

1 INTRODUCTION AND SCOPE OF BOOK

1.1 NATURE OF ACCOUNTING LITERATURE AND PERTINENT PRONOUNCEMENTS

International Financial Reporting Standards (IFRSs) contain an all-inclusive general standard, i.e., IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, concerning a company's migration to IFRSs as a comprehensive basis of accounting. Although regulated by a single standard, transition to IFRSs is a pervasive event that involves all accounting pronouncements, with implications in virtually all strategic, managerial, and operating areas of an organization.

This Book refers to the principal IFRSs, U.S. GAAP, and SEC pronouncements that are applicable to the structuring of the IFRS financial statements, including U.S. GAAP and SEC rules and regulations that have been developing over time for foreign entities reporting in the U.S.

The International Financial Reporting Interpretations Committee (IFRIC) recently changed its name to IFRS Interpretations Committee. Starting from July 1, 2010, the International Accounting Standards Committee Foundation (IASCF) became the IFRS Foundation. The IASB recently renamed its website as IFRS.org. The Accounting Standards Executive Committee (AcSEC) recently became the Financial Reporting Executive Committee (FinREC). This Book maintains the above original names, including for all reference dating before these changes.

1.2 SIGNIFICANCE OF THE IFRS TRANSITION

The significance of transition to IFRSs is a function of the type of previous GAAP that an entity adopted before such a move. The impact depends on the degree of prudence of the sets of standards previously used, the differences with IFRSs, and the specific facts and circumstances applicable to each reporting entity. To mention some, the following surveys illustrate the impacts of first-time adoption of IFRSs in certain countries and sectors.

According to a 2007 survey of European publicly listed and unlisted companies, 40% of preparers reported no change in profits, 23% stated that profits slightly increased, and 8% registered a high boost. 16% indicated a slight decrease in profits and 4% a much lower level. The remaining companies did not provide an analytic answer.¹

A 2005 survey of 45 IFRS first-time adopters illustrated that on average, profit or loss increased by approximately 43% and equity by 13%. The most significant areas that impacted profit or loss were goodwill for 63% of companies, financial instruments for 35%, employee benefits

¹ *The Institute of Chartered Accountants in England and Wales (ICAEW), 2007. EU Implementation of IFRS and the Fair Value Directive, a Report for the European Commission, ¶ Figure 4.15. [Online] London: ICAEW. Available at: www.icaew.com/ecifrsstudy [last accessed: July 31, 2010] (hereinafter ICAEW 2007 Survey).*

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for 33%, share-based payment for 28%, tax for 26%, and intangible assets for 26%. The most significant areas that impacted equity were employee benefits for approximately 65% of companies, goodwill for 43%, tax for 43%, dividends for 35%, financial instruments for 33%.²

According to another survey concerning 2005 financial statements, approximately 70% of French survey companies improved profit or loss by adopting IFRSs (34% with an effect lower than 10% in comparison to the previous year, 19% with an impact higher than 30%, and 17% placed somewhere in between). The remaining 30% of surveyed companies registered a decrease in results (by less than 10% for 23% of the cases, a negative effect in excess of 30% for 2% of the occurrences, whereas the remaining 5% ranked somewhere in between). 69% of the survey companies increased shareholders' equity (42% with an effect lower than 10%, 6% with an impact higher than 30%, and 21% in between). The remaining 31% registered a decrease (less than 10% for 22% of the cases, a negative effect greater than 30% for 3% of the occurrences, and the remaining 6% located in between).³

A survey on the adoption of IFRSs in 2005 by Italian listed companies showed that the change in stockholders' equity relative to previous GAAP exceeded a $\pm 10\%$ range for 29% of consolidated financial statements as of the beginning of 2004 (32% as of the end of 2004). These figures become 35% (25% as of the end of 2004) for entity's financial statements. 2004 consolidated net income improved in 73% of occurrences (52% in case of parent's separate financial statements), turning loss to profit in 5% of the cases (2% for parent's separate financial statements).⁴

The percentage change in stockholders' equity due to the 2005 first-time adoption of IFRSs for the 24 largest European banks was positive in France up to over 20% in one case, and in Belgium from over 5% up to 15%. It was generally decreasing in the United Kingdom down to less than -10% in one occurrence, and with mixed results in other countries with a range from $+10\%$ to less than -15% .⁵

An analysis of the impact of the adoption of IFRSs in 2005 by six European companies in the building materials sector showed a prevailing downward change, ranging from -4% to -10% , in total equity (only one player presenting a positive increase). Income before taxes increased from approximately 2% to 16%.⁶

² KPMG, December 2005. International Financial Reporting Standards (IFRS) Survey of First-time Adoption. [Online] KPMG. Available at: www.kpmgifrg.com [last accessed: February 5, 2007] (hereinafter KPMG 2005 Survey).

