Introduction to IFRS
Accounting and Auditing Conference May 20-21, 2009

Presented by
Atul Rai, Ph.D.
School of Accountancy
Barton School of Business
Wichita State University, Wichita, KS
Atul.rai@wichita.edu
(316)978-6251
How international accounting standards are set?

- International Accounting Standards Committee (IASC)
  - Founded in 1973 by an agreement by professional accountancy bodies in nine countries:
    - Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States of America.
The organization

- **IASC Foundation**
  - Established in 2001 by IASC.
  - Apex organization
  - 22 Trustee members selected from different geographical areas of the world.
  - Appoints IASB members, and other committee/council members
  - Raises funds.

- **IASB (International Accounting Standards Board)**
  - established in 2001, preceded by IASC Board
  - Main standard setting organization
  - 12 full-time members and 2 part-time members, appointed by Trustees
    - Expanded to 16 members in 2009
  - Selects agenda
  - Approves all Standards, Exposure Drafts, Interpretations
IFRIC (International Financial Reporting Interpretations Committee)
- Established in 2002.
- 14 members and a non-voting chairperson, appointed by Trustees
- Prepares interpretations for IASB approval
- Provide timely guidance on accounting issues
- Replaced Standards Interpretation Committee (SIC)

Standards Advisory Council (SAC)
- 40 odd members, appointed by Trustees
- Advises IASB on priorities for agenda items and standard-setting projects
Working groups.

- Appointed by IASB on as-needed basis
- Provide technical assistance to IASB on various Standard-setting project

Trustee Appointments Advisory Group

- Advises on appointments of Trustees to IASC Foundation
Standard Setting: Organization

- Source: “IASB and the IASC Foundation: Who we are and what we do” Posted by IASB at www.iasb.org
Standards prior to IASB

At the time IASB was established in 2001, several IASs and SICs were in effect:
- 1975-2000, IAS 1 through IAS 41 issued
- 1997-2001, SIC 1 through SIC 33 issued.

In April 2001, IASB decided that all previously issued standards and interpretations will be in effect, until modified or superseded by new pronouncements.
Since 2003, IASB has issued IFRS 1 through IFRS 8

- No new IFRS since 2006 due to a self-imposed moratorium until 2009.

Since 2004, IFRIC has issued IFRIC 1 through IFRIC 18.
Objectives of IASB

- To develop a single set of global accounting standards that require high quality, transparent and comparable information
  - to help participants in the various capital markets of the world and other users of the information to make economic decisions
- To promote the use and rigorous application of those standards
- To work actively with national standard-setters to bring about convergence of national accounting standards and IFRSs to high quality solutions.
Important steps in the process of setting standards

- consulting the SAC about the advisability of adding the topic to the IASB’s agenda
- publishing for public comment a discussion document
- publishing for public comment an exposure draft approved by at least nine votes of the IASB, including any dissenting opinions held by IASB members
- publishing within an exposure draft a basis for conclusions
- consideration of all comments received within the comment period on discussion documents and exposure drafts
- approval of a standard by at least nine votes of the IASB and inclusion in the published standard of any dissenting opinions
- publishing within a standard a basis for conclusions, explaining, among other things, the steps in the IASB’s due process and how the IASB dealt with public comments on the exposure draft.
Historical highlights

- 1973 Agreement to establish IASC
- 1975 IAS 1 issued.
- 1995 EU multinationals to use IASs.
- 1996 SEC supports IASC objectives for cross-listed companies.
- 1997 SIC formed, SIC 1 issued
- 1998 IAS 39 completed
- 2000 Last IAS, IAS 41 issued.
- 2001 Last SIC, SIC 33 issued.
2001 IASB established

2002

- Europe requires IFRS for listed companies by 2005.
- SIC renamed IFRIC

2003

- IFRS 1 issued.
- Major revisions to 14 IASs
2004 IFRICs 1-5 published
2005 SEC Roadmap to eliminate IFRS-US GAAP reconciliation
2006 IFRS 8 published, IASB announces no new IFRS will be effective before January 2009.
2007
- SEC drops IFRS to US GAAP reconciliation requirement for listed foreign companies using IFRS.
- IFRS for SMEs proposed
- Brazil, Canada, Chile, Japan, India and Korea establish timelines to adapt IFRS
2008

- IFRIC 17 issued
- IFRSs 1, 2, 3, & 5 revised.
- IASs 1, 16, 19, 20, 23, 27, 28, 29, 31, 36, 38, 39, 40 & 41 revised.

2009

- IFRIC 18 issued (the latest IFRIC)
- IASCIF adds Monitoring Board of Public Authorities
- IAS 3, 17, 39 revised
More than 100 countries now permit or require IFRSs.
Forthcoming adoptions of IFRS

- Brazil: 2010
- Canada: 2011
- South Korea: 2011 (permitted from 2009)
- Mexico: 2012 (plans announced)
- India: 2012
SEC’s roadmap for IFRS

- Issued in November 2008, inviting public comments
- Proposes requirement to use IFRS by 2014 may be possible subject to certain milestones being achieved.
- Proposes decision to adopt or not be made by 2011
Milestones proposed in SEC’s roadmap

- improvements in accounting standards;
- the accountability and funding of the IASC Foundation;
- the improvement in the ability to use interactive data for IFRS reporting;
- education and training relating to IFRS;
- limited early use of IFRS where this would enhance comparability for U.S. investors;
- the anticipated timing of future rulemaking by the Commission; and
- the implementation of the mandatory use of IFRS by U.S. issuers.