

Chapter 1

INTRODUCTION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTRODUCTION

Need for a Common Set of Accounting and Financial Reporting Standards

As the oft quoted verse from the world-renowned works of Shakespeare (*Romeo and Juliet*) goes: “What’s in a name? That which we call a rose by any other name would smell as sweet.” One wonders if the same can be said of financial statements prepared in different jurisdictions of the world. Not too far in the distant past, countries and economic regional blocs, such as Europe, would not be swayed by the thought of converging to a single set of global accounting standards and, due to nationalistic approaches to accounting standard setting, a financial statement issued in Japan (under the Japanese accounting standards) was vastly different in terms of accounting treatments and disclosures compared to a financial statement issued in other major parts of the world, say, in Germany where German accounting standards were used. In other words, the “name” that was given to the set of accounting standards used in the preparation of financial statements did matter for several countries since their national standard setters strongly believed that their own (national) accounting standards were suitable for their needs and were compatible to other globally preferred accounting standards.

However, due to the advent of globalization, the falling of the erstwhile insurmountable trade barriers between nations, and more recently the much-awaited response to the global financial crisis, together with calls by world leaders, things have changed dramatically in terms of the preferred set of standards of accounting globally. The accounting and financial world is now seriously considering the notion of using a single set of accounting and financial reporting standards that would be used by most, if not all, the nations around the globe, it appears that in all likelihood the name of that set of global accounting standards may be the International Financial Reporting Standards (IFRS®).

With this transformation of our world into a “flat world” (as some claim) the magical phenomenon of globalization has led to the emergence of a “global village” that we all live in now. The robust waves of globalization surging through the world seem to have transformed businesses across the globe as well as the manner in which they deal with each other across boundaries. If therefore, as the old adage goes, “accounting is the language of business,” then businesses around

the world cannot afford to be speaking in different languages to each other while exchanging and sharing financial results of their international business activities with each other, and also while reporting the results of business and trade to their international stakeholders. As one school of thought believes, since business enterprises around the world are so highly globalized now and need to speak to each other in a common language of business, there is a real need for adopting a single set of accounting standards to unify the accounting world under one canvas and more importantly, solve the problem of diversity of accounting practices across borders.

Historically, countries around the world have had their own national accounting standards (which some countries have treasured for whatever reason, most likely due to the pride of national sovereignty). However, with such a compulsion to be part of the globalization movement, wherein businesses across national boundaries are realizing that it is an astute business strategy to embrace the world as their workplace and marketplace, having different rules (standards) of accounting for the purposes of reporting financial results would not help them at all (rather, it would serve as an impediment to smooth flows of information), and therefore, businesses have realized that they need to talk to each other in a common language. Thus, there is an urgent need for a common set of global, or even universal, accounting and financial reporting standards that are understood, used, and interpreted by different people around the world in the same manner.

The adoption of accounting standards that require high-quality, transparent, and comparable information is welcomed by investors, creditors, financial analysts, and other users of financial statements. Without a common set of accounting and financial reporting standards, it is difficult to compare financial information prepared by entities located in different parts of the world. In an increasingly global economy, the use of a single set of high-quality accounting standards facilitates investment and other economic decisions across borders, increases market efficiency, and reduces the cost of raising capital. International Financial Reporting Standards (IFRS) are increasingly becoming the set of globally accepted accounting standards that meet the needs of the world's increasingly integrated global capital markets.

What Are IFRS?

IFRS is a set of standards promulgated by the International Accounting Standards Board (IASB), an international standard-setting body based in London, United Kingdom. The IASB places emphasis on developing standards based on sound, clearly-stated principles, on which interpretations may be required (sometimes referred to as **principles-based standards**). This contrasts with sets of standards, like US GAAP, the national accounting standards of the United States, which contain significantly more application guidance. These standards are sometimes referred to as **rules-based standards**, but that is really a misnomer as US standards also are based on principles—they just contain more application guidance (or “rules”). IFRS also generally do not provide “bright lines” in distinguishing between circumstances in which different accounting requirements are specified. This reduces the chances of ‘structuring’ transactions to achieve particular accounting effects.

