

Heads Up

Audit and Enterprise Risk Services

May 14, 2007
Vol. 14, Issue 9

In This Issue:

- [The SEC — Moving Forward With IFRSs](#)

As developments warrant, *Heads Up* is prepared by the National Office Accounting Standards and Communications Group of Deloitte & Touche LLP ("Deloitte & Touche"). For subscription information, see the back page.

This publication contains general information only and Deloitte & Touche is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte & Touche, its affiliates and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Hands Across the Ocean

Expected SEC Actions Will Increase the Relevance of International Financial Reporting Standards in the United States

By Randall Sogoloff

In the United States, the "acceptance" of international financial reporting standards (IFRSs) has almost always been debated in the context of cross-border offerings and listings involving "foreign private issuers." Current Securities and Exchange Commission (SEC or the "Commission") rules allow a foreign private issuer to prepare its financial statements using either local accounting standards or IFRSs, as long as a "reconciliation" to U.S. generally accepted accounting principles (GAAP) is included in the financial statements filed with the SEC.

A recent flurry of activity by the SEC has made it almost certain that the reconciliation requirement will be eliminated — a wake-up call for many involved in financial reporting, including foreign and domestic companies, analysts, standard setters, and accountants. Of greater relevance to U.S. companies, the SEC is considering letting U.S. issuers use either IFRSs or U.S. GAAP when reporting their financial statements.

The SEC — Moving Forward With IFRSs

Last month, the SEC revealed its intended next steps regarding the acceptance of financial statements prepared in accordance with IFRSs. The SEC announced that it will issue two important documents for comment this summer.

The first, a "proposing release" targeted toward foreign private issuers, will request comment on whether to eliminate the requirement to reconcile financial statements to U.S. GAAP if the financial statements are prepared using IFRSs. This proposed approach would give foreign private issuers a choice of using U.S. GAAP, local GAAP reconciled to U.S. GAAP, or IFRSs in preparing financial statements that are filed with the Commission. The approach in the proposing release would be effective for financial statements filed in 2009.

The SEC also is expected to issue a "concept release" targeted at U.S. domestic issuers. The release will request comment on whether U.S. issuers should be permitted to use IFRSs in preparing their financial statements. On the basis of the feedback it receives, the Commission will consider whether to issue a proposing release changing the requirements for domestic companies. That release could come in 2008 or 2009.

The recent activity responds to the Commission's "IFRS roadmap," an outline of steps that must be taken before the requirement for foreign private issuers to reconcile IFRSs to U.S. GAAP is eliminated. The SEC recently held a public roundtable discussion on its IFRS roadmap. The roundtable consisted of three panels made up of various constituents, including financial intermediaries, investors, and issuers. The discussion centered on the capital markets landscape in the United States, specifically the potential effects of the coexistence of IFRSs and U.S. GAAP.

Complications stemming from the coexistence of IFRSs and U.S. GAAP can be lessened if the IASB and FASB are successful in their continuing efforts to converge the two sets of standards. In the past, differing views concerning the role of financial reporting made it difficult to achieve convergence of accounting standards. Now, however, there is a growing international consensus that financial reporting should provide high-quality financial information to serve the needs of investors everywhere; as a result, the IASB and FASB have coordinated their agendas and have taken steps to amend current standards. On the Boards' agendas are several joint convergence projects, including the accounting for business combinations, the accounting for leases, revenue recognition, and financial statement presentation. The Boards are also developing a common conceptual framework that they believe will provide a sound foundation for developing future accounting standards.

The United States would be following the example of the many other countries that have already accepted IFRSs. A significant event in the drive toward convergence? In Europe, all companies in the European Union that have publicly listed shares are now required to prepare their consolidated financial statements in accordance with IFRSs. This affects approximately 7,000 enterprises, including the subsidiaries, associates, and joint ventures of these companies.

Subscriptions

If you wish to receive *Heads Up* and other accounting publications issued by the Accounting Standards and Communications Group of Deloitte & Touche, please [register](http://www.deloitte.com/us/subscriptions) at www.deloitte.com/us/subscriptions.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte & Touche's webcast series that delivers practical strategies you need to stay on top of important issues. Gain access to valuable ideas and critical information from webcasts presented each month on:

- Sarbanes-Oxley
- Corporate governance.
- Private companies.
- Financial reporting.
- Driving enterprise value.
- Transactions and business events.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk. [Join Dbriefs](#) to receive notifications about future webcasts at www.deloitte.com/us/dbriefs.

On June 19 at 2:00 PM EDT, we will host a 60-minute webcast, "EITF Roundup: Highlights of the June Meeting." [Register](#) for this webcast today.

Technical Library: The Deloitte Accounting Research Tool Available

Deloitte & Touche makes available, on a subscription basis, access to its online library of accounting and financial disclosure literature. Called Technical Library: The Deloitte Accounting Research Tool, the library includes material from the FASB, the EITF, the AICPA, the PCAOB, the IASB, and the SEC, in addition to Deloitte's own accounting manuals and other interpretive accounting guidance.

Updated every business day, Technical Library has an intuitive design and navigation system that, together with its powerful search features, enable users to quickly locate information anytime, from any computer. In addition, Technical Library subscribers receive *Technically Speaking*, the weekly publication that highlights recent additions to the library.

For more information, including subscription details and an online demonstration, visit www.deloitte.com/us/techlibrary.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 135,000 people worldwide, Deloitte delivers services in four professional areas—audit, tax, consulting, and financial advisory services—and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the U.S., Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu, and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP, and their subsidiaries) and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through nearly 40,000 people in more than 90 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's Web site at www.deloitte.com/us.