**Chapter 2 WWW Cases**

**Case 2-8 The FASB’s Conceptual Framework**

Discuss the structure of the FASB’s conceptual framework for financial accounting and reporting.

**Case 2-9 SFAC No. 8**

Chapter 3 of *SFAC No. 8* identifies the *qualitative characteristics* of accounting information that distinguish better (more useful) information from inferior (less useful) information for decision-making purposes.

*Required:*

List and briefly describe these qualitative characteristics.

**Case 2-10 Proposed New Definition of Materiality**

In September 2015, the FASB proposed changing the definition of materiality in Chapter 3 of *SFAC No. 8.*

*Required:*

1. How did *SFAC No. 2* define materiality?
2. What is the FASB’s proposed new definition of materiality?
3. This proposal was met with disapproval by several commentators. Summarize the arguments against changing the definition of materiality.

**Case 2-11 FASB Exposure Drafts and Emerging Issues**

Visit the FASB's home page on the World Wide Web (http://www.rutgers.edu/Accounting/raw/fasb/welcome.htm).

*Required:*

a. Review recently posted FASB Documents and Information to determine if any important new initiatives are being considered by the FASB.

b. What exposure drafts are currently outstanding?

c. What issues are being considered by the Emerging Issues Task Force?

**Case 2-12** **the FASB’s Mission and Processes**

Visit the FASB's home page on the World Wide Web (http://www.rutgers.edu/Accounting/raw/fasb/welcome.htm).

Review the “FASB Facts” section of its website. In particular, read through the sections “Facts about FASB—Mission & Structure of the Board” and “FASAC—Financial Accounting Standards Advisory Council.”

*Required:*

a. Summarize the mission of the FASB in one or two paragraphs. What do you think about the FASB’s mission? Is it too broad; is it too vague, do you think the mission is achievable?

b. How effective do you think the FASB’s processes are? Do you think they will focus on the right issues on a timely basis? Do you think that all relevant parties will be heard in their process?

c. Summarize the current membership of the FASAC including the group’s mix of gender and type of organization they represent. Do you think this group is adequately diverse in order to allow all relevant parties to be heard?

**Case 2-13** **FASB Recent Additions**

Visit the FASB's home page on the World Wide Web (<http://www.fasb.org/>)

*Required:*

Review the “Recent Activity and News” section of the FASB website. Pick two of the items presented and (1) summarize the items and (2) provide your own opinion about the items and how you think the FASB should handle any issues that are presented.

**Case 2-14 Principles Based vs. Rule Based Accounting Standards**

*Required:*

Discuss the issue of principles based vs. rule based accounting standards.

**Case 2-15 International Accounting standards**

*Required:*

Discuss the FASB-IASB international convergence project

**Case 2-16 The Financial Statement Presentation Project**

*Required:*

Discuss the FASB-IASB financial statement presentation project.

**Case 2-17 The Conceptual Framework Project**

On October 2004, the FASB and IASB decided to add to their agendas a joint project to develop an improved and common conceptual framework that is based on and builds on their existing frameworks.

*Required:*

1. What is the goal of this project?
2. List and discuss the eight phases of this project.

**Case 2-18 Conceptual Framework**

The Financial Accounting Standards Board (FASB) has developed a conceptual framework for financial accounting and reporting. The FASB has issued eight Statements of Financial Accounting Concepts. These statements are intended to set forth the objective and fundamentals that will be the basis for developing financial accounting and reporting standards. The objective identifies the goals and purposes of financial reporting. The fundamentals are the underlying concepts of financial accounting that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

The purpose of the statement on qualitative characteristics is to examine the characteristics that make accounting information useful. These characteristics or qualities of information are the ingredients that make information useful and the qualities to be sought when accounting choices are made.

*Required:*

1. Identify and discuss the benefits that can be expected to be derived from the FASB's conceptual framework study.
2. What is the most important quality for accounting information as identified in the conceptual framework? Explain why it is the most important.
3. Statement of Financial Accounting Concepts No. 8 describes a number of key characteristics or qualities for accounting information. Briefly discuss the importance of any three of these qualities for financial reporting purposes.

**Financial Analysis Case**

Companies disclose the impact of new accounting pronouncements in the footnotes to their financial statements (Usually in the Summary of Significant Accounting Policies).

*Required:*

Search your company’s financial statements to determine the new accounting standards that affected their operations during the past year and summarize their effects.