³ *Mouvement des Entreprises de France (MEDEF)*, October 2006. Survey, Chief Financial Officers of Listed Groups and the IFRS: What Lessons, What Objectives for after 2005?, ¶¶ Chapter 2, Appendix 1 (hereinafter MEDEF 2006 Survey).

⁴ Osservatorio Bilanci Sezione di Ragioneria – Dipartimento di Economia Aziendale Università degli Studi di Torino, October 16, 2006. Summit 2005, Rapporto sui bilanci 2005 delle società quotate. [Online] Summa. Available at: www.m2a.unito.it [last accessed August 5, 2007].

⁵ Ernst & Young, October 2006. The Impact of IFRS on European Banks – 2005 Reporting. [Online] Ernst & Young. Available at: www.ey.com/ifrs [last accessed October 2006] (hereinafter EY, 2005 Banking).

⁶ Ernst & Young, December 2005. IFRS, The Implications for the Building Materials Sector. [Online] Ernst & Young. Available at: www.ey.com/ifrs [last accessed December 2005].

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According to the analysis of 35 listed companies that were part of the S&P/MIB index in Italy, the first-time adoption of IFRSs in 2005 increased stockholders' equity by +2.7% on average. The breakdown by sector was +15.8% for insurance, +5.5% for industrial companies, +4.5% for media and telecom, -4.9% for energy and utilities, -3.5% for banking, and +51.9% for other trades and services. The impact on net income was +10.3% on average, and +12.2% for insurance, -0.9% for industrial companies, +62.4% for media and telecom, +8.5% for energy and utilities, +1.4% for banking, and +68.6% for other trades and services.⁷

1.3 IFRS TRANSITION SCENARIO

Massive first-time adoption of IFRSs occurred in 2005 and 2006 in the European Union in connection with EC Regulation 1606/2002.⁸ In 2007 the CESR reported that from 2005 the IFRS adopters in the countries of the CESR Members numbered 7365, of which approximately 23% from the UK, 13% in Germany, 12% in France, 6% in Bulgaria, 5% in Greece, 5% in Italy, 5% in Sweden, 4% in Spain, and the remainder from other countries.⁹ EC Regulation 1606/2002 permitted EU Member States to defer the first-time adoption of IFRSs to a financial year starting on or after January 2007 for companies, inter alia, that are listed in a non-member State and report under U.S. GAAP.¹⁰

As is well known, the IASB and the FASB are committed to a joint work program as described in their Memorandum of Understanding. The Memorandum of Understanding establishes a roadmap of convergence between IFRSs and U.S. GAAP 2006–2008. The MoU called for issuance of one or more due process documents by 2008. In 2008, the FASB and the IASB updated the Memorandum of Understanding. On September 24–25, 2009 in Pittsburgh, the G20 Leaders endorsed a timeline for convergence of IFRSs and U.S. GAAP by 2011 outlined in the update of the Memorandum of Understanding. In November 2009, the FASB and the IASB reaffirmed their commitment to their Memorandum of Understanding. They issued a joint statement indicating a pathway for completion of the major projects by 2011. In June 2010, they revised their convergence work plan to prioritize the major projects.

To give preparers a relatively stable period to implement the IFRS platform, the IASB announced that it would not require the application of new standards before January 1, 2009,¹¹ although in the meantime it has developed new standards. In October 2010, the IASB and the FASB published a Discussion Paper soliciting feedback on the best effective times and

⁷ Protiviti, *December 2005*. Insight No. 6 2005. Available at: www.protiviti.it [last accessed January 2006].

⁸ Regulation (EC) No. 1606/2002 of The European Parliament and of The Council of 19 July 2002 on the application of international accounting standards (hereinafter EC Regulation 1606/2002).

