SSAI Paper - Phase 3

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**(FASB) Goals and Mission**

 The financial accounting standards board is a self-governing, private-sector, non-profit organization founded in Norwalk. The organization seeks to establish financial accounting and focus on reporting standards for private and public companies without including profit organizations. The Financial Accounting Standards Board has a mission to develop and improve financial accounting, reporting standards that provide essential information to investors and customers of financial accounts and instruct investors on understanding and implementing the stipulated standards (Financial Accounting Standards Board, 2020). Besides, FASB and GASP are responsible for setting the utmost quality standards through an inclusive, robust, and comprehensive process.

 Furthermore, FASB has several objectives that guide its operations. The aims include establishing and advancing standards of financial accounting. The organization is responsible for establishing and interpreting the accepted accounting doctrines for both public and private companies. Also, FASB reports for the direction and education of the community comprising the auditors, issuers, and individuals using financial information (Financial Accounting Standards Board, 2020). Therefore, FASB ensures establishment and improvement in financial accounting standards and continuous reporting that aids in directing and educating the public to have insight into financial information.

**A Review of Preceding Authoritative Body (APB)**

 The Accounting Principles Board (APB) was an influential body of the American Institute of Certified Public Accounts (AICPA) that operated from 1959 to 1973. The board later got replaced by Financial Accounting Standards Board (FASB). Previously, the commission delivered rules and guidelines that governed accounting policies. The APB served an essential role in its period. The board created a foundation of Generally Accepted Accounting Principles (GAAP). The standards and procedures laid by GAAP ensured transparency, consistency, and integrity in the United States fiscal accounts. Still, companies' outcomes can get compared based on financial statements reviewed by stakeholders and accountants.

 The review of APB began to develop principles charged with creating guidelines for accounting and distributing assertions related to accounting practices and theory. The board membership comprised 18 to 21 agents of accounting firms, academics, and corporate executives. In the early days of APB, accounting standards began around the 1930s due to the stock market crash that happened in 1929; the blame was on uncertain business accounting practices (Kenton & Stapleton, 2021). However, the previous board (APB) succeeded the organization on the accounting committee. The committee got tumbledown by the culmination of World War II due to its ineffectiveness in executing its roles.

**Reasons for Creating a New Rule-Making Body**

 The accounting principles board (APB) got substituted by the new board, Financial Accounting Standards Board (FASB), in 1973. According to the studies, there were three main reasons for replacement.

*Need For Independent Organization*

The necessity of having an independent organization was considered since there was a thought of the potentiality from the parent organization to influence its whole operations. An independent board can effectively make decisions and policies that govern its operations without interference from any parent board. It will also create flexibility in policymaking without unnecessary barriers.

*A Small Amount of Output Generated by APB*

The output amount of APB was generally smaller than expected from the company in operation for over fourteen years. Besides, the board has only 31 sentiments and four statements issued during its time. The main reason behind the small amount of output generated by APB was the part-time operation of its members, hence a need to have FASB, which deployed fully funded staff working for full time. Having committed Individuals as board members results in maximum output for the organizations since they work to attain outlined objectives.

*The Huge Figure of Qualified Approvals Added to APB Opinion Documents by APB Associates*

The documents used proved to influence later accounting standards, with some opinions remaining partly in force (Accounting Tools, 2021). There was a need to amend some of the APB pronouncements and got replaced with the new FASB. The large APB numbers would inconvenience policymaking and create unique views due to diverged decisions from the associate members. The board required a manageable number of members for easy monitoring to ensure effectiveness in service delivery.

**FASB's Regulatory Relationship with the SEC**

 The Securities and Exchange Commission is accountable for the proper functioning of the capital market; hence the board should ensure that all rules set by FASB are appropriate and applicable. The relationship gets achieved through the following ways: The Securities and Exchange Commission keeps close contact with Financial Accounting Standards Board to ensure the board is aware of its sentiments. The association between FASB and SEC describes the concept that the Securities and Exchange Commission enables the functioning of FASB by providing FASB with awareness of its thinking on essential issues. The relationship also advocates that Financial Accounting Standards Board informs SEC on the progress of its proposals.

 Another regulatory relationship between the two boards got based on rulemaking (Flower & Ebbers, 2018). The Securities and Exchange Commission board has the mandate of issuing its own rules after considering the FASB's rule as incorrect; the regulations implemented by SEC are contained in "releases." However, the documents binding on listed companies' records tend to dominate the FASB's principles. The Securities and Exchange Commission is satisfied with rules enacted by the Financial Accounting Standards Board and rarely makes amendments to the policies presented. The board is mandated to remind FASB, the real boss, responsible for making final rules that govern its operations. Having related bodies such as FASB and SEC reduce financial risks due to collaboration in making practical policies in organizations.

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