IFRS: Changes in the Irish Statutory Reporting Environment

Potential Implications for U.S. Companies

Overview

International Financial Reporting Standards (IFRS) are generally required for the consolidated financial statements of listed companies in Ireland. Currently, larger private companies, including Irish subsidiaries of U.S. multinationals, can choose to follow IFRS or Irish generally accepted accounting principles (GAAP). But, beginning in 2012, the options may change under a proposal from the Accounting Standards Board (ASB) to replace Irish GAAP, which would require companies reporting under Irish GAAP to either adopt full IFRS or IFRS for Small and Medium-sized Entities (SMEs) for statutory reporting.

This change will require careful planning by companies to meet this potential requirement effectively, and use this change as a foundation to prepare for IFRS requirements in other jurisdictions.

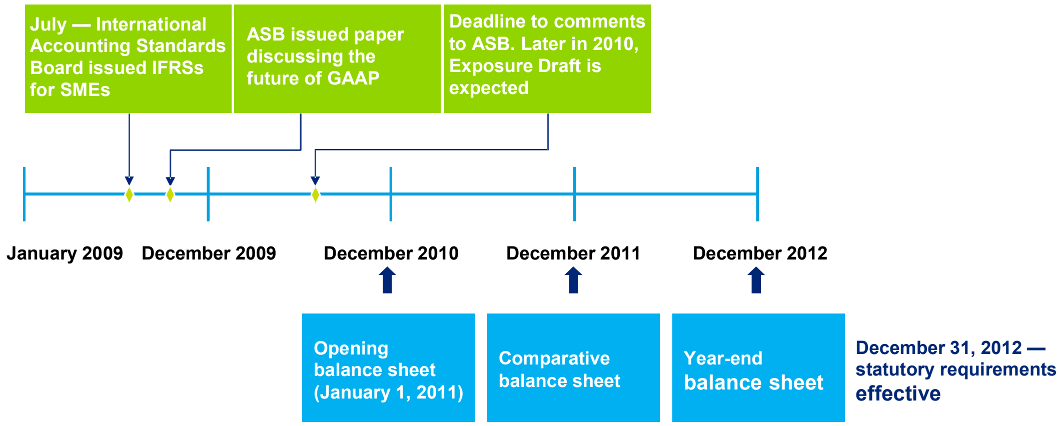
Irish GAAP may soon be replaced with full IFRS or IFRS for SMEs and U.S. companies should be prepared for this potential change.

How might these recent developments in Ireland affect U.S. companies?

These recent developments are expected to affect most Irish subsidiaries of U.S. companies that are required to prepare financial statements for statutory reporting purposes. Irish subsidiaries will be facing a potential near-term mandatory conversion that — if not properly planned for — could create unanticipated and difficult challenges.

These potential challenges include complications that the U.S. parent company could encounter if its Irish subsidiary makes accounting policy decisions unilaterally, which may need to be revisited or reversed at some later date when the U.S. parent company addresses these issues as part of a broader IFRS conversion. There are also potential tax implications which should be carefully managed as well, due to the linkage between tax reporting and statutory reporting in Ireland. Distributable reserves and transfer pricing could also be impacted at the subsidiary level.

The timeline below outlines implications of a transition date of January 1, 2011, given the current ASB proposal (which is subject to change)



Timeline

The ASB may propose that full IFRS or IFRS for SMEs would be applicable for periods as early as 2012. The proposal is likely to be finalized in the near future, and it is possible that the effective date could be deferred by one year; however, because comparative information will be required upon adoption, the opening balance date of the first period presented could be as early as January 1, 2011. This requirement to develop comparative figures increases the importance of timely planning.

Preparing for the change

This proposed elimination of Irish GAAP could force many Irish subsidiaries of U.S. companies to change their accounting to full IFRS or IFRS for SMEs. Regardless of the option that the Irish subsidiaries select, there are some key steps that U.S. companies should take:

- Understand the differences and impacts of converting from Irish GAAP to full IFRS or IFRS for SMEs, both from an accounting and tax perspective
- Plan a cost-effective implementation
  - Address key stakeholder questions regarding the potential impacts (e.g., repatriation plans, transfer pricing)
  - Analyze potential conversion impacts with longer lead-times needed to address the process and system implications
  - Provide training and working sessions to identify potential challenges and implications of this transition
  - Develop resource estimates and a plan of attack
- Monitor the Irish financial reporting environment to provide appropriate support to subsidiaries
- Assess the potential impacts on in-flight system modifications that will affect the Irish subsidiaries during this timeframe
- Consider long-term benefit opportunities
  - Leverage this required conversion to develop practical experience and tools and templates to be used by subsidiaries in other jurisdictions and for broader IFRS efforts
  - Assess tax planning opportunities, particularly given the connection between Irish tax reporting and statutory requirements

The Deloitte difference

Deloitte personnel are ready to meet with you to help you better understand these requirements and to provide broad multi-disciplinary assistance. We have a dedicated group of professionals with extensive experience helping clients with their IFRS implementations, across various industries, in the U.S., Ireland, and around the globe. We offer broad assistance, providing accounting, financial reporting, tax, systems, and technology consulting services.

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