⁹ Committee of European Securities Regulators, CESR, *Press Statement, CESR/07-121b, April 2007*; Committee of European Securities Regulators, CESR, *November 2007. 07-352, CESR's Review of the Implementation and Enforcement of IFRS in the EU, ¶ Appendix 1. [Online] CESR, France. Available at: www.cesr.eu [last accessed May 25, 2009]*; Commission of The European Communities, Report from the Commission to The Council and The European Parliament on The Operation of Regulation (EC) No 1606/2002 of 19 July 2002 on The Application of International Accounting Standards (April 24, 2008), ¶ 2.3.

¹⁰ EC Regulation 1606/2002, article 9(b).

¹¹ IASB Press Release, *December 2006*. No new major standards to be effective before 2009. [Online] IASB. Available at: www.iasb.org [last accessed February 2007].

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transition methods of standards that they are jointly developing.¹² In general, the effective date of major projects planned for completion by 2011 is the beginning of 2013.¹³

In the United States, the Securities and Exchange Commission permitted foreign registrants to file IFRS financial statements with reconciliation to U.S. GAAP, with some accommodations for first-time adoption of IFRSs. In 2006, the SEC staff reviewed the annual reports of more than 100 foreign private issuers.¹⁴ Approximately 110 foreign private issuers filed IASB-compliant IFRS financial statements with the SEC, and approximately 70 companies with a jurisdictional variation of IFRSs. IFRS filings with the Commission have been principally from European and Australian issuers.¹⁵

Effective for financial years ending after November 15, 2007 and interim periods within those years contained in filings made after March 4, 2008, the SEC amended Form 20-F and Regulation S-X, and other regulations, forms, and rules under the Securities Act of 1933 and the Exchange Act of 1934, to accept IFRS financial statements without reconciliation to U.S. GAAP from foreign private issuers. This is limited to English language financial statements prepared under the IASB (International Accounting Standards Board) version of IFRSs. Regulation S-X continues to apply to filings from such foreign private issuers with the exception of their financial statement form and content.¹⁶

The SEC also published a Concept Release on allowing U.S. issuers, including investment companies subject to the Investment Company Act of 1940, to prepare financial statements in accordance with IFRSs as published by the IASB for purposes of complying with the rules and regulations of the Commission.¹⁷

On August 27, 2008, the SEC proposed a “roadmap” to IFRS that would require all U.S. public companies to file their financial statements in IFRSs by 2016 and allow some U.S. companies, based on certain criteria, to use IFRSs for their filings for fiscal years ending on or after December 15, 2009. In 2011, the SEC is to evaluate the steps made in the roadmap and decide whether to require large accelerated filers (issuers with common equity of at least \$700 million) to report under IFRSs starting from fiscal years ending on or after December 15, 2014. Accelerated filers would report under IFRSs starting for fiscal years ending on or after December 15, 2015, and all other public companies for fiscal years ending on or after December 15, 2016.

However, on February 24, 2010, the SEC issued a statement calling for more study of IFRSs and setting 2015 as the earliest possible date for the required use of IFRSs by U.S. public

¹² FASB, *October 2010. Discussion Paper, Effective Dates and Transition Methods*; IASB, *October 2010. Request for Views on Effective Dates and Transition Methods*.

¹³ IASB *Update, December 2009*.

¹⁴ SEC, *July 2, 2007. Observations in the Review of IFRS Financial Statements*. [Online] SEC. Available at: http://www.sec.gov/divisions/corpfin/ifrs_staffobservations.htm [last accessed September 2007].

¹⁵ *Security and Exchange Commission, July 2, 2007, Proposed Rule (Release No. 33-8818), Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP, page 29 (hereinafter Release No. 33-8818)*.

¹⁶ *Release No. 33-8818*.

¹⁷ *Securities and Exchange Commission, August 2007. Release No. 33-8831, Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards (hereinafter Release No. 33-8831)*.

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companies. It confirmed the year 2011 as the threshold for a decision on whether to move ahead. The SEC withdrew the proposed rules for limited early use of IFRSs by certain U.S. issuers, although it did not exclude the possibility of early use or adoption. The statement does not rule out the possibility in the future that issuers may be permitted to choose between the use of IFRSs or U.S. GAAP. The work plan addresses six specific areas of concern: 1) whether IFRS is sufficiently developed and consistent in application for use in the U.S. reporting system; 2) the independence of standard setting; 3) investor understanding and education regarding the new standards and comparison with U.S. GAAP; 4) impact on U.S. laws or regulations; 5) impact on both large and small companies; and 6) preparation of auditors. The successful completion of the FASB-IASB convergence project is perceived as a critical milestone.

