


International Financial Reporting Standards



Worldwide Adoption of IFRSs

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The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB Foundation or the IASB



Why Global Standards are Needed

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- Accounting standards evolved nationally
- Globalisation hindered by national comparisons



Benefits to Capital Markets


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- Credibility of local market to foreign investors
- Greater cross-border investment
- Efficient capital allocation
- Comparability across political boundaries
- Facilitates global education and training




Benefit to companies 4

- Lower cost of capital
- Integrated IT systems
- Easier consolidation
- “One set of books”
- Assist in raising capital overseas
- Understand financial statements of overseas suppliers, customers, subsidiaries



IFRS Around the World 5

	<u>Total</u>
IFRSs permitted	24
IFRSs required <i>(for all domestic companies)</i>	85
IFRS required <i>(for some domestic companies)</i>	4
	<u>113</u>



The World is Getting Smaller 6

THE MOMENTUM TOWARDS GLOBAL IFRS ADOPTION
More than 100 countries already support the use of International Financial Reporting Standards (IFRS), or are converging with the IASB's standards.



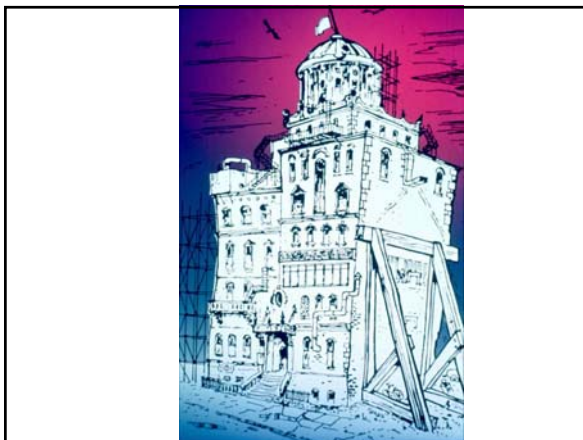

FASB/IASB Agreement - 2002

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- Remove differences
- Align Agendas
- Interpretation









Conceptual Framework Issues 10

- The objectives of financial reporting
- Qualitative characteristics
- Definitions of assets and liabilities
- Recognition
- Measurement
- Presentation




Roadmap - 2006 11

1. Short term
 - remove major differences
2. Medium term
 - new joint standards where significant improvement required



**Roadmap – Medium term
Active Agenda** 12


- Business combinations
- Revenue Recognition
- Liability/Equity
- Performance Reporting
- Leases
- Pensions



Leases - 2006 13

Total Leasing Volume \$634bn


- N. America – 38%
- Europe – 41%
- Asia – 15%



Pensions 14


	£m
Deficit	10
Less 10% of liabilities	<u>4</u>
	<u>6</u>

Spread over 10 year working life
Deficit per accounts - £600,000



**Roadmap – Medium Term
Active Agenda** 15

- Financial Instruments
- Consolidations/SPV
- Derecognition
- Fair Value Measurement



Possible SEC Rule Changes 16


SEC –Regulation – removal of reconciliation - 2007

- Proposal Release – IFRS available to US companies





Principle based standards 17

Can we do it?




Principle-based standards 18



Principles **Rules** 


A principle based standard 19

- No exceptions
- Core principles (objectives)
- No inconsistencies
- Tied to conceptual framework
- Judgement
- Minimum guidance




Rule-based Standards 20

- If don't act with integrity
- If attack reasonable judgement in court
- If ask for voluminous interpretations
- If raw economic facts are unacceptable
- If regulators want one answer




Problems for IASB 21

- Principles v rules
- Acceptance of Standards
 - EU
 - SEC



Other Projects 22

- Insurance
- SMEs
- Management Commentary



The Future 23

2008	IFRS - 113 Countries + US Convergence programme
2011	IFRS – 150 Countries + IFRS/US Broadly Converged



The Future 24

- 1 year after publication before implementation
- Review 2 years after implementation

