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IFAC 2008 Annual Report Highlights Initiatives During Credit Crisis and Need for Convergence to Global Standards

The International Federation of Accountants (IFAC) released its 2008 annual report today, highlighting initiatives to help restore global financial stability and, in addition, describing how some of IFAC's core work-developing international standards and guidance-became even more relevant in the current economic environment.

"As a result of the crisis, some of the ideas IFAC has been communicating for decades are resonating with greater force," said Ian Ball, Chief Executive Officer. "Chief among these is the need for convergence to global standards."

The report features messages from IFAC's immediate Past President Fermín del Valle, IFAC Chief Executive Officer Ian Ball, and Public Interest Oversight Board Chair Professor Stavros Thomadakis, who commented, "As in past years, IFAC has continued its commitment to the

public interest, both in what has been achieved already and in priorities established for the future." In addition, it includes reports from the chairs of the Consultative Advisory Groups to IFAC's independent standard-setting boards.

A key feature of the report is its Service Delivery section, which compares IFAC's planned services with those delivered in five areas:

- Standards and Guidance
- Promoting Quality
- International Collaboration Activities
- Representation of the Accountancy Profession in the Public Interest
- Information Services

"This section of the annual report-which comprehensively describes the services delivered by IFAC in 2008-is critical in demonstrating IFAC's accountability to its stakeholders," said Mr. Ball, adding, "For this reason, we have sought and received assurance from our independent auditors about the reliability of this information."

The annual report describes the actions taken, over the past year, by IFAC and its standard-setting boards in advancing convergence of auditing, ethics, and public sector accounting standards; revising and updating the independence standards of the *Code of Ethics for Professional Accountants*; establishing a new framework for International Education Standards; and developing new benchmark guidance for professional accountants in business, as well as for small- and medium-sized practices.

The IFAC 2008 annual report can be downloaded from the IFAC website at www.ifac.org/About/2008-annual-report.php.

<http://www.ifac.org/MediaCenter/?q=node/view/648>

IFAC Releases 2009 Handbook of International Standards on Auditing and Quality Control

The International Federation of Accountants (IFAC) has released the 2009 *Handbook of International Standards on Auditing and Quality Control*. The handbook can be downloaded free of charge from the IFAC online bookstore (www.ifac.org/store), and print copies can be ordered for shipment in early May.

The handbook brings together all the International Standards on Auditing and the International Standard on Quality Control that have been redrafted by the International Auditing and Assurance Standards Board (IAASB) to improve their clarity. It also includes a Glossary of Terms and the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*. These become effective on December 15, 2009. This handbook replaces Part II of the 2008 *Handbook of International Standards on Auditing, Assurance, and Ethics Pronouncements*.

Part I of the 2008 *Handbook of International Auditing, Assurance, and Ethics Pronouncements* will remain in effect during 2009. It contains pronouncements on auditing, review, other assurance, and related services issued by the IAASB as of January 1, 2008. It also includes the IFAC *Code of Ethics for Professional Accountants*, issued by the International Ethics Standards Board for Accountants. The pronouncements on auditing in

Part I of the 2008 *Handbook of International Auditing, Assurance, and Ethics Pronouncements* will remain in effect up to December 14, 2009; thereafter, they will be replaced by those contained in the 2009 handbook.

<http://www.ifac.org/MediaCenter/?q=node/view/642>

Accountants Uncertain About IFRS Roadmap (USA)

Accounting firm leaders, standard-setters and industry accountants called for more certainty in the roadmap to International Financial Reporting Standards.

With the comment deadline having now passed for the Securities and Exchange Commission's proposed roadmap for transitioning to IFRS from U.S. generally accepted accounting principles, accountants and standard-setters are waiting to find out whether the SEC's new chair, Mary Schapiro, will be willing to adopt the plan pushed by her predecessor, Christopher Cox.

"I don't think there is a groundswell coming from Main Street," said Grant Thornton CEO Ed Nusbaum (pictured) at a forum last Thursday sponsored by Pace University's Lubin School of Business. Foreign investors and multinational companies would like to see both U.S. and international companies using the same set of accounting standards, but he acknowledged that Schapiro "has a lot on her plate" right now dealing with calls for increased regulation of financial firms.

