

On IFRS: Q&A with D.J. Gannon, Leader of the Deloitte IFRS Centre of Excellence.

Deloitte, in our desire to help the academic community incorporate International Financial Reporting Standards (IFRS) education into college classrooms, prepared this Q&A document to provide general information about IFRS and its current status and development. This Q&A was performed with D.J. Gannon, a Deloitte & Touche partner specializing in international accounting and financial reporting as well as global regulatory and professional issues. His responsibilities include consulting on matters involving International Financial Reporting Standards (IFRS) and working with Securities and Exchange Commission (SEC) registrants that are foreign private issuers. D.J. chairs the American Institute of Certified Public Accountants' (AICPA's) International Practices Task Force and the AICPA Accounting Standards Executive Committee's Short-Term International Convergence Task Force.

Is the conversion to IFRS really going to happen, particularly given all of the talk lately about what the SEC may do?

Given the Obama Administration's intention to make changes in the U.S regulatory infrastructure that may affect the SEC and the SEC's current focus on the economic crisis, it is unlikely that the SEC will address major policy issues, such as IFRS, before the latter part of the year. While it's difficult to predict exactly what the SEC's next steps on the roadmap will be, there is a continuing global trend toward the use of IFRS. Although the path to arriving at that goal has not been decided, there is political support for the ultimate goal of single set of high quality global standards.

Paul Volcker, who is President Obama's appointee to head a special Economic Recovery Advisory Board and a former IASC Foundation chair, has endorsed the use of IFRS as part of a reformed financial regulatory system. At its summit in November 2008, the G-20 published a medium-term action plan goal of achieving a single set of high-quality global standards. On April 2, 2009, after its summit in London, the G-20 issued a declaration calling on standard-setters to work urgently with supervisors and regulators to achieve a single set of high quality accounting standards. In addition, SEC Chairman Schapiro has reiterated the Commission's support for a single set of global standards at the inaugural meeting of the International Accounting Standards Committee Foundation's Monitoring Board.

One thing is clear – the global trend toward the adoption of IFRS will continue. Over the next two years, various countries – including Argentina, Brazil, Canada, Chile, India, Korea, and Mexico – will transition to IFRS. The Financial Services Agency in Japan also is contemplating a proposal to allow some companies to early adopt in 2010, with possible mandatory adoption beginning in 2015.

How can I get more educated on IFRS?

There are an increasing number of opportunities for IFRS education. First, the IASB has made available on its website (www.iasb.org), without charge, access to the current standards and interpretations. In addition, many accounting firms, including Deloitte have made IFRS materials available. The Deloitte IFRS University Consortium has a number of IFRS materials, including an

IFRS course geared toward graduate students (see www.deloitte.com for more information). Another source of material from Deloitte is our IASPLUS website at www.iasplus.com.

How should we go about incorporating IFRS into our curriculum?

There isn't a "one size fits all" answer to this question. It's important to consider what stage the students are in their coursework.

- Immediate needs – graduate students and seniors
- Mid-term needs – sophomores and juniors
- Longer-term needs – freshman and prospective students

Immediate needs may include leveraging the U.S. GAAP education already obtained and possibly offering a course on IFRS and relevant differences from U.S. GAAP. See the Deloitte IFRS University Consortium for more information.

Mid-term needs include the incorporation of IFRS into intermediate and advanced accounting courses. This effectively means teaching IFRS alongside U.S. GAAP. Examples of IFRS material, including problems, are available on the Deloitte IFRS University Consortium website.

Longer-term needs, which largely have yet to be addressed, include developing materials, including textbooks, so that IFRS can be taught from day one.

How will teaching IFRS be different than teaching U.S. GAAP?

First, it's important to recognize that the overall perspective of the standards is different (principles versus rules). U.S. GAAP focuses more on detailed guidance and bright line rules, where IFRS is more focused on general principles and concepts. This will impact not only what is taught, but how students are assessed. Integrating problem solving skills and economic analysis will become more important as the use of professional judgment will replace more of a "research" focus. Assessment will be more subjective, with a focus on the decision-making process.

What topical areas should I focus on now?

When determining which topical areas to prioritize now, consider the level of convergence between IFRS and U.S. GAAP, and the ongoing convergence efforts between the FASB and IASB. Priority 1 areas include major areas of difference where either no future convergence is planned or the convergence project is mostly aligned with current IFRS. Priority 2 areas include areas involving some differences where either no future or further convergence is planned. Priority 3 areas include areas involving some difference where future convergence is planned, but timing is uncertain. These items are summarized below:

Priority 1	Priority 2	Priority 3
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Priority 1	Priority 2	Priority 3
<ul style="list-style-type: none"> • Consolidation policy (IAS 27) • Asset impairment (IAS 36) • Provisions (IAS 37) • Intangibles (IAS 38) 	<ul style="list-style-type: none"> • Share-based payment (IFRS 2) • Business combinations (IFRS 3) • Inventories (IAS 2) • Property, plant and equipment (IAS 16) • Investments in associates (IAS 28) and joint ventures (IAS 31) • Financial instrument presentation (IAS 32) 	<ul style="list-style-type: none"> • Financial statement presentation (IAS 1 and IAS 7) • Revenues (IAS 11 and IAS 18) • Income taxes (IAS 12) • Leases (IAS 17) • Employee benefits (IAS 19) • Financial instrument recognition and measurement (IAS 39)

For other resources related to IFRS, please visit the [Deloitte IFRS University Consortium](#).
For any questions, please [contact us](#).