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## **CFA Institute Centre for Financial Market Integrity Member Poll on the IFRS Roadmap**

**March 2009**

### **Summary**

There is ongoing debate regarding the efficacy of U.S. plans for adoption of International Financial Reporting Standards (IFRS) to replace U.S. GAAP. To better inform our response to the U.S. Securities and Exchange Commission's *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers*, CFA Institute members were polled via e-mail regarding the global use of a single set of high quality accounting standards.

The March 2009 Advocacy Update e-mail was delivered to 97,932 individuals on Friday, 6 March 2009. Of those, 16,264 opened the e-mail (17 percent of delivered) and, in total, 1,574 members responded to the poll (10 percent of opened; 1.6 percent of population).<sup>1</sup> The margin of error based on this number of responses is  $\pm 2.5$  percent at the 95 percent confidence level.

Findings are presented in aggregate and by region. Regional differences were tested for significance at the 95 percent confidence level. Column letters are used to interpret statistically significant results; in the tables below, if one or more column letters appear in a cell, it indicates that the cell containing the letter has a value that is significantly larger than the cells referenced by letters. Cells with significant differences are highlighted in blue.

Overall, 91 percent of respondents support having companies throughout the world using a single set of accounting standards to prepare general purpose financial statements.

- Significantly higher proportions of members in Asia Pacific and EMEA supporting (94 and 95 percent, respectively) compared to the United States (88 percent support).

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<sup>1</sup> Number of responses varies by question as not all respondents answered each question and no opinion/don't know responses were excluded

64 percent of those supporting a single set of standards believe companies should use IFRS as promulgated by the IASB, which maintains sole authority to make changes or exceptions to the standards.

- A significantly higher proportion of members in EMEA support this approach (73 percent) compared to the United States (61 percent) and Asia Pacific (49 percent).
- Compared to EMEA (23 percent), Canada (25 percent), and the United States (36 percent), a higher proportion of members in Asia Pacific supporting the use of a single set of standards prefer IFRS as adoption by a local jurisdiction, where the national standard setter maintains sole authority to make changes/exceptions to the standards (49 percent).

Respondents are nearly split on the adoption approach for IFRS, with 50 percent preferring a staged adoption approach as proposed by the SEC and 47 percent preferring adoption at the same date for all filers.

- A significantly higher proportion of members in EMEA prefer simultaneous adoption (55 percent) compared to Latin America (32 percent) and the United States (45 percent).

Members are also split on their opinion of who should be responsible for ensuring consistent enforcement across countries, with 50 percent preferring a single body across countries and 47 percent preferring enforcement at the country level.

- Compared to Asia Pacific and EMEA, a higher proportion of members in the United States prefer a single body (54 percent, compared to 40 percent and 46 percent in Asia Pac and EMEA, respectively).

93 percent of members support full recognition of IFRS standards and their use by U.S. firms now (98 percent in EMEA, compared to 95 percent in Asia Pacific and Canada, and a significantly lower proportion of 89 percent of members in the United States).

- In all regions, a slight majority support full recognition of IFRS standards and use by US firms now, with a one-time reconciliation from U.S. GAAP to IFRS in the notes to its audited financial statements (would include restatement of and reconciliation from the prior year's financial statements and related disclosures). The preference for this approach is notably strongest in EMEA, where a higher proportion of members in EMEA support this approach (57 percent) compared to Asia Pacific (41 percent), Canada (41 percent), and the United States (33 percent).
- A significantly lower proportion of members in EMEA felt reconciliation should be required until the standards are substantially converged (16 percent) compared to Asia Pacific (24 percent), the United States (29 percent), and Canada (24 percent).

## Detailed Findings by Region

Overall, 91 percent of respondents support having companies throughout the world using a single set of accounting standards to prepare general purpose financial statements, with significantly higher proportions of members in Asia Pacific and EMEA supporting (94 and 95 percent, respectively) compared to the United States (88 percent support).

### Q1\*: Do you support or oppose having all companies throughout the world using a single set of accounting standards to prepare general purpose financial statements?

		Asia Pac	EMEA	Latin America	United States	Canada
	Total	(B)	(C)	(D)	(E)	(F)
<i>N</i>	1542	198	391	26	696	184
Support	91%	<b>94% (E)</b>	<b>95% (E)</b>	96%	<b>88%</b>	93%
Oppose	9%	<b>6%</b>	<b>5%</b>	4%	<b>12% (B,C)</b>	7%

\*Excludes no opinion responses

64 percent of those supporting a single set of standards believe companies should use IFRS as promulgated by the IASB, which maintains sole authority to make changes or exceptions to the standards. A significantly higher proportion of members in EMEA and Canada support this approach (73 percent and 70 percent, respectively) compared to the United States (61 percent) and Asia Pacific (49 percent). Compared to EMEA (23 percent), Canada (25 percent), and the United States (36 percent), a higher proportion of members in Asia Pacific supporting the use of a single set of standards prefer IFRS as adoption by a local jurisdiction, where the national standard setter maintains sole authority to make changes/exceptions to the standards. Higher proportions of members in Latin America and the United States also support IFRS as adopted by a local jurisdiction compared to EMEA and Canada.

