

The Analysis of the Accounting Standard Setting Processes in the FASB and the IASB, the Case of the Full Goodwill Method

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FASB and IASB had carried out the joint project, the Business Combinations Project (phase II). After discussing mainly the applications of the purchased method in the project, FASB issued SFAS141 (R) in December 2007, and IASB did IFRS3 (R) in January 2008. Both boards conclude almost the same, however, the difference about the accountings for the goodwill remains. That is, while FASB prescribes the full goodwill method, IASB allows the choice between the full goodwill method and the partial goodwill method. This article proposes the hypothesis that the difference is caused by “the dangers of organizational survival.” We suggest the two points. The first is that FASB had faced distrust in financial reporting in the

United States and competition with IASB, so it recognized the substantial danger of the organization. In spite of the strong resistance from the industries, because of the survival, FASB affiliated with investors, and prescribed the full goodwill method. The second is that IASB has no power over the regulation, so participated in the global financial regulation network and sought the supports of MNCs and EU. Therefore, IASB could not ignore the request of the industries, and thus decided to allow the partial goodwill method. They suggest that different solutions are adopted under the different conditions, so the convergence project is difficult task on FASB and IASB.