capital, an improvement in their access to finance, a rise in shareholder trust, and an easier time comparing and contrasting other firms. The accounting profession will need to be educated on the new regulations in order to comply with the adoption of IFRS. It will be necessary for educational institutions of higher learning to revise their course offerings in order to comply with the new standards. The International Financial Reporting Standards (IFRS) will need a significant amount of time and resources to educate both seasoned accountants and those who are just starting out in the field. On the other hand, the requirements of US GAAP are more difficult to comprehend in comparison to the new IFRS standards. It is the authors' hope that the benefits of a uniform reporting system would ultimately outweigh the costs and the amount of work that are required to become skilled in them. However, due to the fact that local authorities are ultimately responsible for implementing these regulations, there will still be variations throughout the process.

One further thing that causes anxiety is the prospect of the United States of America taking on a regulatory role on a global scale. By mandating it and requesting that the IASCF monitor it, the Securities and Exchange Commission is, in essence, acknowledging that there is a problem. Coordination and communication between the national authorities in charge of implementing accounting standards for companies in each country is the duty of the national authorities; the International Accounting Standards Committee (IASCF) should assist with this.

Conclusion

With the globalization of business, the world may be venturing into new territory; but, if American enterprises that are established overseas are successful, it will assist in restoring the image of the United States of America in other countries and will spawn a number of profitable businesses. The field of accounting is undergoing rapid transformations at the most moment. Many multinational firms based in the United States have seen their revenues from sales outside the country exceed those from sales inside the country. Several comment letters that have been filed to the SEC have stated that the adoption of global accounting standards should not be done so fast. This is because there are numerous difficulties that are still lingering between IFRS and US GAAP. The resolution and implementation of worldwide accounting in a more expedient manner is being pushed forward by a multitude of factors, one of which is the recognition of revenue. One of the most significant distinctions between IFRS and US GAAP is the time of revenue recognition under each system. According to the International Financial Reporting Standards (IFRS), it is a standard practice to recognize revenue at the moment of sale. However, according to the United States generally accepted accounting principles (US GAAP), it is often held to be postponed until the earnings process has been completed and expenses have been recorded and matched against earned income. The profits that are reported by US multinational firms that use US GAAP will be smaller than the profits that are reported by US multinational corporations that use IFRS standards for financial reporting, which do not reconcile to US GAAP. There is a competitive advantage for foreign firms due to the preoccupation of analysts on revenue dollars, which is a number that investors use to assess value. Sales are the primary metric that analysts use to evaluate organizations; hence, investors often use revenue as a stand-in for net worth. Only those businesses that have a higher income will be able to enjoy the benefits. Companies who report their financial information in line with International Financial Reporting Standards (IFRS) would, as a result, have a major advantage over US multinational corporations that utilize generally accepted accounting principles (GAAP). Even if many of these gaps have not yet been closed, the settlement of financial reporting variations between IFRS and US GAAP occurs as a result of interest in the disparities in revenue recognition and the fears of US multinational firms. These interests play a part in bringing about the settlement.

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