

**Date:**

2008-09-04

**Summary:**

Recent moves by the SEC suggest U.S. may soon replace its Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS), helping to create a global accounting standard. Just a decade ago, GAAP was considered the gold standard of accounting. Why is GAAP's demise all but certain?

BusinessWeek puts much of the blame on GAAP's complexity, citing PricewaterhouseCoopers' estimate that the U.S. GAAP rules extend to over 25,000 pages, versus just 2,500 for IFRS. IFRS proponent Robert H. Herz, chairman of the Financial Accounting Standards Board (FASB), says GAAP is "suited to a different era, that's not global." He asserts, "It's better to create something new than to patch up something old and outdated."

The change to IFRS will be a boon to accounting firms, but BusinessWeek points out it will also involve great cost to companies and notes that even if companies all use IFRS, their financial stories may not be easily comparable. To achieve its leanness, IFRS relies heavily on broad principles which provide companies with ample room for interpretation.

Business Week quotes law professor Lawrence A. Cunningham who points out, "We may get something that people think is uniform but is not." He adds, "There is a real risk of a veneer of comparability that hides a lot of differences."

**Link to Original:**

[http://www.businessweek.com/magazine/content/08\\_37/b4099035440167.htm](http://www.businessweek.com/magazine/content/08_37/b4099035440167.htm)

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