



IFRS – Meets the World of SME's

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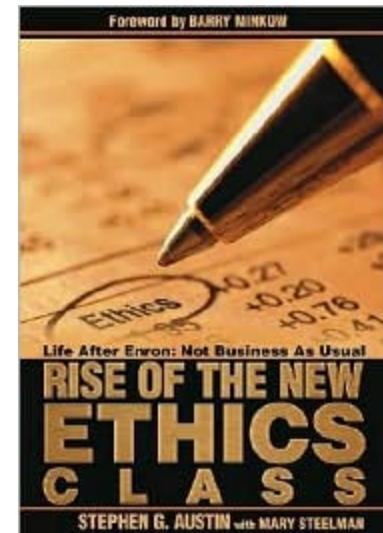
Swenson Advisors, LLP

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- Members of Integra International
- Active in community service
- Focus on 'tone at the top' and ethics compliance

Steve Austin, CPA, MBA

- Firm Managing Partner – Swenson Advisors, LLP
- Former Price Waterhouse Audit Partner – New York
- Former McGladrey and Pullen Audit Partner – San Diego
- Audit Committee Chairman
 - Avanir Pharmaceuticals (Nasdaq)
 - World Trade Center San Diego
- Author of “Rise of the New Ethics Class”



BREAKING NEWS:

AICPA IFRS Preparedness Survey

Conducted 9/3 through 9/28, 2009

(1,132 qualified respondents with a margin of error of plus-or-minus 3 percentage points.)

1) Please choose the category that best fits where you work:

Response	Count	Percent
Business & Industry	436	34.3 %
Public Practice	698	54.9 %
Government	10	0.8 %
Consulting	59	4.6 %
Other	69	5.4 %

2) How would you classify your company?

Public Company – U.S.	128	29.4 %
Public Company - Foreign	27	6.2 %
Private Corp – U.S.	230	52.8 %
Private Corp – Foreign	23	5.3 %
Not-for-Profit	27	6.2 %
Educational Institution	1	0.2 %

(* Asked of 436 Business and Industry respondents.)

3) Please rate your familiarity with the International Financial Reporting Standards (IFRS).

Does not apply-No Plans to Learn	135	11.9 %
No Knowledge	254	22.4 %
Basic Knowledge-Familiar with high level concepts	429	37.9 %
Some Knowledge-familiar with some specifics	264	23.3 %
Advanced Knowledge-very familiar with most of the specifics	44	3.9 %
Expert Knowledge-very familiar with specifics, could train others	6	0.5 %

4) Please rate the level of familiarity with the International Financial Reporting Standards (IFRS) that you need.

Does not apply-No Plans to Learn	183	16.2 %
No Knowledge	156	13.8 %
Basic Knowledge-Familiar with high level concepts	251	22.3 %
Some Knowledge-familiar with some specifics	274	24.3 %
Advanced Knowledge-very familiar with most of the specifics	208	18.4 %
Expert Knowledge-very familiar with specifics, could train others	56	5.0 %

5) When do you need this level of knowledge?

Now	91	8.1 %
Within the next year	234	20.8 %
In the next 2 to 3 years	335	29.8 %
In more than 3 years	55	4.9 %
Not sure	408	36.3 %

6) Please rate the extent to which your company is prepared for IFRS adoption*

Does not apply; No plans to adopt in next 5 years	150	34.7 %
Still evaluating whether to adopt	123	28.5 %
Planning to adopt; Not yet begun	60	13.9 %
Preliminary discussions	58	13.4 %
Actively preparing	16	3.7 %
Ready to adopt; Adopted	25	5.8 %

(* Asked of 436 Business and Industry respondents.)

7) Please select the stage of transition that best describes the status of your implementation*

Initial Planning	44	44.9 %
Heavy Planning, including establishment of project teams	7	7.1 %
Diagnostic, including comprehensive identification of GAAP and IFRS differences	16	16.3 %
Design, including identification of required system changes	4	4.1 %
Implementation, including required system changes	3	3.1 %
Started parallel reporting	4	4.1 %
IFRS adoption completed	20	20.4 %

(* Asked of 98 Business and Industry respondents preparing to adopt IFRS.)

8) What are the largest challenges that implementing IFRS has presented/will present to your company? (Please check all that apply)*

Educating financial staff/management	254	63.3 %
Educating non-financial staff/management	162	40.4 %
Updating/changing IT systems	166	41.4 %
Managing public perception of changes in financial statements	64	16.0 %
Updating accounting policies	197	49.1 %
Managing transition workload while maintaining day-to-day activities	197	49.1 %
Other (please specify.)	63	15.7 %

(* Asked of 401 Business and Industry respondents.)

9) Please rate the extent to which your firm is ready to support clients preparing for IFRS adoption or who have already adopted IFRS*

Does not apply-No plans to support in next 5 years	219	31.6 %
Still evaluating whether to support	193	27.9 %
Planning to support; Not yet begun preparing	139	20.1 %
Preliminary discussions	68	9.8 %
Actively preparing	43	6.2 %
Ready to support/supporting	30	4.3 %

(*Asked of 692 respondents in Public Practice.)

