

IFRS Is Here, and What to Do about It

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Agenda for This Morning

- 1. Why US students need to know IFRSs?**
- 2. Why global accounting standards?**
- 3. Brief history of IASC and IASB**
- 4. Financial reporting environments in the US and rest of world contrasted**
- 5. IFRSs compared to US GAAP**
- 6. Ideas for teaching IFRSs in US universities**
- 7. IFRS resources for educators**

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Why do US students need to know IFRSs?

Steve

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Use of IFRSs Is Widespread!

- § Used by more than 15,000 listed companies overseas**
 - § Another 12,000 planned by 2011**
- § Used by foreign subsidiaries of US-based multinationals**
- § Used by SEC foreign registrants without reconciliation to US GAAP**
- § Will probably be used by US companies in a few years**
 - § Both SEC registrants and private**

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Use of IFRSs Is Widespread!

- § FASB, SEC, AICPA, Big-4, and major US multinationals all strongly favor use of IFRSs**
- § Designation of IASB under AICPA Rules 202-203 (May 2008)**
 - § Potential for use of IFRS for Private Entities when it is finished early 2009**
- § What will become of the FASB (and other national standard setters)?**

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**Why global
accounting standards?
Steve**

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Why Global Standards?

- § Enhanced worldwide comparability for investors**
- § Enhanced quality of reporting**
 - § Some national GAAPs are weak or outdated**
- § Possibly a lower cost of capital for companies adopting IFRSs**
- § More company-friendly US securities market for foreign listings**

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Why Global Standards?

- § Reduced reporting costs**
 - § For instance, multinational with subs applying many GAAPs**
- § No need to develop and maintain national standards**
- § For audit firms and companies: Easier movement of auditors and accountants across borders**

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Brief history of IASC and IASB Paul

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Brief History

§ IASC started 1973:

- § Volunteer, part-time, met 3X/year**

- § Issued IASs 1-41 + interpretations**

§ Restructured 2001:

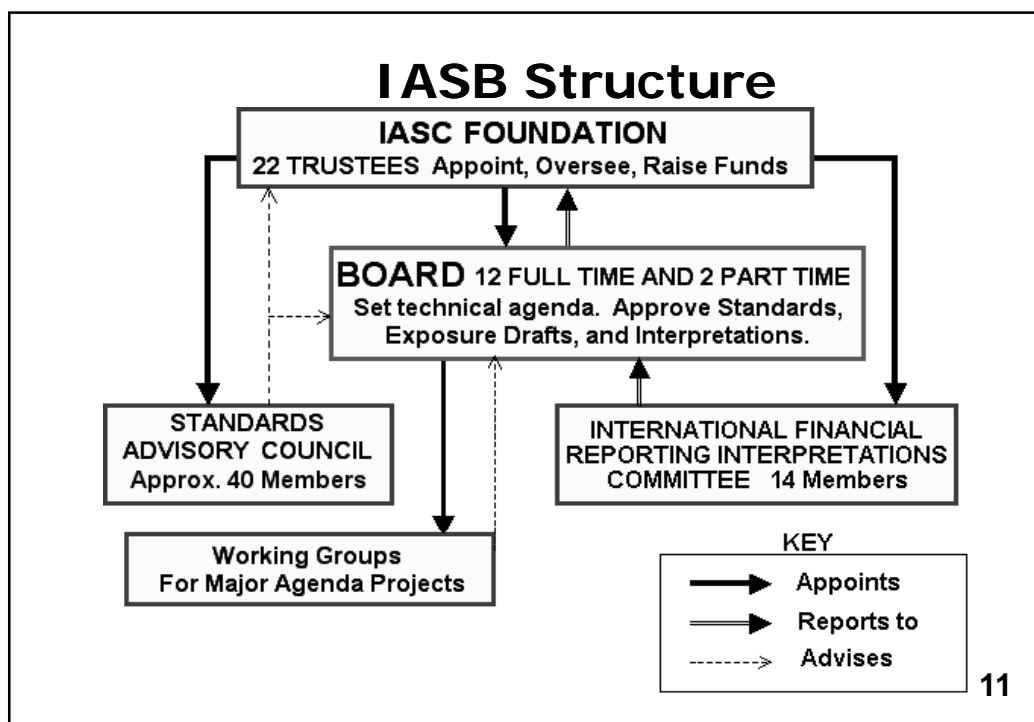
- § Full-time IASB based in London**

- § 14 members**

- § Issues IFRSs**

- § Old IASs (most revised by IASB)
remain in force**

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Use of IFRSs Around the World

For domestic <u>listed</u> companies:	Number of Jurisdictions
IFRSs required for all	85
IFRSs required for some	4
IFRSs permitted	24

Today, IFRSs are used by listed companies in over 100 jurisdictions

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Use of IFRSs Around the World

For domestic <u>unlisted</u> companies:	Number of Jurisdictions
IFRSs required for all	28
IFRSs required for some	20
IFRSs permitted	36

Today, IFRSs are used by unlisted companies in over 80 jurisdictions

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Use of IFRSs Means All IFRSs!

