

## 2009 IFRS Survey Results

### Sixty-two percent of respondents agree that the SEC should soon establish a “date certain” for when IFRS would be required for U.S. issuers

The comment period for the Securities and Exchange Commission’s proposed IFRS roadmap is winding down. Views regarding the proposed roadmap and timeline are emerging, evolving, and taking shape. In the meantime, many U.S. companies are facing questions about IFRS planning, budgeting, and overall preparation for issues related to IFRS financial reporting.

The SEC’s proposed IFRS roadmap, issued in November 2008, presents a timetable for when U.S. public companies could potentially use IFRS, but a final decision would not be made for another couple of years — planned for sometime in 2011. The comment period for the SEC’s roadmap ends on April 20, 2009.

A Deloitte survey was conducted in March 2009 to gather data and information about how companies perceive the SEC’s proposed IFRS roadmap, and how companies are approaching IFRS, given a certain level of regulatory uncertainty.

#### Dates and timelines

In the March 2009 Deloitte survey of over 150 finance professionals, 62% agreed or strongly agreed that the SEC should soon establish a “date certain” for when IFRS would be required for U.S. public companies. The data suggest an emerging desire to diminish uncertainty surrounding the timing for the acceptance of IFRS in the U.S. Why? With a definite date, companies could better determine IFRS planning activities, and move forward on transition strategies in a measured and cost-effective way.

Three fourths (75%) of respondents stated their support or strong support for the movement toward a single set of high quality standards — such as IFRS. Yet, despite a strong show of support, 64% of respondents indicated that they have not allocated any budget for IFRS conversion activities. This finding may reflect the current regulatory uncertainty. Without definitive news from the SEC, companies may be reluctant to devote resources to IFRS transition planning — or to take other proactive measures toward preparing for IFRS.

#### Survey highlights

- Seventy-five percent (75%) of respondents supported or strongly supported a movement toward a single set of high quality accounting standards, such as IFRS.
- Sixty-two percent (62%) of respondents agreed or strongly agreed that the SEC should establish a date (the so-called “date certain”) for requiring U.S. companies to use IFRS.
- Over half (56%) of respondents surveyed indicated that the SEC should extend the option for early use of IFRS to a broader group of U.S. companies than outlined in the current SEC roadmap.
- Sixty-one percent (61%) responded that the SEC’s proposed requirement that would entail having companies maintain U.S. GAAP books on an ongoing basis until 2011, would decrease the likelihood of companies electing the option of early conversion.
- Fifty-six percent (56%) of financial executives described the proposed SEC timeline to be “about right” or could be accelerated further.
- Sixty-four percent (64%) of respondents stated that no budget has yet been allocated for IFRS conversion, in contrast to the quarter (25%) who have budgeted for assessment and readiness, or all aspects of conversion
- Over half (54%) of respondents indicated some or sufficient in-house knowledge of IFRS, while 40% acknowledged no IFRS in-house knowledge or experience.

<sup>1</sup> The Deloitte survey, conducted in March 2009, had over 150 respondents, including financial professionals, CFOs and finance managers. Survey participants were self-selected, and responded through a web-based survey. Survey results presented are solely the thoughts and opinions of survey participants and are not necessarily representative of the total population of financial professionals, CFOs and finance managers. The sample of survey respondents includes companies from various industries including financial services; health services and government; consumer and industrial products; energy and resources; and technology, media, and telecommunications.

In the proposed roadmap, potential mandatory adoption of IFRS for U.S. public companies would begin with filings for 2014 year ends for large accelerated filers; 2015 year ends for accelerated filers; and 2016 year ends for non-accelerated filers. This timeline fell within reasonable expectations for a majority of respondents. Fifty-six percent (56%) of respondents described the proposed SEC timeline to be “about right” or could be accelerated further.

### Early use?

Expanding the option for early adoption of IFRS to a broader set of U.S. companies (than in the SEC’s proposed IFRS roadmap) was of interest to survey respondents. Under the SEC’s proposed IFRS roadmap, only a limited number of U.S. public companies could “early adopt” IFRS. These companies would be limited to those among the top 20 in their industry globally as measured by market capitalization, and operate in an industry where IFRS is the predominant accounting standard used among the top 20 largest listed companies worldwide in their industry. Over half (56%) of financial executives surveyed indicated that the SEC should extend the option for early use of IFRS to a broader group of U.S. companies than outlined in the current SEC roadmap.

Consistent with this finding: In a 2008 Deloitte webcast poll, over half (51%) of participants indicated that the SEC should change its criteria in the proposed rule to allow more U.S. issues to adopt IFRS.