On May 26, 2011, the SEC published an update concerning the work plan to IFRSs.¹⁸ After analyzing the difference between enforcement and convergence, the SEC's paper addresses the so-called "condorsement" approach. This approach intends to lead to IFRS compliance by U.S. issuers that are compliant with U.S. GAAP. At the end of a transitional period, U.S. GAAP would incorporate IFRSs. In this respect, this is similar to an enforcement approach. During a transitional period of five to seven years, differences between IFRS and U.S. GAAP would be addressed. In this respect, this is similar to a convergence approach. The transition period could permit a staged or phased implementation. Finally, the FASB would also have a role to issue supplementary or interpretative guidance, adding disclosure requirements, or setting requirements on issues not addressed by IFRSs.

As of May 18, 2008, the Council of the AICPA designated the IASB as the body to establish international financial reporting standards for both private and public entities pursuant to Rule 202 and Rule 203 of the AICPA Code of Professional Conduct. In three to five years, the Council will reassess this decision.¹⁹ In particular, the AICPA's recognition of the IASB as a designated standard setter has opened the route for the use of IFRSs by nonpublic entities in the U.S., especially IFRS for small and medium-sized entities. An analysis on IFRSs in 175 jurisdictions found out that for domestic listed companies 30 countries do not permit IFRSs, 24 permit them, six require IFRSs for some companies, 94 require IFRSs or full IFRS equivalent or substantially converged standards for all companies, and 21 have no stock exchange. Of 136 jurisdictions for which information concerning unlisted companies is available, 37 jurisdictions do not permit IFRSs, 44 permit IFRSs for all or some companies, 30 require them for some companies, and 25 for general purpose financial statements of all companies.²⁰

All over the world, several patterns of adoptions, or combinations of approaches, have arisen depending on the country involved. Some countries have required the use of IFRSs for consolidated financial statements of listed companies. Others have required or permitted this for listed companies, or extended to unlisted companies with an option to use local accounting principles. Certain jurisdictions, for example Ukraine, have permitted IFRSs for all companies with no reconciliation to local GAAP; others (e.g., Bangladesh) have required them for all companies, still others have prohibited IFRSs completely (for example, Iran). The U.S.

¹⁸ SEC, 2011. Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers. [Online] Available at www.sec.gov [last accessed May 29, 2011].

¹⁹ AICPA. Amendment to Code of Professional Conduct, Appendix A – Council Resolution Designating Bodies to Promulgate Professional Standards.

²⁰ Adapted from: Deloitte, Use of IFRSs for Reporting by Jurisdiction. [Online] Deloitte. Available at: www.iasplus.com/country/useias.htm [last accessed August 25, 2011].

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traditional approach was a limited permission with reconciliation to local GAAP. The EU has chosen a clearance process resulting in a jurisdictional version of IFRSs. Amendment of local GAAP to conform partly or entirely to IFRSs is another pattern (for example, in Australia). Other countries, such as the U.S., Canada, Japan, India, have plans in progress to adopt IFRSs.

Most importantly, some major economies, e.g., Canada, which has announced IFRS convergence by 2011, are migrating to IFRSs by 2010–2012 and beyond. In 2006, China promulgated a new set of accounting standards substantially in line with IFRSs.

On July 24, 2007, the Council of the Institute of Chartered Accountants of India announced its IFRS convergence plan for listed entities, other public interest entities such as banks, insurance companies, and large-sized entities from the accounting periods commencing on or after April 1, 2011.

On January 28, 2010, the Brazilian Federal Council of Accounting and the Brazilian Accounting Pronouncements Committee signed an MoU with the IASB to converge fully to IFRS by end 2010.

On August 1, 2008, the Financial Reporting Foundation (FRF) and Malaysian Accounting Standards Board (MASB) announced their plan to bring Malaysia to full convergence with IFRSs by January 1, 2012. For the time being, private entities will continue to apply Private Entity Reporting Standards (PERS).

In November 2008, the National Banking and Securities Commission of Mexico together with the Mexican Board for Research and Development of Financial Reporting Standards communicated a plan to adopt IFRS for listed entities starting for periods ending on 31 December 31, 2012.