§ 33 existing IASs (1 to 41, some deleted) issued by IASC 1973-2000:

§ Most amended or replaced by IASB during 2003-2008

§ IFRSs 1-8 issued by IASB

§ Also Interpretations

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Use of IFRSs by Listed Entities

§ Europe (EU+EEA+ Switzerland):

§ All listed (about 8,000 companies)

§ In consolidated financial statements

§ EU: One 'modification' (of IAS 39)

§ Consequently, audit report refers to 'IFRSs as adopted by the EU'

§ Endorsement mechanism results in time lags

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Use of IFRSs by Listed Entities

§ Asia-Pacific:

§ Nearly word-for-word convergence: Australia, New Zealand, Hong Kong

§ Modifications, time lags, some not adopted: Singapore, Thailand, Malaysia, Philippines, China

§ Own standards: Japan (convergence program), Taiwan

§ 2011 planned: India, Korea

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Use of IFRSs by Listed Entities

§ North America:

§ Canada: planned 2011

§ USA:

§ Permitted for foreign SEC registrants since March 2008

§ SEC studying domestic registrants – proposal likely 3Q 2008

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Use of IFRSs by Listed Entities

§ Latin America/Caribbean:

§ IFRSs required: Brazil (2010 all listed and banks), Chile (2009-2011 phased in), and over a dozen smaller jurisdictions

§ Middle East and Africa:

§ IFRSs required: Many countries

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Financial reporting environments in the US and the rest of the world contrasted Steve

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Financial Reporting Environments

§ United States:

- § Weak company laws but strong enforcement by SEC**
- § Long tradition of strict, detailed accounting standards**
- § Publication of audited financial statements only by publicly traded companies**

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Financial Reporting Environments

§ Most other countries:

- § Strong company laws with moderate to weak enforcement by regulators, less prone to litigation**

- § Diverse auditing cultures**

- § Many (sometimes all) private companies must publish financial statements – often audited**

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Financial Reporting Environments

§ Canada, UK, US:

- § Public sector has long accepted private-sector accounting standards**

§ EU:

- § Public sector is suspicious of private-sector accounting standards – are they in the public interest?**

- § Its ever-lengthening endorsement process detracts from worldwide comparability**

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Financial Reporting Environments

§ EU:

**§ 'IFRSs as adopted by the EU' brand
may foreshadow further deviations
from IFRSs**

§ Most countries converge national GAAP with IFRSs:

**§ Some (eg South Africa, Israel) adopt
IFRSs**

§ IFRSs becoming more rules-based:

**§ 1,200 pages (2000) to 2,700 pages
(2008)**

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**IFRSs compared to
US GAAP
Paul**

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IFRSs vs US GAAP

§ General approach:

§ IFRS: Principles-based standards with limited application guidance

§ US: Rules-based standards with specific application guidance

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IFRSs vs US GAAP

§ A few examples of differences:

§ Measuring goodwill

§ Disclosure of segment liabilities

§ Basis for consolidation

§ LIFO

§ Deferred tax assets

§ Revaluation of PP&E and quoted intangibles through equity

§ Development costs

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IFRSs vs US GAAP

§ A few examples of differences:

- § Gains on sale and leaseback**
- § Investments in real estate**
- § Agricultural assets**
- § Actuarial gains and losses**
- § Vested past service cost**
- § Joint ventures**
- § Measuring impairment**
- § Reversals of write-downs**

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**Ideas for teaching
IFRSs in US
Universities
Steve**

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Ideas for Teaching IFRSs

- § Integrate IFRSs into all financial accounting courses**
 - § Don't relegate IFRSs to a stand-alone course**
- § As illustrative material, use annual reports for a US company and for an IFRS-using foreign company**
- § Recent US textbooks are now beginning to integrate IFRSs**
 - § Some better than others**

