### Abstract
In the current context of globalization, accountability has become a key subject of real interest for both, national and international business areas, due to the need for comparability and transparency of the economic situation, so we can speak about the harmonization and convergence of international accounting. The paper presents a qualitative research through content analysis of several reports concerning the roadmap for convergence. First, we develop a conceptual framework for the evolution of standards' convergence and further we discuss the degree of standards harmonization and convergence between US GAAP and IAS/IFRS as to October 2012. We find that most topics did not follow the expected progress. Furthermore there are still some differences in the long-term project that are in process to be completed and other that were reassessed as a lower priority project.

### Keywords
Convergence, harmonization, FASB, IASB, IFRS, US GAAP.

### I. INTRODUCTION
In the past, each country developed and followed its own unique accounting standards. There were vast differences in accounting measurement and reporting procedures of different countries, making it impossible to compare and evaluate financial information of companies from different countries [1]. In this way, literature and also the international accounting reality notes the existence and manifestation of a process of bringing the national accounting systems to a common direction and establishing a uniform system of financial reporting. This process was named harmonization, and its primary purpose is the existence of a universal financial accounting language in a global economy.

“Harmonization” is the process of increasing the compatibility of accounting practices by setting bounds to their degree of variation [2]. Mustată [3] specifies that the studies led by van der Tas [e.g. 4] distinguish the major forms of international accounting harmonization process, supporting the theory that there is formal, material and spontaneous harmonization.

Harmonization has morphed into convergence along with the comparison between US GAAP and IAS/IFRS; nowadays the both boards used the concept of „convergence”, the same as the literature [1], [5]–[20]. Linguistically, the term “convergence” represent the action of converge or to be headed to the same point or the same purpose and involves relatively equal efforts, from organizations concerned in order to achieve the same goal of reducing accounting diversity. Harmonization and convergence have been used to describe efforts done by the United States and European countries to move towards a global financial accounting infrastructure.

The first step towards harmonization of US GAAP and IFRS was made in October 2002 when the FASB and the IASB issued together an agreement, known as the “Norwalk Agreement”, which formally recognize convergence as an avowed goal of these two standard-setters [21], [22]. Our paper presents the major differences between IFRS and US GAAP today and does not cover all the differences and is focuses on those we consider to be the most significant and are encountered more frequently in practice.

As methodology we can say it is a qualitative research of the financial reports and statements presented by the two major professional organizations the IASB and the FASB. It can be classified as a qualitative research in which research methods are the following: observation, comparison, investigation, etc. Initially we focused on the boards history, methods are the following: observation, comparison, investigation, etc. Initially we focused on the boards history, convergence, and then we make a comparison between US GAAP and IFRS in the evolution of accounting standards from 2002 to 2012 to see whether the proposed elements over the ten years were standardized or harmonized. In 2012 there were still some differences at the long-term project that are in process to be completed and other that were reassessed as a lower priority project.

### II. A LITTLE BIT OF HISTORY
International convergence of accounting standards is not a new idea. The concept of convergence first arose in the late 1950s in response to post World War II economic integration and related increases in cross-border capital flows. Initial efforts focused on harmonization—reducing differences among the accounting principles used in major capital markets around the world. By the 1990s, the notion of harmonization was replaced by the concept of convergence—the development of a single set of high-quality, international accounting standards that would be used in at least all major capital markets.

In 1973 was created the “International Accounting Standards Committee” (IASC), a private body whose members included accounting professionals from many countries, including the US, and was considered an important movement of the international accounting standards.
Yallapragada [1] specifies that Ruder et al. [23] consider the IASC founded as a vehicle for harmonizing accounting practices throughout the world. Poon [24] states that in 1998, the IASC completed a set of basic international accounting standards. The International Accounting Standards Board (IASB) was formed in 2001 to replace the IASC, with a mandate to develop and approve pronouncements known as International Financial Reporting Standards (IFRS) [1]. The IASB began to produce comprehensive and consistent accounting standards, mostly in conjunction with the FASB (United States).