Public companies in Argentina will be required to adopt IFRSs starting in 2012, with an option to file financial statements in accordance with IFRS starting in January 2011.

The South Korean government has approved mandatory adoption of IFRSs by 2011 for all listed companies and unlisted financial institutions in certain sectors. All companies except financial institutions could voluntarily adopt IFRSs from January 1, 2009.

On December 11, 2009, the Japan Financial Services Agency (FSA) announced regulatory changes to allow certain qualifying domestic listed companies to apply IFRSs in consolidated financial statements, starting from the fiscal year ending on or after March 31, 2010. A final decision on mandatory requirement of IFRSs from 2015 or 2016 will be taken around 2012.

1.4 SCOPE OF THE BOOK

1.4.1 The Dual Reporting Perspective

This Book uses the expression “dual reporting” to mean the use of systems, processes, and procedures to report under at least two comprehensive bases of accounting in a complete set of general purpose primary financial statements. This Book follows a multi-standard comparison approach, and includes implications for managers. It also includes some practical tools to help face changing accounting systems to reporting in (at least) two comprehensive bases of accounting, as opposed to just a one-off exercise for reconciliation to U.S. GAAP.

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The circumstances discussed in Paragraph 1.3 previously show that companies migrating to IFRSs may have the need to embed the capabilities mentioned above in their systems. The Concept Release also acknowledges this phenomenon for certain U.S. issuers, due to competition for capital globally, a broad subsidiaries base in IFRS jurisdictions, or the requirement to file under IFRSs for regulatory or statutory purposes.²¹ The pathway foreseen in the SEC statement might be read in the sense that dual reporting would be the most likely route. For example, if the SEC requires IFRSs for the years ending on or after December 31, 2015, the transition date for a calendar-year company would be January 1, 2013. This means that from 2013 to 2015 and very likely beyond, some dual reporting systems will be necessary. If the condorsement approach is followed, there will be a transitional period of at least five to seven years plus the transition year and probably two comparative years, during which IFRSs/U.S. GAAP dual reporting will be a typical situation. U.S. multinationals that are present in IFRS jurisdictions may share some of the reasons for adopting IFRSs with other non-U.S. enterprises. These standards may provide them some of the general benefits that are normally associated with the concept of a single set of high quality globally accepted accounting standards. Benefits comprise raising foreign finance, including non-U.S. based finance, reducing costs of global investment and of restating financial statements,²² improving corporate image, competitiveness, financial transparency, and international visibility with customers, investors, and financial markets, enhancing the decision usefulness for users of financial statements, and providing a common accounting language to enhance internal management. IFRS for small and medium-sized entities has opened to a much more extended audience.

Dual reporting tools are what, in the initial transition phase, really matter to U.S. companies that operate both in the United States and in foreign jurisdictions or multinational companies that are present in countries where IFRSs are effective. Transition processes may result in expensive professional charges to clients, unless better time and result for money are achieved through a multi-chartered accounting environment that capitalizes on a dual reporting practice, as opposed to the traditional and costly approach of mobilizing staff from the U.S. and European practices of a professional firm. Solutions proposed would not need the involvement of foreign branches and affiliates and therefore would be cost competitive. It is a tremendous opportunity to shift the business processes from report production to streamlined and cost-effective data capture and generation. This is an opportunity for business process re-engineering, to build a comprehensive data warehousing which comprises data for financial reporting as well, and to extend internal controls to the issues of the new standards. Exhibit 1-1 illustrates the types of companies that may need dual reporting under IFRSs and U.S. GAAP.

Although the Book occasionally refers to not-for-profit organizations, the accounting for these entities, as well as for governmental organizations, is outside of the scope of the Book.

1.4.2 IFRS Migration, Transition, or First-Time Adoption

This Book is relevant irrespective of the IFRS approach that a jurisdiction might adopt. Firstly, the analysis of differences between IFRSs and U.S. GAAP is the core of the Book. This is of current interest irrespective of any model of convergence or incorporation of IFRSs in the

²¹ Release No. 33-8831, page 7.

²² Similarly, the Concept Release, page 13 regarding the lowering of costs in preparing consolidated financial statements as a possible driving force in a situation where a U.S. issuer has a large number of subsidiaries reporting under IFRSs, as long as an increase in cost of capital does not offset such benefit.