According to one school of thought, since IFRS are primarily “principles-based” standards, the IFRS-approach to standard setting focuses more on the business or the economic purpose of a transaction and the underlying rights and obligations and therefore, instead of providing prescriptive rules (or guidance), IFRS promulgates Standards that lay down guidance in the form of “principles.”

This significant difference in approach to standard setting between IFRS and US GAAP is responsible for the limited number of pages that the IFRS Standards are spread over compared to US GAAP (US GAAP extends to over 20,000 pages of accounting literature as opposed to IFRS which presently is covered in approximately 2,000 to 3,000 pages).

WORLDWIDE ADOPTION OF IFRS

International Financial Reporting Standards (IFRS), which were initially called International Accounting Standards (IAS), are gaining acceptance worldwide. This section discusses the extent to which IFRS are recognized around the world and includes a brief overview of the history and key elements of the international standard-setting process. In the last few years, the international

accounting standard-setting process has been able to claim a number of successes in achieving greater recognition and use of IFRS.

A major breakthrough came in 2002 when the European Union (EU) adopted legislation that required listed companies in Europe to apply IFRS in their consolidated financial statements. The legislation came into effect in 2005 and applies to more than 8,000 companies in 30 countries, including France, Germany, Italy, Spain, and the United Kingdom. The adoption of IFRS in Europe means that IFRS have replaced national accounting standards and requirements as the basis for preparing and presenting group financial statements for listed companies in Europe.

Outside Europe, many other countries also have been moving to IFRS. By 2005, IFRS had become mandatory in many countries in Africa, Asia, and Latin America. In addition, countries such as Australia, Hong Kong, New Zealand, Philippines, and Singapore have adopted national accounting standards that mirror IFRS. According to estimates, currently more than 100 countries require or permit IFRS in preparing and presenting financial statements, and many other countries are expected to adopt or apply IFRS in the coming years. In the period 2011–2012 several major players such as Canada and India are expected to adopt IFRS.

The adoption of standards that require high-quality, transparent, and comparable information is welcomed by investors, creditors, financial analysts, and other users of financial statements. Without common standards, it is difficult to compare financial information prepared by entities located in different parts of the world. In an increasingly global economy, the use of a single set of high-quality accounting standards facilitates investment and other economic decisions across borders, increases market efficiency, and reduces the cost of raising capital. IFRS are increasingly becoming the set of globally accepted accounting standards that meet the needs of the world's increasingly integrated global capital markets.

REMAINING EXCEPTIONS

Measured in terms of the size of the capital markets, the most significant remaining exception to the global recognition of IFRS is the United States. In the US domestic entities continue to follow US GAAP (Generally Accepted Accounting Principles). However, IFRS are being considered for adoption in the United States as well.

The International Accounting Standards Board (IASB), the body responsible for setting IFRS, works closely with the national accounting standard-setting body in the US Financial Accounting Standards Board (FASB), to converge (that is, narrow the differences between) US GAAP and IFRS.

In the United States, the domestic securities regulator (Securities and Exchange Commission, SEC) has dropped its prior requirement for non-US companies that raise capital in US markets to prepare a reconciliation of their IFRS financial statements to US GAAP. This means that non-US companies (foreign private issuers, FPIs) raising capital in US markets no longer are required to reconcile their IFRS financial statement to US GAAP beginning with financial years ending after November 15, 2007. With this important SEC initiative IFRS have already made major inroads into the US capital markets.

The SEC is currently considering whether to permit US companies to use IFRS instead of US GAAP in preparing their financial statements. This is in response to the recognition that the world's rapidly integrating capital markets would benefit from having a set of globally accepted accounting and financial reporting standards and that IFRS have become the primary contender for that title. Additionally, many question why US companies should continue to be required to use US GAAP when non-US companies are permitted to raise capital in US markets without reconciling their IFRS financial statements to US GAAP.

The SEC has announced a Work Plan whereby it will assess and confirm by 2011 whether or not it would recommend that the United States should abandon US GAAP and adopt IFRS, and if they do decide to adopt IFRS, when that would finally happen. The possible timescale for adoption of IFRS according to the initial SEC announcement through a SEC Roadmap (which approach was later modified and replaced with the SEC Work Plan) has been extended and is now expected to be around 2014.

