

APPENDIX C

INTERNATIONAL FINANCIAL REPORTING STANDARDS

DISCUSSION QUESTIONS

1. In recent years, the removal of trade barriers and the growth in cross-border equity and debt issuances have led to a dramatic increase in international commerce. As a result, companies are often reporting financial results to users outside of the United States. Historically, accounting standards have varied considerably across countries. These differences have been driven by cultural, legal, and political differences and resulted in financial statements that were not easily comparable and difficult to interpret. A global set of accounting standards can reduce cross-country differences in accounting standards, making it easier for users to compare and use financial statement information.
2. International Financial Reporting Standards (IFRS) are a set of global accounting standards. IFRS applies to companies that issue publicly traded debt or equity securities, called public companies, in countries that have adopted IFRS as their accounting standards. Since 2005, all 27 countries in the European Union (EU) require public companies to prepare financial statements using IFRS. In addition, over 100 other countries have adopted IFRS for public companies.
3. The International Accounting Standards Board (IASB) is the body charged with developing International Financial Reporting Standards. Like the FASB, the IASB is an independent entity that establishes accounting rules. Unlike the FASB, the IASB does not establish accounting rules for any specific country. Rather, it develops accounting rules that can be used by a variety of countries, with the goal of developing a single set of global accounting standards.
4.
 - a. Convergence is the alignment of IFRS and U.S. GAAP one topic at a time, slowly merging IFRS and U.S. GAAP into two broadly uniform sets of accounting standards. The FASB and IASB have agreed to work together on a number of difficult and high-profile accounting issues. These issues frame a large portion of the disagreement between the two sets of standards, and if accomplished, will significantly reduce the differences between U.S. GAAP and IFRS.
 - b. Adoption would entail the U.S. Securities and Exchange Commission formally deciding to adopt IFRS as the accounting standard framework for U.S. GAAP. Only the SEC has the authority to adopt IFRS as GAAP for U.S. public companies.
5.
 - a. U.S. GAAP is considered to be a “rules-based” approach to accounting standard setting. The accounting standards provide detailed and specific rules on the accounting for business transactions. There are few exceptions or varying interpretations of the accounting for a business event.
 - b. IFRS is a “principles-based” approach that must be broad enough to capture cross-country legal and cultural differences, while still presenting comparable financial statements. This approach provides greater opportunity for different interpretations of the accounting treatment of a business event across different business entities. It also provides more latitude for professional judgment than typically found in comparable U.S. GAAP.
6. Under IFRS, a company may select between historical cost or revalued amount (a form of fair value). If impaired, the impairment loss may be reversed in future periods.

U.S. GAAP requires the use of historical cost. If the asset is impaired, the impairment loss may NOT be reversed in future periods.
7. IFRS prohibits the use of LIFO. U.S. GAAP allows the use of LIFO.