### Q2: If you support the use of a single set of standards, do you believe that all companies should use:

		Asia Pac	EMEA	Latin America	United States	Canada
	Total	(B)	(C)	(D)	(E)	(F)
<i>N</i>	1291	184	360	22	529	154
IFRS as promulgated by the International Accounting Standards Board (IASB), which maintains sole authority to make changes or exceptions to the standards.	64%	<b>49%</b>	<b>73% (B,E)</b>	55%	<b>61% (B)</b>	<b>70% (B,E)</b>

IFRS as adopted by a local jurisdiction with permitted differences from the IASB disclosed in the notes to the financial statements. The national standard setter maintains sole authority to make changes or exceptions to the standards.	32%	49% (C,E,F)	23%	45% (C, F)	36% (C,F)	25%
Other	4%	2%	5%	0%	3%	5%

*\*Excludes no opinion responses*

Respondents are nearly split on the adoption approach for IFRS, with 50 percent preferring a staged adoption approach as proposed by the SEC and 47 percent preferring adoption at the same date for all filers. A significantly higher proportion of members in EMEA prefer simultaneous adoption (55 percent) compared to Latin America (32 percent) and the United States (45 percent).

Q3: If U.S. public companies were required to adopt IFRS, which adoption approach would you prefer?						
	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	United States (E)	Canada (F)
<i>N</i>	1265	165	310	22	582	149
I prefer adoption at the same date for all filers.	47%	46%	55% (D,E)	32%	45%	46%
I prefer a staged adoption as proposed by the SEC (in 2014 for large accelerated filers, in 2015 for accelerated filers, and in 2016 for non-accelerated filers including smaller companies).	50%	51%	43%	64%	52% (C)	53%
Other approach	2%	3%	2%	5%	2%	1%
<i>*Excludes don't know/no preference responses</i>						

Members are also split on their opinion of who should be responsible for ensuring consistent enforcement across countries, with 50 percent preferring a single body across countries and 47 percent preferring enforcement at the country level. Compared to Asia Pacific and EMEA, a higher proportion of members in the United States prefer a single body (54 percent, compared to 40 percent and 46 percent in Asia Pac and EMEA, respectively). Members in Canada tend to prefer a single body compared to Asia Pacific as well.

**Q4: If companies were permitted or required to use a single set of standards, who should be responsible for ensuring consistent enforcement across countries?**

	Total	Asia Pac (B)	EMEA (C)	Latin America (D)	United States (E)	Canada (F)
<i>N</i>	1432	192	373	25	633	165
A single body is necessary to ensure consistent enforcement across countries.	50%	<b>40%</b>	<b>46%</b>	44%	<b>54% (B,C)</b>	<b>55% (B)</b>
Enforcement should be determined at the country level.	47%	<b>58% (C,E,F)</b>	<b>49% (E)</b>	56%	<b>42%</b>	<b>44%</b>
Other	4%	<b>2%</b>	<b>5% (B,F)</b>	0%	4%	<b>1%</b>

*\*Excludes don't know responses*

93 percent of members support full recognition of IFRS standards and their use by U.S. firms now (98 percent in EMEA, compared to 95 percent in Asia Pacific and Canada, and 89 percent in the United States). A significantly higher proportion of members in the United States do not support full recognition of IFRS standards and their use by U.S. firms now, compared to members in Asia Pacific, EMEA, and Canada.

In all regions, a slight majority support full recognition of IFRS standards and use by US firms now, with a one-time reconciliation from U.S. GAAP to IFRS in the notes to its audited financial statements (would include restatement of and reconciliation from the prior year's financial statements and related disclosures). The preference for this approach is notably strongest in EMEA, where a higher proportion of members in EMEA support this approach (57 percent) compared to Asia Pacific (41 percent), Canada (41 percent), and the United States (33 percent).

A significantly lower proportion of members in EMEA felt reconciliation should be required until the standards are substantially converged (16 percent) compared to Asia Pacific (24 percent), the United States (29 percent) and Canada (24 percent).

**Q5: Would you support full recognition of IFRS standards and their use by U.S. firms now?**

		Asia Pac (B)	EMEA (C)	Latin America (D)	United States (E)	Canada (F)
<i>N</i>	Total					
	1548	204	391	26	696	182
Yes, with a one-time reconciliation from U.S. GAAP to IFRS in the notes to its audited financial statements. This information would include the restatement of and reconciliation from the prior year's financial statements and related disclosures.	41%	<b>41% (E)</b>	<b>57% (B,E,F)</b>	46%	<b>33%</b>	<b>41% (E)</b>
Yes, same as a., but the issuer would also disclose supplemental unaudited U.S. GAAP information for a three-year period.	26%	28%	24%	23%	25%	29%
Yes, but a reconciliation would be required until the standards are substantially converged and there are only immaterial differences between results of operations and financial position statements as presented using U.S. GAAP vs. IFRS.	24%	<b>24% (C)</b>	<b>16%</b>	27%	<b>29% (C)</b>	<b>24% (C)</b>
Other	2%	1%	2%	4%	2%	2%
No	7%	<b>5% (C)</b>	<b>2%</b>	0%	<b>11% (B,C,F)</b>	<b>5% (C)</b>