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Ideas for Teaching IFRSs

- § Supplement US-centric textbook with one of the 'IFRS-US GAAP' comparison booklets issued by the big accounting firms**
- § Give students a project to report on salient differences between selected IFRSs and US GAAP standards**
 - § IFRS source materials will open their eyes to the world beyond US GAAP**

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Ideas for Teaching IFRSs

§ Discuss these 'precipitating developments' with students:

- § SEC dropped Form 20-F reconciliation for adopters of 'IFRSs as issued by the IASB'**
- § SEC taking steps to allow US companies to adopt IFRSs**
- § AICPA moving to including IFRSs on CPA exam**

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Ideas for Teaching IFRSs

§ More developments to discuss:

- § AICPA has amended Ethics Rules 202-203 to refer to IFRSs**
- § AICPA self-study courses on IFRSs**
- § AICPA has launched website www.ifrs.com**
- § Some State CPA Societies (eg CA, IL, TX) have become alive to IFRSs**

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Ideas for Teaching IFRSs

§ Still more developments:

- § Big-4 firms have launched programs to help educators adapt to IFRSs**
- § Be sure your library subscribes to IASB's publications**
- § Paul's excellent Deloitte website www.iasplus.com is the best source on IASB/IFRS developments**
- § IFRS Resources – help educators keep up to date: Paul has some examples**

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IFRS Resources for Educators Paul

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IFRS Resources for Educators

- § Time to present only a few**
- § Handout has more comprehensive list. Download handout:
www.iasplus.com/resource/0808aaaifrsresources.pdf**
- § Most of the cited hyperlinks lead to additional resources**
- § A lot is available for free**

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IFRS Resources for Educators

- § Deloitte**
 - § iGAAP 2009 – A Guide to IFRS Reporting (2nd ed., 2,100 pages)**
 - § iGAAP 2008 Financial Instruments: IAS 32, IAS 39 and IFRS 7 Explained (4th ed., 851 pages).**
 - § www.iasplus.com**
 - § IFRS e-Learning**
 - § IFRSs in your Pocket 2008**

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IFRS Resources for Educators

§ Ernst & Young

**§ Ernst & Young International
GAAP 2008 (2 volumes)**

§ www.ey.com/ifrs

**§ New academic resource center to
be launched Sept. 2008**

§ Grant Thornton

§ <http://faculty.gtexperience.com>

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IFRS Resources for Educators

§ KPMG

§ KPMG IFRS Institute

§ www.kpmgifrsinstitute.com/

§ KPMG faculty portal

§ www.kpmgfacultyportal.com

§ KPMG IFRG website

§ www.kpmgifrg.com

§ IFRS publications library

§ www.kpmgifrg.com/pubs/index.cfm

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IFRS Resources for Educators

§ PricewaterhouseCoopers

§ IFRS reporting website

§ www.pwcglobal.com/ifrs

§ IFRS Pocket Guide 2008

§ 'IFRS Ready' toolkit for educators

§ www.pwc.com/faculty

§ PWC IFRS Blog

§ <http://pwc.blogs.com/ifrs/>

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IFRS Resources for Educators

§ US SEC Global Accounting Page

§ www.sec.gov/spotlight/ifrsroadmap.htm

§ IASB

§ www.iasb.org

§ Subscriptions and e-IFRS

§ Webcasts of meetings

§ World Accounting Report

§ www.i-financial.com/

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IFRS Resources for Educators

§ IAAER

§ www.iaaer.org

§ Offers very low-cost subscription to eIFRS (from IASB)

§ Includes all IFRSs and other educational materials of the IASB
\$25 (academician) and \$20 (student)

§ Normal price from IASB \$400

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IFRS Resources for Educators

§ AICPA

§ IFRSs on CPA Exam:

§ www.cpa-exam.org

§ New IFRS website

§ www.ifrs.com

§ Canadian Institute of CAs

§ IFRS Transition Page:

§ www.cica.ca/index.cfm?ci_id=39166&la_id=1

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IFRS Resources for Educators

§ European Commission

§ Accounting:

§ http://ec.europa.eu/internal_market/accounting/index_en.htm

§ This includes links to:

§ EU accounting news

§ IFRS news and information

§ EU IFRS-related committees

§ EU IFRS directives and regulations

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IFRS Resources for Educators

§ Textbooks – some recent ones:

§ Nobes and Parker

§ Roberts, Weetman and Gordon

§ Choi and Meek

§ Holt, Mirza and Orrell

§ Alfredson, Leo, Picker, Pacter et al

§ Histories of the IASC:

§ Camfferman and Zeff

§ Kirsch

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Thank you. Questions and comments?

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