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Countdown to IFRS begins

The clock is ticking. The countdown to 2005 has begun. All EU-listed companies are required to prepare consolidated accounts in accordance with International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) from their first reporting period after 1 January 2005. The 'red letter' day is less than 500 days away.

Anne Molyneux, [Accountancy Age](#) 03 Sep 2003

Link: [IAS special report](#)

Companies with a December year end will move to IFRS on 1 January 2004, given the IFRS requirement for a one-year comparative period. Key to the commencement of application of IFRS will be the opening balance sheet, compliant with IFRS, on that day. This balance sheet doesn't have to be presented with the financial statements but it must be reconciled back to 'old' GAAP.

The first IFRS standard has laid down the principles for the first-time application of IAS. The central concept of this standard requires enterprises to apply IAS retrospectively, as though it had always been applied to the financial statements of the company. The transition process prior to 2004 is complex and time-consuming. So, do not take 2005 too literally.

Complexity of transition varies from company to company as does the time and resource commitment. Given the number of companies simultaneously affected - some 7,000 listed companies in the Eurozone - there could be a shortage of IAS competent staff.

Boards of directors should have a regular agenda item that deals with IAS implications for the business, for future policies and reporting, staff training, software and systems and investor relations implications.

So are you ready?

Begin with these three steps:

- Gain board and senior management understanding, approval and resourcing for the IAS transition project.
- Take stock of IAS in-house skills and build these through training.
- Marshall additional resources - internal and external - for IAS diagnosis and for valuations, contract reviews, software development, performance target reviews and so on.
- *Anne Molyneux, former technical director of the ICAEW and an IAS consultant with Emily Woolfe International.*

story

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