10) What are the largest challenges that implementing IFRS has presented/will present to your firm? (Please check all that apply.)*

Educating CPA staff/management	413	66.2 %
Educating non-CPA staff/management	102	16.3 %
Educating clients	366	58.7 %
Educating the public on changes in financial statements	173	27.7 %
Updating accounting policies	239	38.3 %
Updating auditing policies	201	32.2 %
Managing transition workload while maintaining day-to-day	198	31.7 %
Other (please specify)	67	10.7 %

(* Asked of 624 respondents in Public Practice.)

11) Are you aware that the International Accounting Standards Board issued an International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), which is a simplified, self-contained set of accounting standards designed to meet the financial reporting needs of constituents of private entities?

Yes	622	55.3 %
No	503	44.7 %

12) Do you believe a self-contained set of accounting standards designed to meet the needs of constituents of private company financial reporting should be available to U.S. private companies?

Yes	751	66.5 %
No	82	7.3 %
Unsure	124	26.3 %

13) Would you consider adopting the IASB's recently issued IFRS for Small and Medium-Sized Entities?

Yes	29	11.5 %
Yes, but only if IFRS is required for public companies	41	16.2 %
No	38	15.0 %
Unsure	137	54.2 %
Already use IFRS	8	3.2 %

(*Asked of 253 Private Companies only.)

14) Would you advise your clients to consider adopting the IASB's recently issued IFRS for Small and Medium-Sized Entities?

Yes	62	8.9 %
Yes, but only if IFRS is required for public companies	110	15.8 %
No	156	22.4 %
Unsure	304	43.7 %
Does not apply	64	9.2 %

(* Asked of respondents in Public Practice only.)

15) What do you perceive as the most significant benefit to adopting IFRS?

No benefits	306	27.3 %
Simplified financial accounting and reporting	82	7.3 %
Improved comparability of companies within an industry	215	19.2 %
Cost savings	7	0.6 %
Earlier access to capital	13	1.2 %
Improved financial reporting and transparency	103	9.2 %
Unsure	357	31.9 %
Other (please specify)	37	3.3 %

16) In its proposed roadmap for the potential use of IFRS issued in November 2008, the SEC estimates the cost of IFRS transition would range between 0.125% to 0.13% of revenue for U.S. issuers. If your company is planning to adopt IFRS, what is an appropriate range of cost based on a percentage of revenue?

Less than 0.125%	63	14.5 %
Between 0.125% and 0.13%	17	3.9 %
Between 0.13% and 0.16%	10	2.3 %
Between 0.16% and 0.20%	10	2.3 %
Between 0.20% and 0.25%	10	2.3 %
More than 0.25% of revenue	18	4.1 %
Do not know	195	44.8 %
Not applicable	112	25.7 %

17) The leaders of the G-20 nations have called for significant progress towards a single set of high quality, global accounting standards by the end of 2009. Do you believe ultimately the SEC should require adoption of IFRS for U.S. public companies?

Yes	159	14.1 %
Yes, but only after more convergence of accounting standards	446	39.5 %
No, but IFRS should be available as an option for use by U.S. issuers	205	18.1 %
No, IFRS should not be mandated or allowed for use by U.S. issuers	110	9.7 %
Unsure	210	18.6 %

18) In her confirmation hearing in January, SEC Chairwoman Mary Schapiro said she will not necessarily feel bound by the prior administration's "roadmap" for IFRS adoption. Do you believe the SEC should make an announcement on its plan for evaluating IFRS before the end of 2009?

Yes	738	65.3 %
No	128	11.3 %
Unsure	264	23.4 %

19) Are you delaying IFRS preparations until the SEC announces that it will set a date certain for its adoption in the United States?

Yes	385	34.3 %
No	245	21.8 %
Not Applicable	492	43.9 %

More IFRS Breaking News

November 5, 2009

FASB and IASB Reaffirm
Commitment to MOU
(3rd Issued in the Last 10 Years)

Key Observations

- Financial Instruments
 - Replace IAS 39.
 - Issue ED (exposure drafts) by early 2010 addressing classification and measurement, impairment and hedging.
- Consolidations
 - IASB proposes to revise when entities should be consolidated (VIE considerations) and control by voting interests.

Key Observations, Cont.

- Derecognition
 - Earlier ED not well received, more consideration by the Boards in 2010.
- Fair Value Measurements
 - FAS 157 was effective two years ago – November 2007. IASB issued a ED in May 2009 consistent with FAS 157 triggering substantial comments and concerns in light of global financial crisis.
 - Public hearings on fair value accounting to be held in Asia, North America and Europe. Stay tuned!

Key Observations, Cont.