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Exhibit 1-1 Companies that May Need Dual Reporting under IFRSs and U.S. GAAP

	<i>U.S. Company</i>		<i>Company of an IFRS Jurisdiction</i>	
	<i>Parent Company</i>	<i>Subsidiary/Entity</i>	<i>Parent Company</i>	<i>Subsidiary/Entity</i>
<i>For use in the U.S.</i>	<ul style="list-style-type: none"> A U.S. public parent would prepare IFRS consolidated financial statements, to the extent allowed by the SEC A U.S. public parent consolidates under U.S. GAAP an IFRS subsidiary 	<ul style="list-style-type: none"> A U.S. public company, would prepare IFRS financial statements, to the extent allowed by the SEC. A U.S. subsidiary that files under U.S. GAAP or a foreign issuer not meeting the definition of an FPI prepares IFRS financial statements for consolidation by an FPI 	<ul style="list-style-type: none"> An IFRS parent consolidates under U.S. GAAP a foreign nonpublic company or an FPI subsidiary, that uses a jurisdictional version of IFRSs An FPI consolidates under IASB-IFRS a U.S. subsidiary or a foreign issuer not meeting the definition of an FPI 	<ul style="list-style-type: none"> A foreign nonpublic company or a FPI that uses a jurisdictional version of IFRSs restates under U.S. GAAP for Form 20-F An IFRS subsidiary prepares U.S. GAAP statements for the U.S. parent
<i>For use in foreign jurisdictions</i>	<ul style="list-style-type: none"> A U.S. parent prepares IFRS consolidation of foreign entities for use outside the U.S. 	<ul style="list-style-type: none"> U.S. company reports under IFRS to a foreign parent U.S. nonpublic company present, listed or going public abroad U.S. company prepares IFRS statements for use abroad 	<ul style="list-style-type: none"> Foreign parent consolidates under IFRS a U.S. subsidiary that is nonpublic or going private Foreign parent consolidates under IFRS a subsidiary that is a U.S. public company not yet allowed to report under IFRS in the U.S. 	<ul style="list-style-type: none"> An IFRS foreign company reports under U.S. GAAP to a parent for use abroad

FPI = Foreign Private Issuer.

U.S. systems. Whether the SEC goes for an endorsement, a convergence, or a condorsement approach, the real topic that companies want to understand is how IFRSs compare to U.S. GAAP. They want this at operational level. Secondly, even under a condorsement approach, companies would implement IFRSs, although formally as part of U.S. GAAP. Irrespective of whether the terms “migration”, “transition”, or “adoption” are used, or whether a convergence, enforcement, or condorsement approach is followed, a company would have to study IFRSs as issued by the IASB, understand and manage any differences with U.S. GAAP.

Chapter 2 focuses on IFRS 1. Of course, this is relevant for any jurisdiction that adopts IFRSs. However, knowing IFRS 1 is also critical in the U.S. This is obvious in the case the SEC goes for a model of first-time adoption. However, this is also important under other scenarios. While a pure convergence approach does not claim compliance with IFRSs, condorsement would do so. After the transitional period, an entity would be required to state explicit and unreserved compliance with IFRSs, which calls for the procedures in IFRS 1. Furthermore, even if some form of waiver of IFRS 1 is developed, the basic accommodations in IFRS 1 would likely be available to U.S. companies, because they are already thought of as facilitations as opposed to retrospective application of IFRSs. In addition, the financial community must know the

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ramifications of IFRS 1 and its effects. Even on the unrealistic assumption that a U.S. blend of IFRS 1 is developed, financial analysts will have to compare foreign private issuers and foreign companies that have applied native IFRS 1 to domestic companies. In addition, financial analysts would quantify the gap resulting from any waiver of IFRS 1. Finally, many U.S. companies must apply IFRSs and IFRS 1 abroad. New foreign private issuer must apply IFRS 1.

