

Accounting: Commission Services report on convergence efforts of key partner countries

The Services of the European Commission have prepared a Working Paper on third countries in the process of converging their national Generally Accepted Accounting Principles (GAAPs) towards International Financial Reporting Standards (IFRS) and on the progress towards the elimination of reconciliation requirements that apply to Community issuers listed in these countries. In the report the Commission Services take the view that Japanese GAAP and United States GAAP both meet the criteria of equivalence to IFRS. Chinese GAAP will continue to be accepted, but since it moved to IFRS for the first time in 2007, more information on its implementation is needed. On this basis, a review in the future, will take place. The Paper also concludes that an exemption until 2011 should be granted to Canada and South Korea in view of their ongoing efforts to move to IFRS in the near future. Within the coming weeks the Commission is expected to present legislative proposals to this effect.

In the Paper the Commission Services recall the move, in 2007, by the United States Securities Exchange Commission to waive the requirement for IFRS-based financial statements to be reconciled to US GAAP. The European Commission continues with its objective for seeking removal of this reconciliation requirement for all European issuers using IFRS as adopted by the EU. Efforts need to continue to resolve the issue of the carve-out of IAS 39. In this context the Paper calls on the IASB to play a full role.

The Paper also considers countries which are already successfully applying IFRS. These include, for instance: Australia; Hong Kong; New Zealand; Singapore and South Africa. Israel has made IFRS mandatory for all listed companies except for banks and dual listed companies as from January 2008. In these cases the Paper calls for an explicit and unreserved statement of such a compliance with IFRS to be included in the audited financial statements.

In the coming years the Commission Services will continue to monitor the situation and assess ongoing efforts by third countries in moving to IFRS.

The Paper is available at:

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