



## FINANCIAL SERVICES THE FASB - Who are They?

The FASB (Financial Accounting Standards Board) serves as a homogeneous foundation for the American economy. As the operating unit of a five-part structure, they are charged with the creation and issuance of financial standards. The responsibility of the FASB is enormous. Let's take a closer look into the organization responsible for establishing the standards for financial accounting and reporting across the nation--and in some cases internationally as well.

Spurred by an evolving world economy, the increasing demands of a global marketplace make uniform accounting standards an indispensable key to the continuing smooth flow of commerce. Real world application of these standards makes business as we know it, possible. From smaller publicly held U.S. companies to the big multi-nationals, the sheer complexity of the marketplace demands standardization. Implementation of these regulations translates to a level of confidence for investors and creditors who know they can make sound decisions about distribution of financial resources based on a common language.

The genesis of these standards -- known as Generally Accepted Accounting Practices -- or GAPP, had their beginnings in the mid-thirties. In recognition of the need for some kind of system, the accounting profession created the Committee On Accounting Principles, and its successor, the Accounting Principles Board. Later on, towards the end of the 60's, it became clear that there was a need for a more balanced system, one that included the requirements of preparers and other users of financial information. In response to this need, the Wheat committee was formed. Their recommendations led to the formation of an oversight committee in 1972 known as the FAF, the Financial Accounting Foundation, and the FASB was up and running by 1973. The GASB or governmental accounting standards board, serves the same function as the FASB for local and state governments. It too, is overseen by the FAF. Both the GASB and FASB have advisory councils. The GASAC serves GASB and the FASAC serves the FASB. In addition to functioning as the oversight committee, the FAF is charged with the task of selecting members of the FASB and they are responsible for providing it with operating funds. They are governed by a 16 member board of trustees representing the business, accounting, financial, governmental, and academic communities.

Investors, financial analysts, labor unions, employees, credit grantors, corporate management, public accountants and the news media, all of these disparate entities have a vested interest in reliable and interchangeable methods of communicating financial information. Impartiality is paramount in maintaining the credibility of the board. All seven members of the FASB sever any previous ties to any organizations for whom they previously worked. Each board member is appointed for a five year term, after which they may be reappointed to a single additional five year term.

To further ensure the necessary balance of views, the board has one member from the academic community, one from users of financial information, two from the world of public accounting and two members with a background in industry. The importance of the role staff members play in the FASB would be difficult to overstate. Their ability to transform the enormous morass of data into a cohesive flow of information illustrates the success of the interdisciplinary approach to decision making.

The FASB designed the system of due process in recognition of the need for a broad based system of communication. FASB standards have far ranging consequences for a great many organizations and due process is one way to facilitate the two way flow of information among industry professionals and the Board on a national level. It is the intention of the FASB to continue to expand and develop

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effective means of sharing knowledge, strengthening the lines of communication and maintaining an informed dialogue with the public. In addition to all of their other contributions, staff members monitor important trends on domestic and international levels, tracking historical data and assisting in the generation of summaries and statements from single page reports to six hundred page documents.

Currently, the system of procedures serves as a conduit to pass pertinent information on to those specifically affected by the issues. Generating the various published standards is a labor intensive process, and while some in the public sector want to fast-forward the time frame required to produce the documents, due process is one way the FASB guarantees the results are impartial, neutral and fair.

There is one additional method used by the FASB to address reporting issues, and that group is called the Emerging Issues Task Force, or EITF. Formed in 1984, their job is to identify emerging issues before they get to be a problem.

Considered to be the best in the world, the U.S. Standards are defined in part, by men and women of extraordinary resources. Members and staff pursue excellence with enthusiasm and continuously strive to provide the most effective and productive information possible. The FASB is a dynamic and powerful entity with global economic stability as its main concern.