Standard Precision and Aggressive Financial Reporting: The Influence of Incentive Horizon

A Standard Setter’s Perspective

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The views expressed in this presentation are those of the presenter. Official positions of the FASB are reached only after extensive due process and deliberations.
Key Takeaway
“...the precise criteria of rules-based standards are intended to remove judgment from the classification process and improve comparability between firms”
Comparability v. Uniformity

“For information to be comparable, like things must look alike and different things must look different.”

“Comparability is not uniformity. … Comparability of financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.”

IASB CF, Chapter 2, ¶2.27
FASB, CON8, Chapter 3, ¶QC23
## Rules v Principles

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<thead>
<tr>
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<th>Rules</th>
<th>Principles</th>
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<tr>
<td>Preparation cost</td>
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<td>Audit cost</td>
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<td>Uniformity</td>
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<tr>
<td>Comparability</td>
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**Bottom Line… You get what you pay for**
To Rule or Not to Rule

That is the question...
### Across Standard Setting Regimes

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<tr>
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<th>IASB Standards Environment</th>
<th>US GAAP Environment</th>
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<tbody>
<tr>
<td>Audit cost</td>
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<td>Legal exposure</td>
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<td>Diverse economics</td>
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- **More Principles-based**
- **More Rules-based**
Within Standard Setting Regimes

- Similar
- Economics
- Diverse

Low Cost

Rules

Principles

Standards

Subsequent accounting for goodwill
Academic Landing Page

QUICKLINKS

› ACADEMICS
› ADVISORY GROUPS
› EMERGING ISSUES TASK FORCE (EITF)
› IMPLEMENTING NEW STANDARDS
› INVESTORS
› NOT-FOR-PROFITS
› PRIVATE COMPANY COUNCIL (PCC)
› REDUCING UNNECESSARY COMPLEXITY
› TAXONOMY (XBRL)

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  - Integrate identified research results into project analyses
  - Broadly educate Board and staff on nature and use of research
  - Liaise with the academic community

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- **Highly selective – one per year**
  - 26 applicants in 2019

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