In the United States of America (US), all the accounting procedures and guidelines for measurement and reporting by business firms are governed by a body of principles and concepts known as “Generally Accepted Accounting Principles (GAAP).” These GAAP are presently issued by the Financial Accounting Standards Board (FASB) with the authority delegated by the Securities and Exchange Commission (SEC) [1]. The International Accounting Standard Board (IASB) and the US Financial Accounting Standards Board (FASB) are collaborating since 2002 when they set up the Memorandum of Understanding (MoU), known as the “Norwalk Agreement”, to achieve compatibility and remove differences between International Financial Reporting Standards (IFRS, which include International Accounting Standards, IAS) and U.S. GAAP. Over the time this two professional organisms published process reports and updates of the common set of high quality global standards that remains a priority of both the IASB and the FASB. The Norwalk Agreement was further strengthened in 2006 and updated in 2008.

The Group of 20 Leaders (G20) called for standard-setters to re-double their efforts to complete convergence in global accounting standards. Following this request, in 2009 the IASB and the FASB published a progress report describing an intensification of their work program. In April 2012 the IASB and FASB published a joint progress report in which they describe the progress made on financial instruments, including a joint expected loss impairment (‘provisioning’) approach and a more converged approach to classification and measurement. We can say that the SEC has set a timetable for achieving convergence of US GAAP and IFRS, by issuing a road map and a work plan to achieve full adoption of IFRS by US companies before the end of 2016 [1].

III. BRIEF LITERATURE REVIEW

Over time, a number of researchers compared IAS/IFRS with U.S. GAAP and specified the harmonization problems. In the paper named “Trends in research on international accounting harmonization” [7], Baker and Barbu present some studies done by researchers. In one of these studies, Grove and Bazley [25] compared IAS 20 with their American equivalents. They also recommended certain accounting treatments which they believed would improve the efficiency of global capital markets. In addition, they estimated the costs and benefits of their recommendations.

Street and Shaughnessy’s [26] research described the evolution of accounting standards during the 1973–1997 period; they discussed similarities and differences in financial reporting practices stated by the IASC and the national accounting standards setting bodies of the United States, England, Canada and Australia. Nobes [27] examined the effects of IAS on financial reporting of American companies listed in the US capital markets. Because US GAAP are more detailed than IAS “for a US company that is obeying GAAP, it is very difficult not to comply with IASC standards” [27]. Nobes also compared US GAAP and IAS and concluded that the differences between IAS and US GAAP have little impact on the financial reporting practices of American listed companies [7].

Another study made by Yallapragada [1] presents the background and development of the movement of IFRS, timeline for the change in US and the implications involved in the adoption of IFRS in the US. Haskin D. and Haskin T. investigate in the paper named „Hierarchy of GAAP vs. IFRS- The Case of Bankrupcy Accounting”, whether companies in countries which use IFRS are influenced by the guidance of ASC 852 (Reorganizations) when confronted with bankruptcy. Bonaci et al. [28] also contribute to the literature on accounting standard setting in the international arena by performing an analysis aimed at facilitating the assessment of further developments of the convergence project [28].

IV. ANALYSIS AND RESULTS

We make a comparison in the evolution of accounting standards from 2006 to 2012 to see whether the proposed elements over the six years were standardized, which ones are still in the process of convergence and which ones have been removed from the agenda. The IASB and the FASB “are continuing their efforts to achieve a single set of high quality, global accounting standards that could be used for both domestic and cross-border financial reporting”.

We look at the Norwalk Agreement and we identified two types of projects: short-term and long-term projects that would bring a significant improvement to IFRS and US GAAP. This type of projects shows how much the IASB and the FASB focus on certain topics and how they have worked in order to make all differences to disappear, to flatten to create unique accounting standardized throughout the world. We can see by taking a „snapshot” of the first Roadmap for Convergence the initial topics that are focused on the major areas expected to be met by 2008. These are presented in Table I.
In September 2008 in the progress report and timetable for completion the FASB issued new or amended standards that introduced into US GAAP the fair value option (SFAS 159 in 2007) and adopted the IFRS approach to accounting for research and development assets acquired in a business combination (SFAS 141R). The IASB published new standards on borrowing costs (IAS 23 revised in 2007) and segment reporting (IFRS 8). In the second half of 2008 IASB decide to undertake projects that would eliminate differences in the accounting for taxes (IAS 12 revised), investment properties (IAS 40), and research and development (IAS 38-Intangible Assets) by adopting the relevant IFRS. US GAAP amended for acquired research and development, as part of business combinations, in 2008. The FASB issued a proposal to require investment property entities to measure their investment properties at fair value from the year 2012 it is in a continuous convergence process.