1.4.3 Why this Book Includes Guidance to Foreign Private Issuers

This Book does not limit itself to guidance arising in an IFRS context. It extends to the Implementation Guidance that U.S. GAAP and the SEC have been developing over time for foreign entities reporting under IFRSs in the U.S. This is relevant to foreign private issuers reporting under IFRSs in the U.S. However, this is also critical for companies that move from U.S. GAAP to IFRSs, because they cannot ignore the SEC guidance on IFRSs, even if provided in a context of foreign businesses. The Book warns readers of the subtleties and interpretations relating to the IASB-IFRSs, certain jurisdictional versions of IFRSs, and the implications in SEC filings. It expands on any topic with comments and directions arising from several committees within the AICPA, SEC, and other regulators and accounting bodies. The SEC guidance to foreign private issuers provides incredible value for companies reporting under IFRSs. Actually, the use of guidance to foreign private issuers is one of the elements that differentiate this Book from others. Authors of books on IFRSs do not generally analyze U.S. GAAP and SEC guidance on IFRSs. Authors of U.S. GAAP and SEC guidance do not analyze native IFRSs. Consequently, as these are two disconnected worlds, CFOs have to employ Big 4 and external consultants. These consultants involve their foreign branches and so the cost of the IFRS project becomes unaffordable. This is another reason why this type of Book should appeal CFOs, corporate staff, and practitioners.

1.4.4 Other Unique Features of this Book

This book has certain innovative features.

It goes into IFRS implementation and application issues well beyond simply commenting on the accounting requirements. This arises out of the analysis of real-world post-transition topics based on relevant sources, such as enforcement decisions.

It compares IFRSs to U.S. GAAP at peer-to-peer, item-by-item levels, in order to identify solutions under one set of standards to issues arising under the other set of standards and vice versa. This helps find possible answers to grey areas. This is rarely found, because the main difficulty that comparative studies usually encounter is making an inventory of whether authoritative literature treats the same, similar, partially overlapping, or very different issues. The reason for this is mostly because different bodies of standards often move from different angles, scope, or starting points.

Its level is deeply technical: companies, practitioners, academics, and students want analysis, discussion, and possible solutions to real technical matters that can help them solve their pressing accounting problems. In each chapter, there are commentary sections that highlight the similarities, differences, and grey areas on the subject matter in IFRSs, US GAAP, SEC rules and regulations, as well as other accounting jurisdictions. These sections also provide a review of the related literature. The planning point sections within each chapter provide recommendations and propose several resolutions to issues that may be faced by practitioners and other

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corporate staff. Unlike other books, it gives full references to accounting pronouncements for further reading and analysis by interested readers.

The EU has gained experience from the first-time adoption of IFRSs in so many countries that companies have faced virtually every kind of different technical question. The SEC also acknowledges that the U.S. public capital market has never experienced the magnitude of an event that requires either a massive change in the comprehensive basis of accounting, or the use of a different basis of accounting for purposes of preparing primary financial statements.²³ The Book capitalizes on this experience, in addition to the study of Basis for Conclusions, proposed Exposure Drafts, and convergence projects, in order to analyze the rationales, the practical implications of different accounting requirements and prospective developments.

This Book is not limited to industrial, commercial, and service companies. It also covers certain specialized industries, such as banks and financial institutions, investment companies, brokers and dealers, insurance enterprises, pension and post-retirement plans, real estate, as well as other sectors.

1.4.5 Use of this Book in Jurisdictions Other than the U.S.

The focus of this Book is an operating comparison between IFRSs and U.S. GAAP. However, the Book also addresses IFRSs and IFRS migration irrespective of specific jurisdictions. This Book is more detailed and operating in IFRSs than most books on IFRSs. Therefore, it constitutes a valid guide to IFRS interpretation, application, and implementation in any jurisdiction, especially in relation to grey areas.

1.4.6 The Benefits of Reading this Book

Readers may consult this Book on specific topics or issues. Firstly, the Book analyzes a topic from numerous angles, interspersing comments and planning points on ramifications and implications. In this way, readers may have a deep understanding of a subject at a glance, saving months and months of accounting research.

Secondly, it refers to most of the documents that exist in accounting literature on the specific issues treated. Therefore, readers can know where to find additional materials as appropriate, without initiating a time-consuming research.

Finally, the Book gives a wide, cross cutting and comprehensive picture of the subjects treated. Not all readers have gained years of study and experience in IFRSs to make them adept in all standards and interpretations and their interactions to the level that is necessary to treat a topic more in detail than the high-level analysis that is usually available. Therefore, this feature makes readers aware of aspects that they may otherwise ignore or consider unrelated to the topic studied, without spending years in studying IFRSs.

Alternatively, each chapter or the entire Book may be read sequentially. The subject matter is discussed within a consistent framework. This facilitates reading for studying, whether as part of University curricula, executive courses, or personal learning.

²³ Release No. 33-8831, page 40.