On June 2, 2010, the IASB and the US Financial Accounting Standards Board (FASB), jointly referred to as the Boards, announced a modified strategy for the convergence of IFRS and US GAAP. The Boards first entered into a Memorandum of Understanding (MOU), which was updated in 2008, and a very aggressive work plan was agreed upon in order to complete the MOU projects by 2011. On June 24, 2010, the IASB issued a revised work plan for those MOU and non-MOU projects affected by the joint modified strategy announcement by the Boards, confirming their goal to complete several of these projects by June 2011 while extending the timeline for other nonurgent projects.

THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE

From 1973 until 2001, the body in charge of setting the international standards was the International Accounting Standards Committee (IASC). The principal significance of IASC was to encourage national accounting standard setters around the world to improve and harmonize national accounting standards. Its objectives, as stated in its Constitution, were to

- Formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance
- Work generally for the improvement and harmonization of regulations, accounting standards, and procedures relating to the presentation of financial statements

IASC and the Accounting Profession

IASC always had a special relationship with the international accounting profession. IASC was created in 1973 by agreement between the professional accountancy bodies in nine countries, and, from 1982, its membership consisted of all those professional accountancy bodies that were members of the International Federation of Accountants (IFAC), that is, professional accountancy bodies in more than 100 countries. As part of their membership in IASC, professional accountancy bodies worldwide committed themselves to use their best endeavors to persuade governments, standard-setting bodies, securities regulators, and the business community that published financial statements should comply with IAS.

IASC Board

The members of IASC (i.e., professional accountancy bodies around the world) delegated the responsibility for all IASC activities, including all standard-setting activities, to the IASC Board. The Board consisted of 13 country delegations representing members of IASC and up to four other organizations appointed by the Board. The Board, which usually met four times per year, was supported by a small secretariat located in London, United Kingdom.

The Initial Set of Standards Issued by IASC

In its early years, IASC focused its efforts on developing a set of basic accounting standards. These standards usually were worded broadly and contained several alternative treatments to accommodate the existence of different accounting practices around the world. Later these standards came to be criticized for being too broad and having too many options.

Improvements and Comparability Project

Beginning in 1987, IASC initiated work to improve its standards, reduce the number of choices, and specify preferred accounting treatments in order to allow greater comparability in financial statements. This work took on further importance as securities regulators worldwide started to take an active interest in the international accounting standard-setting process.

Core Standards Work Program

During the 1990s, IASC worked increasingly closely with the International Organization of Securities Commissions (IOSCO) on defining its agenda. In 1993, the Technical Committee of IOSCO held out on the possibility of IOSCO endorsement of IASC Standards for cross-border listing and capital-raising purposes around the world and identified a list of core standards that

IASC would need to complete in order to gain such an endorsement. In response, IASC in 1995 announced that it had agreed on a work plan to develop the comprehensive set of core standards sought after by IOSCO. This effort became known as the Core Standards Work Program.

After three years of intense work to develop and publish standards that met IOSCO's criteria, IASC completed the Core Standards Work Program in 1998. In 2000, the Technical Committee of IOSCO recommended that securities regulators worldwide permit foreign issuers to use IASC Standards for cross-border offering and listing purposes, subject to certain supplemental treatments.

International Accounting Standards and SIC Interpretations

During its existence, IASC issued 41 numbered Standards, known as International Accounting Standards (IAS), as well as a *Framework for the Preparation and Presentation of Financial Statements*. While some of the Standards issued by the IASC have been withdrawn, many are still in force. In addition, some of the Interpretations issued by the IASC's interpretive body, the Standing Interpretations Committee (SIC), are still in force.