At the beginning of 2009, the IASB wanted to publish a proposed standard on income taxes that would have improved IAS 12 Income Taxes, but at this date the boards agreed that the project should not proceed in its current form. In November 2009 the IASB will consider whether it should address any aspects of IAS 12 as part of a limited scope project of improvements. In 2012 this topic is considered to be reassessed as a lower priority project with no immediate action.

Only in 2009, IASB expected to publish a standard that should improve the financial reporting for joint arrangements, including joint ventures and remove the option of proportionately consolidated joint ventures, thereby providing a more representative portrayal of the assets the reporting entity controls. In June 2010 plans to finalize these new requirements were presented in the 2010 report. IFRS 11 Joint Arrangements issued in May 2011, establishes principles for the financial reporting by parties to a joint arrangement.

If we refer at business combinations is converged to a large extent. However, there are differences in some areas, such as the measurement of noncontrolling interests, the recognition of contingent assets and liabilities, and the subsequent accounting for certain acquired assets and liabilities. But, IFRS 10, issued in May 2011, introduces a new definition of control that focuses on whether an investor controls the decisions that affect an investee’s level of returns [29].

In accordance with the fair value measurement, in May 2011, the IASB issued IFRS 13 and the FASB issued ASU 2011-04. As a result, IFRS and U.S. GAAP guidance on the definition of fair value, the framework for measuring fair value, and disclosure requirements for fair value measurements are substantially converged. IFRS 13 is effective as of January 1, 2013 with early application permitted [29]. Even if the IASB and the FASB issued proposed guidance, Revenue from Contracts with Customers, in June 2010 as part of a joint project to develop and would supersede the guidance in IAS 18 and IAS 11, and most existing guidance in ASC 605, is not expected to be effective before 2015 [29].

In 2012 there were still some differences at the long-term project that are in process to be completed and other that were reassessed as a lower priority project. In Table II, we observed the status of the projects.

### TABLE II

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share-based payments</td>
<td>Reassessed as a lower priority project. No immediate action</td>
</tr>
<tr>
<td>Segment reporting</td>
<td>In process</td>
</tr>
<tr>
<td>Accounting changes</td>
<td></td>
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<tr>
<td>Research and development</td>
<td></td>
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<tr>
<td>Financial instruments with the characteristics of equity</td>
<td></td>
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<tr>
<td>Investment property entities</td>
<td></td>
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<tr>
<td>Leases</td>
<td></td>
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<tr>
<td>Revenue recognition</td>
<td></td>
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<tr>
<td>Financial instruments</td>
<td></td>
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<tr>
<td>Insurance contracts</td>
<td></td>
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<tr>
<td>Investment entities</td>
<td></td>
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<tr>
<td>Income tax</td>
<td></td>
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<tr>
<td>Investment properties</td>
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<td>Borrowing costs</td>
<td></td>
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<tr>
<td>Financial statement presentation—other comprehensive income</td>
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<tr>
<td>Post-employment benefits</td>
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<tr>
<td>Completed process</td>
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</table>

Source: authors’ projection based on the Joint Update Note from the IASB and FASB on Accounting Convergence
Many convergent projects have already been successfully completed such as the projects on share-based payments, business combinations and fair value measurement, but the boards were working together on four long-term priority MoU projects like financial instruments, revenue recognition, insurance and leases. The work is proceeding slowly. Other projects involved either the IASB converging with US GAAP, such as operating segments and borrowing cost, or the FASB converging with IFRS, such as acquired research and development and the fair value option. The convergence efforts of the IASB and the FASB have helped bring IFRS and US GAAP closer together.

After a decade-long convergence program, some differences still remain between IFRS and US GAAP. The SEC Staff Report does not imply that either US GAAP or IFRS has the better solution, only that they are different. The fundamental differences, some of these, identified by the SEC in 2012 were the following:

a) the non-financial asset impairment requirements and the recognition of non-financial liabilities earlier than they would be recognised under US GAAP;
b) the ability to re-measure property, plant and equipment and investment properties at fair value, which is permitted by IFRS but not US GAAP;
c) the ability for US companies to use an inventory measurement method called LIFO, which is not permitted by IFRS;
d) the requirement in IFRS for development expenditure to be capitalised, whereas US GAAP requires all development expenditure to be recognised as an expense as incurred;
e) specific requirements in US GAAP relating to uncertain taxation positions, whereas IFRS has a more general contingency model; and
f) a requirement in IFRS to depreciate components of an item of property, plant and equipment in some circumstances, which is not a requirement in US GAAP.

