Why is the FASB Making Too Many Accounting Rules?

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The most prolific rule-making body that affects every publicly held U.S. corporation resides not in Washington but in Stamford, Conn. And it is not a government agency.

Since it was founded in 1973, the Financial Accounting Standards Board (FASB) has issued a third more pages of new accounting rules than its predecessor bodies wrote over 30 years. The accountant’s rule book has expanded at an annual average of 13%.

The FASB’s rules on one topic alone, accounting for leases, now amount to a 26-page book. The original set of rules, issued in 1976, has already been modified seven times and reinterpreted six times and relief is not yet in sight. Each interpretation seems to feed the demand for more.

Then there are voluminous rules on accounting for inflation. Statement 33, “Financial Reporting and Changing Prices” (60 pages), has been followed by three more statements explaining how the new rules apply to special assets in the mining, oil and gas, timber and real estate industries. More are expected to come.