List of IAS Still in Force for 2009 Financial Statements

- IAS 1, *Presentation of Financial Statements*
- IAS 2, *Inventories*
- IAS 7, *Statement of Cash Flows*
- IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10, *Events After the Reporting Period*
- IAS 11, *Construction Contracts*
- IAS 12, *Income Taxes*
- IAS 16, *Property, Plant, and Equipment*
- IAS 17, *Leases*
- IAS 18, *Revenue*
- IAS 19, *Employee Benefits*
- IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*
- IAS 21, *The Effects of Changes in Foreign Exchange Rates*
- IAS 23, *Borrowing Costs*
- IAS 24, *Related-Party Disclosures*
- IAS 26, *Accounting and Reporting by Retirement Benefit Plans*
- IAS 27, *Consolidated and Separate Financial Statements*
- IAS 28, *Investments in Associates*
- IAS 29, *Financial Reporting in Hyperinflationary Economies*
- IAS 31, *Interests in Joint Ventures*
- IAS 32, *Financial Instruments: Presentation*
- IAS 33, *Earnings Per Share*
- IAS 34, *Interim Financial Reporting*
- IAS 36, *Impairment of Assets*
- IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*
- IAS 38, *Intangible Assets*
- IAS 39, *Financial Instruments: Recognition and Measurement*
- IAS 40, *Investment Property*
- IAS 41, *Agriculture*

List of SIC Interpretations Still in Force for 2009 Financial Statements

- SIC 7, *Introduction of the Euro*
- SIC 10, *Government Assistance—No Specific Relation to Operating Activities*
- SIC 12, *Consolidation—Special-Purpose Entities*
- SIC 13, *Jointly Controlled Entities—Nonmonetary Contributions by Venturers*
- SIC 15, *Operating Leases—Incentives*
- SIC 21, *Income Taxes—Recovery of Revalued Nondepreciable Assets*
- SIC 25, *Income Taxes—Changes in the Tax Status of an Entity or Its Shareholders*
- SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

SIC 29, *Service Concession Arrangements: Disclosures*
 SIC 31, *Revenue—Barter Transactions Involving Advertising Services*
 SIC 32, *Intangible Assets—Web Site Costs*

THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

In 2001, fundamental changes were made to strengthen the independence, legitimacy, and quality of the international accounting standard-setting process. In particular, the IASC Board was replaced by the International Accounting Standards Board (IASB) as the body in charge of setting the international standards.

Key Differences between IASC and IASB

The IASB differs from the IASC Board, its predecessor body, in several key areas:

- Unlike the IASC Board, the IASB does not have a special relationship with the international accounting profession. Instead, IASB is governed by a group of Trustees of diverse geographic and functional backgrounds who are independent of the accounting profession.
- Unlike the members of the IASC Board, members of the IASB are individuals who are appointed based on technical skill and background experience rather than as representatives of specific national accountancy bodies or other organizations.
- Unlike the IASC Board, which only met about four times a year, the IASB Board usually meets each month. Moreover, the number of technical and commercial staff working for IASB has increased significantly as compared with IASC. (Similar to IASC, the headquarters of the IASB is located in London, United Kingdom.)

The interpretive body of the IASC (SIC) was replaced in 2002 by the International Financial Reporting Interpretations Committee (IFRIC). The latest name of this interpretive arm of the IASB is IFRS Interpretations Committee (which until March 31, 2010 was named International Financial Reporting Interpretations Committee (IFRIC)).

The name of the organization that comprises both the IASB and its Trustees is the IFRS Foundation (which until March 31, 2010, was named International Accounting Standards Committee Foundation). The objectives of the IFRS Foundation, as stated in its Constitution, are

1. To develop, in the public interest, a single set of high-quality, understandable, and enforceable global accepted financial reporting standards based on clearly articulated principles that require high-quality, transparent, and comparable information in financial statements and other financial reporting to help investors and other participants in the various capital markets of the world and other users of the information to make economic decisions.
2. To promote the use and rigorous application of those standards.
3. In fulfilling the objectives associated with 1. and 2., to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.
4. To promote and facilitate adoption of IFRS through convergence of national accounting standards and IFRS.

At its first meeting in 2001, IASB adopted all outstanding IAS issued by the IASC as its own Standards. Those IAS continue to be in force to the extent that they are not amended or withdrawn by the IASB. New Standards issued by IASB are known as IFRS. When referring collectively to IFRS, that term includes both IAS and IFRS.

