O

n November 29, University Javeriana at Bogotá - Colombia hosted two representatives of the International Accounting Standards Board (IASB): Jan Engstrom from Switzerland, and Amaro Gomes from Brazil.

In a lecture that lasted two hours, they presented a speech on International Standards. They began with a series of questions for the audience: "… How many of you are students? Professors? ¿Business representatives? ..."

They followed with IASB's creation in 2001, the International Accounting Standards Committee (IASC, formed in 1973). They next presented their mission to "Create one single set of high-quality, worldwide, transparent, and comparable standards for financial reporting for investors and other users of financial information."

They summarized the use of IFRS: now in use in more than 120 countries, and projected that to be nearly 200 by the end of the decade.

They then mentioned the "elephant in the room" the United States of America, whose Financial Accounting Standards Board (FASB) is in a process of "converging" U.S. Generally Accepted Accounting Principles to IFRS so that any company in compliance with U.S. GAAP will automatically be in compliance with IFRS. They illustrated this with three 2011 agreements between FASB and IASB concerning consolidations and joint ventures, pensions, and fair value.

Amaro and Engstrom--in Portuguese with English-language--made the case for international standards, and then systematically argued that IFRS are the superior, specifically, to U.S. GAAP. While Amaro and Engstrom clearly believe in their product, some arguments in favor of IFRS rest on an assumption that standards based on principles which develop professional judgment (IFRS) are superior to standards that rely on rules (U.S. GAAP). One slide showed two stacks of paper, with the larger one (U.S. GAAP) dramatically crossed out in red.

As Colombia decides upon international standards, the size of the rule-book should not matter as much as what's in it.

If you buy a piece of furniture and have to assemble it yourself, imagine you have a choice between two sets of instructions: one shorter (that can help you to decide how to assemble it) and one longer (that will tell you exactly what to do).

There may be nothing wrong with choosing the shorter set of directions and using your own judgment, but in the long run, which set of directions would give you more confidence in the final product? and, If someone is doing that assembling for you which instructions would you prefer them to use?

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