"The Full Employment Act for Accountants would be to have 60 different sets of standards," said PricewaterhouseCoopers global CEO Samuel DiPiazza Jr. He took issue with the notion that accounting standards, such as those for fair value measurement, should be adjusted to make it easier for banks to show more positive results. "I don't think our job is stability, I think it's transparency," he said. "Job No. 1 is to create transparency for the investor."

Meanwhile anticipation for IFRS seems to be flagging in the U.S. "A year ago we felt like we had a lot of momentum," said Patrick Edgar, an audit and SEC reviewing partner with KPMG. Some of his clients were ready to ramp up their transition efforts back then, but now that there is more uncertainty about the roadmap, they have pulled back and are not investing money in converting to IFRS so quickly.

"They want certainty," said D.J. Gannon, national leadership partner at Deloitte & Touche's IFRS Center of Excellence. "Five to seven years is sufficient time for most people to get through what they have to get through." However, he is seeing more political interference occurring in the process.

Danita Ostling, a partner and Americas IFRS leader at Ernst & Young, sees a heavy cost to the U.S. if it doesn't convert to IFRS. "You have to look at what the economic cost is to us as a country, if we are the outlier," she said. "Where is U.S. GAAP going to fit? I don't see it being economically sustainable."

The U.S. Financial Accounting Standards Board and the International Accounting Standards Board have been working on a variety of convergence issues in recent years and they hope to have most of the remaining major issues, such as revenue recognition and leasing, settled by 2011, when the proposed roadmap faces a critical juncture and the SEC will vote on whether or not to adopt IFRS. But Ostling pointed out that all of the converged standards so far have included key differences between U.S. GAAP and IFRS.

Talia Griep, vice president and corporate controller at Honeywell, said the technology company was taking a “wait-and-see approach” but was unable to move to IFRS until issues like revenue recognition were settled. At IBM, director of IFRS policy and implementation Aaron Anderson said the computer maker has seen few differences so far between U.S. GAAP and IFRS in its accounting. “Let’s rip the Band-Aid off and get it done,” he said.

Joyce Joseph-Bell, senior director of Standard & Poor’s Credit Market Services, noted that S&P has been using both GAAP and IFRS to rate companies in the U.S. and abroad, but has not changed the ratings for any companies as a result of them converting to IFRS. She noted that S&P did find more transparency in their IFRS statements, though, allowing it to ask better questions. The ratings agency was able to detect more “grossing up of assets” in the banking industry and saw distinctions in the accounting for goodwill between the two systems.

Tom Jones, vice chairman of the International Accounting Standards Board, emphasized the IASB’s resistance to writing as many rules as those under U.S. GAAP. “When you write rules, smart people can get around them,” he noted.

U.S. GAAP is often compared to IFRS in terms of the number of pages used by the two sets of standards. The more principles-based IFRS runs roughly 2,500 pages, whereas rules-based U.S. GAAP takes up about 25,000 pages, at least until recently. FASB Chairman Robert Herz pointed out that FASB’s new U.S. GAAP Codification reduces the number of pages to 17,000, mainly by eliminating redundant cross-references. However, he believes that there are still hurdles before the SEC will adopt IFRS.

“What needs to happen is the SEC needs to do a very thorough study of the impact on our economy,” he said. “I’m a big proponent of IFRS, but I’m not sure the public policy argument has been made.” In the meantime, he is trying to finish up various convergence projects and get all the “nooks and crannies” filled with the IASB. “Without that, you can’t convince policymakers to make the switch,” he said.

<http://www.webcpa.com/news/Accountants-Uncertain-IFRS-Roadmap-50340-1.html>

IFAC President Robert Bunting Says Government Bailouts Bring International Public Sector Accounting Standards to the Forefront

Speaking at the Higher Education Forum of the National Association of College and University Business Officers (NACUBO) in Miami, FL, on April 26, 2009, Robert L. Bunting, President of the International Federation of Accountants (IFAC), described the enormous changes happening as a result of the global financial crisis and explained why convergence and implementation of international standards is needed to rebuild and sustain the global financial system.

