HOW is an investor to compare financial statements from companies in two different countries? That was the question asked a decade ago when the International Accounting Standards Board (IASB) began drawing up a new set of International Financial Reporting Standards. At the same time, the IASB set out to harmonise its standards with America's Financial Accounting Standards Board (FASB). It even seemed possible that if the two boards got close enough with harmonisation that America might adopt the international standards wholesale.

At a conference at Baruch College in New York on May 3rd, grandees from the FASB and the Securities and Exchange Commission (which would make the decision to adopt international standards) explained where the project has got to. A wholesale adoption of the international standards now seems off the table. Instead, the talk is of “endorsement”. The FASB, rather than going out of business or becoming America's local branch of the IASB, would remain America's standard-setter, and America's generally accepted accounting principles (known as US GAAP) would not be replaced by international rules.

Instead, the SEC staff envisions that FASB would work with IASB on the drawing up of standards. When IASB came up with a new one, the FASB would issue the same standard itself, only adding modifications when American conditions required it. And only in the rare cases, where the two boards could not agree, would it issue a different standard.

The SEC staff expects and hopes that such disagreements should be "rare", and it is hard to disagree with the aspiration at least. Leslie Seidman, FASB's chairwoman, detailed some of the remaining disagreements between the boards at the conference. But this raises several awkward questions. If it is predetermined that differences
would be rare, does it really make sense to keep the FASB and US GAAP? If differences are not rare—and worse, if they are not trivial—is the benefit of a single set of standards not lost?

Already, many countries that have "adopted" the IASB's standards have added local exceptions to the rules, threatening the project of a single, global set of standards. This headache has been on the mind of Hans Hoogevorst, who took over as chairman IASB last year. In speech after speech he has been reminding smaller countries to fully accept his organisation's rules. Jawboning smaller countries will get much harder if the world's biggest capital market, America, pointedly insists on its own tailored version of the standards.

American critics of IASB make several points, many to do with fair-value or “mark-to-market” accounting of financial instruments. FASB once wanted all such instruments booked at their market value, whereas IASB favoured an approach that would book most such assets at their historical cost. The difference has largely been narrowed, through the ongoing convergence process. FASB is now considering a “three-bucket” approach which would classify assets in three different ways, depending on the assets' own characteristics, as well as the business model of the companies using them. (Broadly, those loans being held to term for their income would be booked at historical cost; those meant to be traded would be booked at fair value.)

But even as the boards have gotten closer on this point, residual American skepticism remains. Fair-value partisans think that FASB has already gone too far in IASB's direction, and worry about political influence on the standard-setters. The critics think that European governments have tried to protect their banks by hiding market losses on the balance sheets.

The two boards are still working on convergence in three other areas: revenue recognition, insurance and leasing. Impenetrably technical as they may seem, the issues are important. Revenue recognition governs nothing less than when a company can say it has earned a certain chunk of money for a piece of contracted work. Insurance is less contentious, but leasing is giving companies the jitters. Both boards have agreed that they should move more leases (those longer than a year) on to the balance sheet (with the obligation to pay as a liability and the right to use the leased thing as an asset). The sums at stake are big, and could cause some companies to bust loan covenants with banks.

By and large, the boards have brought the goal of a single set of standards closer. But the endpoint—truly unified standards that make financial statements around the world comparable—remains distant. Dennis Nally, the boss of PricewaterhouseCoopers, one of the “Big Four” accounting firms, which all support the adoption of global standards, points to several more hurdles. Little sudden movement is expected this year, with a presidential election looming. (Americans in favour of international standards are not keen to look as though they are foisting rules, developed by unelected bureaucrats, on hardworking American business-owners.) The ongoing consequences of the financial crisis have also sharpened opinions all round. And smaller companies who do not do much dealing abroad see the switch to international standards as just another unwelcome cost.

So the politics of sovereignty and national pride sometimes seem to be as big a hurdle as technical accounting questions are. American opinions are, of course, due a good deal of deference. Its adoption of international standards would go a long way to getting companies like India, China and Japan on board as well. But if America is unlikely to ever accept IASB's standards, some grumble, perhaps it should no longer have the biggest say on IASB's board: four of 14 seats.

Clarification: This article originally stated that Leslie Seidman, FASB's chairwoman, said that differences between FASB and IASB "should be 'rare'". We did not mean to say that she expects they will be rare. Indeed, she believes significant differences will remain, though both boards should and will work to narrow them.