Considering what we present above, in a more generally way, in this part of the paper we aim to achieve a particular comparison of two standards of the boards, presented in Table III:

<table>
<thead>
<tr>
<th>IAS/IFRS</th>
<th>Property, plant and equipment</th>
<th>US GAAP</th>
<th>Property, plant and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>-is initially recognised at cost</td>
<td>-cost includes all expenditure directly attributable to bringing the assets to the local and working condition for its intended use</td>
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<td>-cost includes all expenditure directly attributable to bringing the assets to the local and working condition for its intended use</td>
</tr>
<tr>
<td>-cost includes the estimated cost of dismantling and removing the asset and restoring the site</td>
<td>-changes to an existing decommissioning or restoration obligation are generally added to or deducted from the cost of the related assets</td>
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<td>-is depreciated over its expected useful life</td>
</tr>
<tr>
<td>-estimates of useful life and residual value, and the method of depreciation, are reviewed as a minimum at each annual reporting date; any changes are accounted for prospectively as a change in estimate</td>
<td>-when item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately</td>
<td>-may be revalued to fair value if fair value can be measured reliably</td>
<td></td>
</tr>
<tr>
<td>-the gain or loss on disposal is the difference between the net proceeds received and the carrying amount of the assets</td>
<td>-compensation for the loss or impairment of property, plant and equipment is recognized in profit or loss when receivable</td>
<td>-may include interest capitalized may differ from IFRS in the treatment of interest costs</td>
<td></td>
</tr>
</tbody>
</table>

**Borrowing costs**

-are directly attributable to the acquisition, construction or production of a qualifying asset and generally form part of the cost of that asset. Other borrowing costs are recognized as an expense

-a "qualifying asset" is one that necessarily takes a substantial period of time to be made ready for its intended use or sale. In the view, investments in associates, jointly controlled entities and subsidiaries are not qualifying assets. Property, plant and equipment, internally developed intangible assets and investment property can be qualifying assets

-may include interest capitalized using the effective interest method, certain finance changes and certain foreign exchange differences.

**Financial income and expense**

-like IFRS, interest costs that are directly attributable to the acquisition, construction or production of a qualifying asset generally form part of the cost of that asset. However, the amount of interest cost capitalized may differ from IFRS. Like IFRS, other borrowing costs are recognized as an expense

-like IFRS, property, plant and equipment including that which would be investment property under IFRS can be a "qualifying asset". Unlike IFRS, an equity method investee can be a qualifying asset. However, like IFRS, other investments cannot be qualifying assets in certain situation. Unlike IFRS, internally developed intangible assets generally do not qualify for capitalisation and therefore generally cannot be qualifying assets.

-like IFRS, interest costs may include interest calculated using the effective interest method, certain finance changes, but not foreign exchange differences. Unlike IFRS. Additionally, there may be differences from IFRS in the application.

**TABLE III**

**SIMILARITIES AND DIFFERENCES BETWEEN IAS/IFRS – US GAAP IN TWO CASES**
V. CONCLUSION

Convergence of global accounting standards has received a great deal of attention and after September 2002 has been an important research area all over the world. We can say that the “era” of the formal convergence efforts of the FASB and the IASB is nearing an end. The Boards continue to make new accounting standards that should eliminate most, if not all, of the existing differences in the accounting standards [31].

There some standards differences still exist, most of them are long-term project, and the topics does not respect the progress expected to be achieved. We can say that the two boards have more work needs to be done. We can say that transparency should remain of primary importance along with sensitivity towards the needs of others and with responsibility for financial stability. Harmonization or standards convergence between IASB and FASB helps investors to have more opportunities for cross-border investments.

SEC staff compared IFRS with US GAAP and note that, as a result of more than ten years of joint work with the FASB to improve IFRS and US GAAP and bring about their convergence, the differences that the US will have to bridge are significantly smaller in scope than the differences faced by other major countries that have already adopted IFRS. Ohlhart and Ernst [32] observe that the process of incorporation of IFRS into the US GAAP is much slower and is estimated to take, at the very least, five or seven years.

REFERENCES


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