

KEEP "IN THE LOOP" ON THE U.S. MOVEMENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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Welcome to "In the Loop". This publication is a brief summary on current events related to International Financial Reporting Standards in the U.S. and around the world. The world is quickly moving to a single set of high quality global accounting and financial reporting standards known as IFRS. The key to successful adoption and implementation is timely communication, education and training. This publication serves to keep its users "in the loop" on current events related to IFRS.

THE SEC COMMUNICATES SUPPORT FOR IFRS

In a public meeting held on February 24, 2010, the SEC voted unanimously to issue a Statement expressing its strong commitment to the development of a single set of high quality globally accepted accounting standards. The SEC affirmed that IFRSs are best positioned to be that global set of standards for the U.S. market. The SEC also discussed the next steps in determining if IFRSs being incorporated into the financial reporting system for U.S. issuers is in the best interests of U.S. investors and the respective capital markets.

The American Institute of Certified Public Accountants (AICPA) President and CEO Barry Melancon followed with a statement regarding the SEC's endorsement of a plan to incorporate IFRS in the U.S. financial reporting system:

Our increasingly global economy makes it clear that the U.S. should move toward a single set of high quality, globally accepted accounting standards for public companies. The AICPA supports the thoughtful and concrete steps the SEC is taking as outlined in its plan today to prepare for this transition. As we move forward, it is essential that all stakeholders in our capital markets – regulators, investors, auditors, financial statement users and preparers – have the knowledge and tools they need to successfully navigate any change in U.S. accounting rules. The AICPA is doing its part now to help our professional members, students, educators and the public to prepare for this shift. The AICPA believes that it is critical for the SEC to set a date certain for use of IFRS in the U.S. and we urge the commission, as it completes this work plan in 2011, to ensure investor confidence is maintained and key milestones lead successfully to global standards in 2015.

The Trustees of the Financial Accounting Foundation (FAF), oversight body of the U.S. Financial Accounting Standards Board (FASB), also issued the following statement:

Both the FAF and the FASB support the SEC's view that a single set of high-quality globally accepted accounting standards will benefit US investors. This goal is consistent with our mission of providing high quality standards for investors and capital market participants, which help ensure fair, orderly, and efficient markets, and assist in capital formation.

Although the SEC did not commit to a date certain to adopt IFRS, the SEC's statement is viewed as a major step towards adoption of IFRS in the U.S. Chairman Shapiro emphasized that the FASB and International Accounting Standards Board (IASB) must complete the current convergence projects before a final ruling can be made on the use of IFRS by U.S. issuers. The FASB and IASB are focused on completing the major convergence projects by 2011 as discussed in the current Memorandum of Understanding [of convergence] between the IASB and FASB. The SEC staff will be developing a work plan to address specific issues that have been highlighted in comment letters to the SEC. The purpose of the work plan is to provide the SEC with sufficient information to provide for a well-informed decision by 2011 on adopting IFRS.

The SEC staff are expected to give updates to the work plan beginning October 2010 with IFRS adoption beginning no earlier than 2015 which is one year later than proposed in the SEC Roadmap.

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WHAT ABOUT PRIVATE COMPANIES?

While the SEC's statements are focused on U.S. domestic issuers, the potential movement to IFRS leads to questions regarding the future of financial reporting for private companies. In May 2008, the AICPA amended Rules 202 and 203 which now gives AICPA members the option to use full IFRS or IFRS for Small and Medium Sized Enterprises [IFRS for SME] as an alternative to USGAAP. IFRS for SME's are a comprehensive set of financial reporting standards designed for companies that do not have public accountability [i.e., private companies]. IFRS for SME's were issued by the IASB in July 2009 to provide for simplifications in accounting and financial reporting for private companies.

A blue-ribbon panel has been assembled by the AICPA to address standards for private companies. The panel will provide recommendations on the future of standard setting for private companies in the U.S. The panel will consider if standalone standards for private companies are needed.

F&D offers a wide range of services including transitions to IFRS, training on IFRS and IFRS for SME's tailored to your company and the industry in which it operates, and audits and preparation of IFRS financial statements. Training is supplemented by live IFRS and USGAAP assistance on an ongoing basis. If you would like more information on IFRS training or other audit or consultative needs, please contact Sean Lager at sean.lager@frazierdeeter.com or +1.404.253.7578

WHAT SHOULD COMPANIES DO NOW?

Although a date certain has not been set for a mandatory adoption of IFRS in the U.S., public and private companies need to prepare for the potential adoption of IFRS and the significant impact convergence will have on financial statements in the next 2 – 3 years. For example, major changes to the financial statements, accounting for leases, revenue recognition, and consolidations are expected to be issued by 2011. In a recent letter to the FASB, Financial Executives International *expressed concerns regarding the effective dates of the numerous new standards anticipated to be issued by June, 2011 under the FASB-IASB Memorandum of Understanding*. As a result, financial statement preparers should stay informed of the convergence project and the potential move to IFRS.

DEVELOP A STEERING COMMITTEE –

The size and composition of the steering committee will depend on several factors such as the size of the company and if the company operates in an international marketplace. The steering committee will facilitate future actions related to the considerations and transition to IFRS.

PERFORM A HIGH-LEVEL ASSESSMENT –

An assessment will give a company an initial idea of the cost of implementing new convergence standards as well as the potential impact of adopting IFRS. Such an assessment being performed will help avoid future surprises to a company, its management, and the users of the financial statements.

TRACK THE CONVERGENCE PROJECT –

Significant changes in accounting policies will be the result of USGAAP moving closer to IFRS. Companies will need to be adequately prepared for major changes on the horizon.

DETERMINE WHAT CAN BE DONE NOW –

Closely follow the IASB and FASB deliberations and become aware of new standards being issued as a result of convergence. In addition, begin developing an understanding of IFRS. These actions can lead to a company being adequately prepared for significant changes to financial reporting in the near future. ■