In the financial executive community, there appears to be a view that the proposed roadmap contains several disincentives for early use of IFRSs by eligible issuers. These include the possibility that early adopters of IFRS might have to revert back to U.S. GAAP, the requirement to provide two comparative years of IFRS financial statements, and the proposed ongoing unaudited reconciliation between IFRSs and U.S. GAAP. Sixty-one percent (61%) of respondents noted that the proposal to require companies

to maintain U.S. GAAP books on an ongoing basis until 2011 would decrease the likelihood of companies electing the option of early use.

### How companies are approaching IFRS

While some companies are waiting to hear the latest news from the SEC before taking steps to prepare for IFRS, as mentioned previously, other companies are now taking action. A quarter (25%) of survey participants have budgeted funds for assessment and readiness or all aspects of conversion. Regardless of uncertainty around timing, a few companies are making the investment to understand potential changes associated with IFRS conversion, factoring in the planning horizon needed for an IFRS transition.

Several approaches to IFRS adoption were selected by respondents as likely paths (respondents could choose all that applied) for their companies’ journey toward IFRS, including:

- prioritizing project to convert methodically, efficiently, with minimal disruption (65%)
- rewriting or refreshing accounting policies under IFRS (46%); and
- doing the minimum necessary to comply (23%).

The need for IFRS education for employees is a continuing theme among companies. While over half (54%) of respondents indicated some or sufficient in-house knowledge of IFRS, 40% of respondents claimed no in-house IFRS knowledge or experience. If the SEC sets a date for IFRS conversion, investment in IFRS education would likely increase in short order.

Survey questions and results follow on the next page.

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<sup>2</sup> Financial Reporting Dbriefs webcast, “IFRS: What does the latest SEC Activity Mean for you?” with nearly 4500 attendees. Polling results are solely the thoughts and opinions of survey participants and are not necessarily representative of the total population of financial professionals.

# Survey results

## 1. Does your company plan to submit a comment letter to the SEC on the proposed IFRS roadmap?

Yes	21%
No	61%
Not sure/Not applicable	18%

## 2. How do you view the movement toward a single set of high quality global accounting standards — such as IFRS?

Strongly support	28%
Support	47%
Neither support or oppose	16%
Oppose	8%
Strongly oppose	1%

## 3. Please indicate your level of agreement to the following statement: “The SEC should soon establish a “date certain” for when IFRS would be required for U.S. issuers, as opposed to a timeline based on interim conditions and milestones.”

Strongly disagree	12%
Disagree	24%
Agree	29%
Strongly agree	33%
Not sure/Not applicable	2%

## 4. Under the SEC’s proposed IFRS Roadmap, a U.S. issuer that is among the 20 largest listed companies worldwide (as measured by market capitalization), in an industry where IFRS is the predominant accounting basis, will have the option to use IFRS earlier than 2014. Should the SEC extend the option for early use of IFRS to a broader group of U.S. companies than is outlined in the proposed roadmap?

Yes	56%
No	34%
Not sure/Not applicable	10%

## 5. The SEC’s proposed IFRS Roadmap solicits input on whether a company electing an option for early IFRS conversion should be required to maintain U.S. GAAP books on an ongoing basis until 2011. What impact would this requirement have on the likelihood that your company would opt for early conversion, if your company otherwise met the applicable requirements?

Increases the likelihood of electing the option for early conversion	1%
Decreases the likelihood of electing the option for early conversion	61%
No impact	21%
Not sure/Not applicable	17%

## 6. How would you describe the proposed SEC timeline, which would potentially mandate the use of IFRS by U.S. companies beginning in 2014?

Too aggressive	17%
Aggressive	27%
About right	43%
Not aggressive enough	9%
Not aggressive at all	4%
Not sure/Not applicable	0%

## 7. What level of knowledge and experience do your finance personnel have for reporting under IFRS?

No IFRS knowledge or experience in-house	40%
Some in-house knowledge but need to augment through hiring	37%
Sufficient knowledge in-house	17%
Not sure	6%

## 8. Which approach to IFRS adoption would your company likely take?\*( Select all that apply.)

Do the minimum to comply	23%
Prioritize project to convert methodically, efficiently, with minimal disruption	65%
Leverage conversion to complete a finance transformation project	13%
Establish a shared service center	6%
Rewrite/refresh our accounting policies	46%
Not sure	15%
Other	5%

\*Note: Total exceeds 100%, as respondents could select more than one option.

## 9. What budget planning have you done for IFRS conversion?

Have not allocated any budget to IFRS	64%
Have budgeted for assessment and readiness	22%
Have budgeted for all aspects of conversion	3%
Not sure	11%

## 10. Identify the primary industry of your company:

Financial services	27%
Health services and government	5%
Consumer and industrial products	25%
Energy and resources	11%
Technology, media, and telecommunications	15%
Other; please specify	17%

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