"We are rapidly moving to one world in accounting, auditing, and corporate governance," emphasized Mr. Bunting, adding, "IFAC is expediting the development of standards and guidance on key issues, such as going concern, fair value, financial instruments, and corporate governance-and other issues that have been raised as a result of the crisis-so accountants worldwide operate on a level playing field."

He pointed out that government bailouts of the financial and automotive industries are also resulting in calls for greater accountability and transparency on the part of governments, and indicated that governments can achieve this by adopting International Public Sector Accounting Standards (IPSASs). "Convergence to international public sector accounting standards, which has proceeded at a slower pace than convergence to those in the private sector, is now urgent," Mr. Bunting emphasized. Such standards are used by the United Nations, NATO, IFAC, and the Organization for Economic Cooperation and Development, are supported and promoted by the World Bank, and are already used by many governments around the world.

Mr. Bunting called on university leaders to broaden their curriculum to address the growing need for convergence to international standards: "Teaching only US GAAP (Generally Accepted Accounting Principles) handcuffs students to the US economy. Academic institutions must incorporate International Standards on Auditing, IPSASs, and International Financial Reporting Standards into their accounting curriculum."

Bunting's comments on international standards were part of a presentation about the future of the accounting profession and how universities must broaden their view of what students need-and what the world needs-from accountants. To view the slides of his presentation, go to the IFAC Media Center at www.ifac.org/MediaCenter/?q=node/view/643.

<http://www.ifac.org/MediaCenter/?q=node/view/644>

IFAC'S International Public Sector Accounting Standards Board Launches Review of Cash Basis Reporting in Developing Countries

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board within the International Federation of Accountants (IFAC), has appointed a task force to review the International Public Sector Accounting Standard (IPSAS), Financial Reporting under the Cash Basis of Accounting. As part of the review process, it is asking those who have been involved in the adoption of the Cash Basis IPSAS in developing economies-or who have been exposed to the standard-to complete a questionnaire on their experiences, or anticipated experiences, with respect to implementation issues.

The [questionnaire](#), along with an [invitation letter](#) that more fully explains the review process, can be downloaded from the IPSASB website at www.ifac.org/PublicSector/Projects.php#InProgress. These materials are available in English, Spanish, and French. Responses are invited by July 15, 2009 from interested parties, including Ministers of Finance and heads of finance departments or their equivalents, users of financial reports, advisors, and other relevant financial management and similar experts, including members of the international and national aid agencies.

According to IPSASB Chair Mike Hathorn, "While the IPSASB promotes the adoption of the accrual basis of accounting, it also recognizes that many governments adopt a form of cash or modified cash basis reporting, and it has a responsibility to support those jurisdictions in strengthening their cash basis financial reports." The Cash Basis standard, first issued in January 2003, was updated in 2006 and 2007, making the review very timely.

"The primary objective of the review is to identify the major technical issues that

governments and other public sector entities in developing economies have encountered, or expect to encounter, in implementing the standard. This will provide input to IPSASB deliberations on whether the standard should be modified and/or if further guidance on its application should be provided," explains IPSASB Deputy Chair, Erna Swart, who is chairing the task force.

The questionnaire is the first step in the IPSASB task force review process. As a follow up, the task force will undertake more detailed discussions with a range of users, implementers, technical advisors, and others in a number of regions who have responded to the questionnaire.

<http://www.ifac.org/MediaCenter/?q=node/view/646>

FRC Fears EU May Adopt Own IFRS (UK)

The FRC has warned it expects more interference from the European Union in the IASB's setting of accounting standards.

The accountancy regulator issued the warning in its annual report released today.

The FRC said: 'We note with concern the recent increase in political pressure on both the IASB and FASB. Whilst we remain open to identifying improvements in how fair value accounting is applied, we are of the view that, in those limited areas to which it applies, it is more appropriate than any alternative so far identified.....

'We continue to have significant concerns that the EU might adopt its own version of IFRS rather than the standards as published by the IASB.'

At the end of last year, European mandarins stopped short of forcing through a much larger carve-out of fair value rules only after the IASB made emergency amendments.

This prompted fears a precedent was being set where accounting guidelines were being influenced by politicians.

<http://www.accountancyage.com/accountancyage/news/2243019/frc-fears-eu-adopt-own-ifrs>

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