

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

comparability of the top line in financial statements globally. Revenue is a vital metric for users of financial statements and is used to assess a company's financial performance and prospects. However, the previous requirements of both IFRS and U.S. GAAP were different and often resulted in different accounting for transactions that were economically similar.

Isaac M. O'Bannon • May. 28, 2014

The two largest bodies responsible for setting accounting standards have issued a new standard for revenue recognition from contracts with customers.

The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS) and the Financial Accounting Standards Board (FASB), responsible for U.S. Generally Accepted Accounting Principles (U.S. GAAP), issued the converged [standard](#) jointly.

The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Revenue is a vital metric for users of financial statements and is used to assess a company's financial performance and prospects. However, the previous requirements of both IFRS and U.S. GAAP were different and often resulted in different accounting for transactions that were economically similar. Furthermore, while revenue recognition requirements of IFRS lacked sufficient detail, the accounting requirements of U.S. GAAP were considered to be overly prescriptive and conflicting in certain areas.

Responding to these challenges, the boards have developed new, fully converged requirements for the recognition of revenue in both IFRS and U.S. GAAP – providing substantial enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using IFRS and U.S. GAAP.

The core principle of the new standard is for companies to recognize revenue to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

development process and further refining their proposals in response to that feedback. In total, the boards received more than 1,500 comment letters in response to their work.

Furthermore, the boards have established a joint transition resource group in order to aid transition to the new standard. Further details about that group will be announced shortly.

The Center for Audit Quality (www.thecaq.org) is publicly commending moves the International Accounting Standards Board and the Financial Accounting Standards Board for joining together to issue a unified standard for revenue recognition.

“This new standard is the result of an extensive joint effort between IASB and FASB, and the Center for Audit Quality applauds this standard-setting achievement,” said CAQ Executive Director Cindy Fornelli. “In this global economy, it is increasingly important for financial regulators to work constructively across borders. The issuance of a joint standard by IASB and FASB is a welcome development in this regard.”

The Center for Audit Quality (CAQ) is an autonomous, nonpartisan public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets.

Accounting • Accounting Standards • Auditing

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us