List of IFRS Issued by the IASB to December 31, 2009

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*
 IFRS 2, *Share-Based Payment*
 IFRS 3, *Business Combinations*
 IFRS 4, *Insurance Contracts*
 IFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
 IFRS 6, *Exploration for and Evaluation of Mineral Resources*
 IFRS 7, *Financial Instruments: Disclosures*

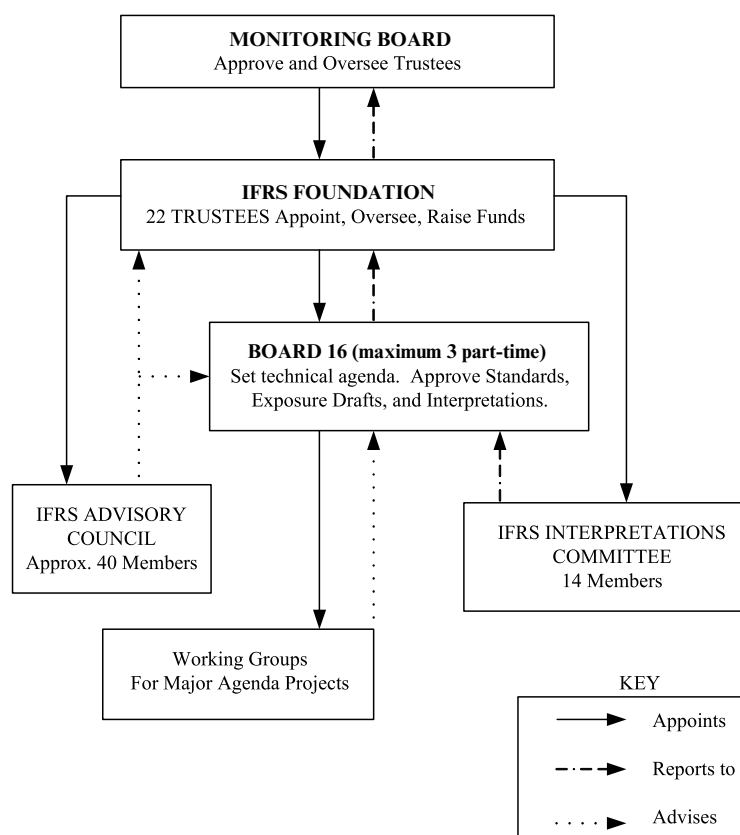
IFRS 8, *Operating Segments*
 IFRS 9, *Financial Instruments*
 IFRS for SMEs*

* NOTE: In July 2009 the IASB promulgated the much-awaited “IFRS for Small and Medium-Sized Enterprises (SMEs).” It provides standards applicable to private entities (that are not publicly accountable as defined in this standard).

One of the initial projects undertaken by IASB was to identify opportunities to improve the existing set of Standards by adding guidance and eliminating inconsistencies and choices. The improved Standards, adopted in 2003, formed part of IASB’s stable platform of Standards for use in 2005 when a significant number of countries around the world moved from national accounting requirements to IFRS, such as all the countries in the European Union.

STRUCTURE AND GOVERNANCE

Diagram of the Current IASB Structure



IFRS Foundation and the Trustees:

The governance of the IFRS Foundation rests on the shoulders of the Trustees of the IFRS Foundation (the “IFRS Foundation Trustees” or, simply, the “Trustees”). The Trustees comprise 22 individuals that are chosen from around the world. In order to ensure a broad international representation it is required that

- Six Trustees are appointed from North America
- Six from Europe
- Six from Asia/Oceanic region
- One from Africa
- One from South America
- Two from any part of the world, subject to maintaining overall geographical balance

The Trustees are independent of the standard-setting activities (which is the primary responsibility of the Board members of the IASB). The Trustees, on the other hand, are responsible for broad strategic issues, such as