- Revenue Recognition
 - Discussion paper issued December 2008. Key focus is developing a single revenue recognition model.
 - ED in Q2 2010.
 - Final pronouncement Q2 2010.
- Leases
 - Discussion paper issued March 2009.
 - ED Q2 2010.
 - Final Q2 2011.

Key Observations, Cont.

- Financial Statement Presentation
 - Discussion paper issued 2008.
 - Key considerations addressing statement of comprehensive income and treatment of discontinued operations.
 - ED Q1 2010.
 - Final statement in the next 12 months.

SEC Commissioner Shapiro
Issued a Brief Comment
after the November 5th
Update that she is
"Encouraged of the
Developments Related to
IFRS."

Current Relevance of IFRS in the U.S.

Relevance of IFRS in the U.S

- IFRS are used by SEC foreign registrants without reconciliation to U.S. GAAP.
- IFRS are used by foreign subsidiaries of U.S.-based multi-nationals.
- IFRS are used by U.S. subsidiaries of non-U.S. multi-nationals for the purpose of consolidation.

SEC Roadmap to IFRS and Projected Impact of IFRS on the U.S.

SEC IFRS Roadmap: Proposed Phased Approach (Cox)

Targeted U.S. issuers	Type	First IFRS Reporting Date
Limited early eligible entities	Optional	Fiscal years ending on or after 15 December 2009
Large accelerate filers	Mandatory	Fiscal years ending on or after 15 December 2014
Accelerated filers	Mandatory	Fiscal years ending on or after 15 December 2015
Non-accelerated filers	Mandatory	Fiscal years ending on or after 15 December 2016

Former SEC Chairman Christopher Cox versus Successor Mary Shapiro

COX:



"An international language of disclosure and transparency is a goal worth pursuing on behalf of investors who seek comparable financial information to make well-informed investment decisions."

SHAPIRO:



"When it comes to international accounting standards, it's critical that these standards are converged in a way that does not kick off a race to the bottom. American investors deserve and expect high standards of financial reporting, transparency, and disclosure - along with a standard setter that is free from political interference and that has the resources to be a strong watchdog. At this time, it is not apparent that the IASB meets those criteria, and I am not prepared to delegate standard-setting or oversight responsibility to the IASB."

Shapiro's Comments Result in Planning Uncertainty which will Lead to Timing Problems

- From a company perspective, it is difficult to commit to IFRS without the relevant agency (SEC) showing commitment. In a worst case scenario, an early IFRS adopter would have to revert to U.S. GAAP.
- Transition to IFRS is a **PROCESS**, not a shift.
- Lessons learned in the European Unions:
 - Required effort was underestimated.
 - Starting late caused costs to increase.
 - Company-wide 'holistic' approach better than supplemental approach (Excel adjustments).

Strong International Support for IFRS

At their April 2, 2009 London Summit, the Leaders of the Group of 20 agreed as part of their Declaration to Strengthen the Financial System...

"...to call on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards."

Comment Letter - AICPA

(American Institute of Certified Public Accountants)

“The U.S. financial reporting system will take substantive, definite steps to ready itself for IFRS only when the SEC sets a date certain on requiring companies to adopt IFRS.”

“Certain of the “milestones” in the Roadmap are critical for an SEC decision on IFRS while certain other ones are not.”

“..., IFRS cannot be viewed in a vacuum - the auditing, regulatory, and litigation environment in the U.S. must adopt to allow for adoption of IFRS.”

More Advantages to Convergence

- Financial reporting that is not easily understood by global users is unlikely to bring new business or capital to a company.
- Why is this the case?
 - Transparency and comparability
 - Growing economies access to the following (all which stimulate growth):
 - Global capital markets/global economies
 - Promote private investment across borders
 - Global access to financial institutions

More Advantages to Convergence, Cont.

- Cross-border accountability and audit issues
 - Understandability
 - Improve the quality of financial reporting
 - IASB and AICPA convergence of auditing standards
 - Mergers and acquisitions
 - Reduction of audit costs
- International benefits for multi-national companies
 - Improve internal reporting (parent/subsidiaries)
 - Quality of management reporting and group decision making

Convergence Considerations

- Principles versus Rules
 - Generally, U.S. standards are developed on principles
 - Interpretive guidance adds many bright lines (to name a few):
 - Emerging Issues Task Force (EITFs)
 - AICPA (SOPs, Industry Guides)
 - FASB (Staff Positions and Interpretations)
 - SEC (Staff Accounting Bulletins)
 - IFRS are strictly principles based
 - Very limited interpretations by IFRIC
 - “Non agenda” items as discussed in the “green book”
 - The “spirit” of a U.S. GAAP “rule” and an IFRS principle may be the same but result in a different answer

IFRS for Small and Medium Enterprises (SMEs/Private Entities)

Summary – IFRS for SMEs

- Issued July 2009
- Culmination of a five year project
- Represents a stand alone set of standards
- Considerably shorter – only 230 pages
- 35 chapters

Purpose and Concepts

- Utilizing “full” IFRS fundamentals
- