
EDITORIAL

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The world and thus the economic environment is transforming at an ever faster rate, owing to a large extent to the forces of the market and Mother Nature. Friedman (2011) writes in a thought-provoking article that the world is caught in a dangerous feedback loop. The vicious circle of higher oil prices and climate disruption leads to higher food prices, higher food prices lead to more instability, and more instability leads to higher oil prices, and so on. Accounting rule-making has to accommodate this dynamically changing economic environment.

The title of this textbook, *Past, Present and Future of the IASB – From a Student Perspective*, describes accounting rule-making in a dynamically changing economic environment. This editorial will dwell on some of the observations made about student-centered learning and the regulatory approach to the formulation of accounting theory as discussed by Riahi-Belkaoui (2004). In general terms, student-centered learning (SCL) is an approach to teaching that focuses on the needs of students rather than those of lecturers and educational administrators. The concept was originally coined as early as 1905 by Hayward and reemphasized in 1956 in Dewey's work (O'Sullivan, 2004). According to O'Neill and McMahon (2005, p. 27) the traditional form of teaching, that is, lecturer-centered learning (LCL), has begun to be increasingly criticized for making the student passive, and this has paved the way for SCL as an alternative approach. Rogers (1983, p. 188) describes the generic prerequisite for SCL as the need for: “... a leader or person who is perceived as an authority figure in the situation, is sufficiently secure within herself (himself) and in her (his) relationship to others that she (he) experiences an essential trust in the capacity of others to think for themselves, to learn for themselves.”

After a literature review O'Neill and McMahon (2005, p. 29) conclude that some view SCL as “the concept of the student's **choice** in their education; others see it as the beginning about the student **doing** more than the lecture (active versus passive learning); while others have a much broader definition which includes both of these concepts but, in addition, describes the shift in the **power** relationship between the student and the teacher.”

The present textbook takes a broader view of SCL which includes aspects of choice, of doing, and of power. LCL and SCL are seen as each end of a continuum, using the aspects of choice, doing and power: Low level of student choice versus High level of student choice, Student passive versus Student active, and Power primarily with lecturers versus Power primarily with student. It is important to point out, however, that the lecturer has the sole responsibility to define and uphold the academic requirement of the curriculum.

Relatively speaking, in SCL the focus is moving from teaching to learning. The SCL may be seen as a learning approach indicative of today's more global economy where choice,

information technology and democracy tend to be important concepts, not least for younger and educated people.

Then what about the effectiveness of SCL as a learning approach? According to Lea et al. (2003) students generally hold very positive views of student-centered learning. After reviewing several studies on student-centered learning O'Neill and McMahon (2005) conclude that overall it is an effective approach, but SCL is not without some drawbacks. The main criticism leveled is its focus on the individual learner, although some have criticized SCL for the resources needed to implement it, the belief systems of students and lecturers, and the fact that students are not familiar with the term (see, for example, Simon, 1999; O'Sullivan, 2004; Prosser and Trigwell, 1999; Lea et al., 2003). The present textbook, *Past, Present and Future of the IASB – From a Student Perspective*, is the result of student-centered learning. Each chapter in the book has been written by a team of authors, and each team has presented and discussed each chapter in seminars together with the whole class. Thereby, the needs of the whole class have been considered. Another concern raised is that students who value or favor more lecturer-focused approaches may view SCL as not being within their remit. An observation is that this view exists, but the vast majority seems to consider SCL as a positive experience (cf. Edwards, 2001). On the issue of learning effectiveness, the editorial team's experience is that students perform at a high level.

As regards the issue of standard-setting, David Tweedie, Chairman of IASB, and Robert Herz, Chairman of FASB, write in a joint letter of June 24, 2010 that they appreciate the G20 leaders' support for the development of a single set of high-quality global accounting standards. The letter signifies the importance of accounting standards to the global economy, and that accounting should be regulated, in extension by IASB, in the interest of public good. Regulating accounting is an extremely complex task, however. Riahi-Belkaoui (2004, p. 153) offers arguments why the establishment and enforcement of accounting standards are complex problems, one of which is that *"it does not appear that standards are based on broad, debated principles and comparison of the pros and cons of relevant theories, and then chosen on that basis by the standard-setter."*

Furthermore, there are conflicts of interests and needs among entities affected by the standards of accounting principles, and the development of the latter has to be influenced by different parties: first by management, then by the profession, finally becoming a truly political exercise. Additionally, every form of standard-setting in the free market, the private sector, or the public sector has its pros and cons, and, moreover, the accounting standards overload problem has to be solved (Riahi-Belkaoui, 2004, p. 153). In the opinion of Riahi-Belkaoui, the issuing of standards is a social choice to which two (feasible) approaches exist: 1. a representational faithfulness approach and 2. an economic consequences approach (2004, p. 125). The first approach emphasizes the importance of neutral reporting and the pursuit of faithful representation through the standard-setting process, and the financial reporting has to be accurate and faithful. The second approach gives preference to information that will direct or guide the decisions of information users from an economic consequences perspective. The first approach can be considered to be more decentralized, whereas the second approach is more centralized. IASB has adopted the first approach and, given the many countries which have adopted IFRS accounting standards, this decentralized approach seems to be at the least a rather efficient one.

Some believe, however, that the gap between current financial reporting and the quality of information necessary to make profitable investment has widened. One main reason for this alleged gap is complexity. Stuebs and Thomas (2009, p. 32) maintain that complexity in financial reporting has always been a problem, but has become more so in recent years.

The final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission (CIFR, 2008, p. 19) comes to the conclusion that complexity can impede effective communication through financial reporting between a company and its stakeholders. The complexity of the financial reporting system can also create inefficiencies in the marketplace (increase transaction costs) and suboptimal allocation of capital (CIFR, 2008, p. 19). CIFR (2008) recommends standard-setters to base accounting standards on more general principles, have fewer exceptions, fewer detailed rules and bright lines, and more activity-based guidance. CIFR acknowledges that changeover from rule-based to principle-based standards calls for an increased reliance on professional judgment of preparers and users of financial reports. Stuebs and Thomas (2009, p. 33) point out that the use of principled judgment is not new to accounting in that principles-based accounting may require judgment at higher levels than rules-based accounting, but both require judgment at some level (cf. CIFR, 2008, p. 88).

Principles-based standards may, in the opinion of CIFR (2008, p. 88), improve the information provided to investors while reducing investors' concerns about "*financial engineering*." CIFR (2008) stresses the importance of an agreed-upon framework for making informed judgments. On September 28, 2010 the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) completed the first phase of their joint project to develop an improved and converged conceptual framework. IASB and FASB state that the "*objective of the conceptual framework project is to create a sound foundation for future accounting standards that are principles-based, internally consistent and internationally converged*" (IFRS Global Office, October 2010). Hence, the conceptual framework project is consistent with the conclusions drawn earlier by CIFR.

Still, according to Stuebs and Thomas (2009), no framework for judgment is complete without an ethical dimension. Jones (2011, p. 9) maintains that accounting scandals generally occur because individuals have incentives for personal gain or are trying to conceal poor performance. Jones poses the question: how could the nature and extent of accounting scandals be reduced? His answer is that: "*given the perennial pressures upon human beings and companies to perform, it is almost inevitable that creative accounting, fraud and international accounting scandals will continue in one form or another*" Jones (2011, p. 9). Obviously, as accountants our common task today as well as tomorrow is to keep accounting malpractice at the lowest possible level.

The contents of this textbook, *Past, Present and Future of the IASB – From a Student Perspective*, have been organized in four sections. Section 1 "Setting the Stage" consists of two chapters, Section 2 "Different Aspects of Accounting Standards" is made up of three chapters, and Section 3 "Selected Standards" comprises five chapters. Section 4 "Intangibles" includes two chapters.

Section 1 Setting the Stage

Chapter 1 *Setting, Endorsement and Enforcement of IFRS and SFAS* is written by Sofie Hellgren, Annika Johansson and Marika Skoogh. Summary: The processes for developing the standards differ not only in respect of the setting but also in the endorsement and enforcement of the standards. For instance, in the EU the enforcement process is far more complex than the process in the US in respect of the numbers of organizations involved. Although the processes for developing the standards differ, the content is not entirely different. This could be because in 2002 the IASB and FASB issued the Norwalk Agreement in which they acknowledged each other and also formed a goal of convergence between the two standards.

Chapter 2 *Conceptual Framework for Financial Reporting* is written by Victorial Norell, Sara Paulsson and Anna Strand. Summary: The proposals for changing the IAS 1 and IAS 7 aim to give more detailed information to facilitate the analysis of the entities. The changes that will affect the financial analysts' decision-making the most are the additional comparative ratios, the change of comprehensive income, the possibility of presenting two income statements and the establishment of a fourth report. These changes have in common that they are changes that will give analysts more detailed and comprehensive information about a reporting entity.

Section 2 Different Aspects of Accounting Standards

Chapter 3 *The Development of Fair Value Measurement* is written by Annika Pettersson, Emanuel Vardi and Malin Langtvét. Summary: During the financial crisis, fair value became the subject of hot debate since many were blaming fair value measurements for causing the crisis. After the financial crisis, the focus on finishing a common fair value standard increased, and the IASB and the FASB are now jointly working to finish one single global standard. Since the focus on company stakeholders has become more important lately owing to the financial crisis, it is important for companies to take their stakeholders into consideration when managing the business.

Chapter 4 *Management Commentary* is written by Veronica Jonsson, Emelie Larsson and Malin Lilja. Summary: The IASB has an ongoing Management Commentary project that will result either in a guidance document or in an IFRS. The Board has received 103 Comment Letters from all over the world concerning this project. These are discussed in the chapter and the conclusion is that Management Commentary would be much more appropriate as a guidance document than as a standard.

Chapter 5 *Implementation of the IFRS for SMEs* is written by Linnéa Johansson, Marina Johansson and Jens Melin. Summary: 95 % of the companies in the world are classified as small- and medium-sized entities (SMEs). In 2009, the IASB released a standard which was prepared with the needs of these companies in mind. The standard is called the IFRS for SMEs. The purpose of this chapter is to examine the implementation of the IFRS for SMEs in countries around the world, and to discuss how companies will respond to this new standard.

Section 3 Selected Standards

Chapter 6 *Business Combinations* is written by Caroline Andersson, Fredric Hammar and Emelie Nyman. Summary: The purpose of this chapter is to identify the differences between SFAS 141 R and IFRS3R and see how they will affect the financial statements, depending on whether a company is recognized under the FASB or the IASB, and also investigate whether full convergence will ever be reached between the accounting standards for business combinations. The chapter concludes that full convergence will never be reached either between the two standards or the IASB and the FASB, but at the same time it may not be necessary.

Chapter 7 *IFRS 9 Financial Instruments* is written by Daniel Andersson, Adrian Pinto and Velid Jahic. Summary: A new standard for financial instruments is in train. Propelled by the recent financial crisis, the development of IFRS 9 was placed on an accelerated timetable and is now moving towards its final stages of completion. With considerable changes to how impairments are handled, and with a new and simplified standard for measuring and classifying financial instruments, IFRS 9 looks both promising and thought-provoking.

Chapter 8 *IFRS 8 Segment Reporting from a Management Approach* is written by Diana Ahad and Camilla Haraldsson. Summary: According to IFRS 8 reported segment information through the eyes of management will improve segment reporting. The discussion in this chapter focuses on the possible consequences that may arise when applying a management approach to segment reporting. The discussion sets out from an ethical perspective. The word “ethics” is interpreted from a utilitarian approach and is considered to signify what is ethically right or wrong.

Chapter 9 *Amending IAS 12 Income Taxes* is written by Jennie Javalds, Anneli Larsson and Mimmi Linnå. Summary: IAS 12 Income Taxes is an important standard because taxes paid to governments are one of the largest costs that corporations have to face. IAS 12 Income Taxes has been revised many times and recently, in September 2010, the IASB released an exposure draft. This chapter offers a description of the standard and the exposure draft; it also discusses what it is that makes IAS 12 such a debated and questioned standard.

Chapter 10 *Consolidated Financial Statement* is written by Cecilia Andersson, Åsa Johannesson and Lisa Rehn. Summary: This chapter discusses the IASB amendment project regarding Consolidated Financial Statements. The main objectives of the project are to define a single control principle to replace the two definitions of control in IAS 27 and SIC-12, to clarify assessment of control and increase disclosure requirements. It is unclear if the new single control definition will lead to improvements on how to define control. This may lead to uncertainty among the stakeholders. A deeper understanding of a company's position will, however, be obtained by investors with the proposed amendments of disclosures.

Section 4 Intangibles

Chapter 11 Goodwill – Too Complex to be Useful? The chapter is written by Susanne Engborg, Julia Jonsson and Robin Ullbrand. Summary: This chapter discusses how it is possible that entities which apply IFRS account for goodwill differently and how goodwill accounting can be less complex and more useful. To analyze the questions raised, a theoretical perspective consistent with different functions of accounting and an information system model are introduced. The conclusion is that extended disclosure would explain subjective assessments regarding goodwill accounting to users and as a result the information would be less complex and more useful despite its subjectivity. A mandatory, uniform enforcement would be one solution to insure a balanced level of disclosure.

Chapter 12 Reasons for Accounting Diversity – Intangible Assets in IFRS and US GAAP is written by Dennis Ahlin, Andreas Skogh and Emma Strandberg. Summary: The differences between IFRS and US GAAP are the treatment of development costs pertaining to recognition differences and the extended valuation of intangible assets related to differences in allowed alternatives and measurement. The practical definition of an intangible asset can also be considered to be wider in IFRS than US GAAP, even though the definitions conform in theory. There are three main factors pertaining to differences between the standards regarding intangible assets. These are legal system, taxation and providers of finance.

It should be acknowledged that the editorial team has expanded with the appointment of two assistant editors, Caroline Andersson and Emelie Nyman. The assistant editors have been engaged in contacting potential external sponsors, written back-cover text, kept in contact with the authors of the chapters, given advice on practical issues, etc. In all they have done they have been very diligent and demonstrated communicative skills. Daniel Andersson should also be mentioned as he has supported the textbook project in various ways; for example, he came up with a good idea for the illustration of the cover page.

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