- Appointing the members of IASB, the IFRS Interpretations Committee, and the IFRS Advisory Council
- Approving the budget of the IFRS Foundation and determining the basis of funding it
- Reviewing the strategy of the IFRS Foundation and the IASB and its effectiveness, including consideration, but not determination, of the IASB's agenda (which if allowed may impair the Trustees' independence of the standard-setting process)
- Establishing and amending operating procedures, consultative arrangements, and "due process" for the IASB, the IFRS Interpretations Committee, and the IFRS Advisory Council
- Approving amendments to the Constitution after consulting the IFRS Advisory Council and following the required "due process"
- Fostering and reviewing the development of the educational programs and materials that are consistent with the objectives of the IFRS Foundation
- Generally, exercising all powers of the IFRS Foundation except those expressly reserved for IASB, the IFRS Interpretations Committee, and the IFRS Advisory Council

Monitoring Board

In order to enhance public accountability of the IFRS Foundation, while maintaining the operational independence of the IFRS Foundation and the IASB, the Monitoring Board, a new body, was created in 2009. The Monitoring Board comprises capital market authorities (e.g. representatives of institutions such as the IOSCO, the US SEC, and the European Commission) and its responsibilities include participating in the appointment of the Trustees of the IFRS Foundation, advising the Trustees in the fulfillment of their responsibilities, and holding meetings with the Trustees to discuss matters referred by the Monitoring Board to the IFRS Foundation or the IASB.

The Board

The Board is responsible for all standard-setting activities, including the development and adoption of IFRS. The Board members are from around the world and are selected by the Trustees based on technical skills and relevant business and market experience. The Board, which usually meets once a month, has currently 15 full-time members. The Board members are from a mix of backgrounds, including auditors, preparers of financial statements, users of financial statements, and academics. According to the IFRS Constitution, the Board shall comprise 14 members, increasing to 16 members at a date no later than July 1, 2012.

IFRS Advisory Council

The Trustees appoint the members of the **IFRS Advisory Council** (which until March 2010 was named the Standards Advisory Council, SAC). The primary responsibility of the IFRS Advisory Council is to provide advice to the IASB on agenda decisions and priorities in the IASB's work. The IFRS Advisory Council provides a forum for organizations and individuals with an interest in international financial reporting. It encompasses diverse geographical and professional backgrounds.

The IFRS Advisory Council shall comprise 40 members approximately. Members are appointed for a three-year renewable term. Currently the membership of the IFRS Advisory Council includes chief financial and accounting officers from some of the world's largest corporations and international organizations, leading financial analysts and academics, regulators, accounting standard setters, and partners from leading accounting firms.

IFRS Interpretations Committee

IASB's interpretive body, IFRS Interpretations Committee (which until March 2010 was named International Financial Reporting Interpretations Committee, IFRIC), is the IASB's interpretive body and is in charge of developing interpretive guidance on accounting issues that are not specifically dealt with in IFRS or that are likely to receive divergent or unacceptable interpretations

in the absence of authoritative guidance. The Trustees select members of the IFRS Interpretations Committee keeping in mind personal attributes such as technical expertise and diversity of international business and market experience in the practical application of IFRS and analysis of financial statements prepared in accordance with IFRS.

The IFRS Interpretations Committee is comprised of 14 voting members. The Trustees, if they deem fit, may also appoint nonvoting observers representing regulatory bodies, who shall have the right to attend and speak at the meetings of the IFRS Interpretations Committee. A member of the IASB, the Director of Technical Activities, or another senior member of the IASB staff, or another appropriately qualified individual, is appointed by the Trustees to chair the IFRS Interpretations Committee. The IFRS Interpretations Committee meets as and when required, and ten voting members present in person or by telecommunication constitute a quorum. Meetings of the IFRS Interpretations Committee (and the IASB) are open to the public but certain discussions may be held in private at the discretion of the IFRS Interpretations Committee. It is important to note that an IFRS Interpretations Committee interpretation requires the IASB's approval before its final issuance.

List of IFRIC Interpretations issued up to December 31, 2009

- IFRIC 1, *Changes in Existing Decommissioning, Restoration, and Similar Liabilities*
- IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*
- IFRIC 3, *Emission Rights* (withdrawn)
- IFRIC 4, *Determining Whether an Arrangement Contains a Lease*
- IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration, and Environmental Rehabilitation Funds*
- IFRIC 6, *Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*
- IFRIC 7, *Applying the Restatement Approach under IAS 29, "Financial Reporting in Hyperinflationary Economies"*
- IFRIC 8, *Scope of IFRS 2* (withdrawn)
- IFRIC 9, *Reassessment of Embedded Derivatives*
- IFRIC 10, *Interim Financial Reporting and Impairment*
- IFRIC 11, *IFRS 2—Group and Treasury Share Transactions* (withdrawn)
- IFRIC 12, *Service Concession Arrangements*
- IFRIC 13, *Customer Loyalty Programs*
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and Their Interaction*
- IFRIC 15, *Agreements for the Construction of Real Estate*
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17, *Distribution of Noncash Assets to Owners*
- IFRIC 18, *Transfer of Assets from Customers*
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Standard-Setting Due Process

As part of its due process in developing new or revised Standards, the Board publishes an Exposure Draft of the proposed Standard for public comment in order to obtain the views of all interested parties. It also publishes a "Basis for Conclusions" to its Exposure Drafts and Standards to explain how it reached its conclusions and to give background information. When one or more Board members disagree with a Standard, the Board publishes those dissenting opinions with the Standard. To obtain advice on major projects, the Board often forms advisory committees or other specialist groups and may also hold public hearings and conduct field tests on proposed Standards.

THE WAY FORWARD

IFRS are clearly emerging as a global financial reporting benchmark and most countries have already started using them as their benchmark standards for listed companies. With the recent issuance of "IFRS for SMEs," a stand-alone set of standards for private entities that do not have

public accountability, the global reach of the IASB is further enhanced. However, if these international standards are not applied uniformly across the world due to interpretational differences, then their effectiveness as a common medium of international financial reporting will be in question; especially if different entities within the region apply them differently based on their interpretation of the standards, it would make global comparison of published financial statements of entities using IFRS difficult. Debate still rages amongst accountants and auditors globally on many burning and contentious accounting issues that need a common stand based on proper interpretation of these standards.

According to one school of thought, IFRS are fast emerging as the much-awaited answer to the “billion dollar question” on the minds of accountants, financial professionals, financial institutions, and regulators, that is: *Which set of accounting standards would solve the conundrum of diversity in accounting practices worldwide by qualifying as a single or a common set of standards for the world of accounting to follow and rely upon?*

Undoubtedly, for years US GAAP was leading this much-talked-about international race to qualify as the most acceptable set of accounting standards worldwide. However, due to several reasons, including the highly publicized corporate debacles such as that at Enron in the United States, the global preference (or choice) of most countries internationally has now clearly tilted in favor of IFRS as the most acceptable set of international accounting and financial reporting standards worldwide.

With the current acceptance of IFRS in over 100 countries (and with several more expected to adopt IFRS in the coming years) one can probably argue that IFRS could possibly qualify as an “Esperanto of international accounting” (“Esperanto” referring to the well-known “universal language”). However, some still believe that the race for global acceptance of IFRS is not over yet. While more than 100 countries have adopted IFRS as their national accounting standards, there are some very important jurisdictions in the financial world (such as the United States) which have not yet fully accepted IFRS for financial reporting of their domestic companies. Therefore, unless the United States, the largest economic superpower of the world for years now, accepts IFRS as their national GAAP (replacing US GAAP) it may be difficult to call IFRS the world’s standards.

There is however a good possibility of the US SEC’s accepting IFRS ultimately. Judging from the amazing turnaround in the attitude of the US Securities and Exchange Commission, which has already allowed use of IFRS by foreign private issuers for filings on US stock exchanges, one may expect, that is if the SEC’s Work Plan to convergence with IFRS goes through successfully without any glitches, that by the year 2014 (unless the date of convergence is extended further for whatever reason), the world of accounting may be rejoicing and celebrating under a strong common banner of a global set of accounting and financial reporting standards, namely, the IFRS. However, some may believe that the idea of a single set of standards for the world may be wishful thinking, especially since the US SEC’s Road Map was amended and was replaced with the SEC’s Work Plan. But as things stand presently it may be expected that there is a strong possibility of allowing the use of IFRS in the United States in some form or another.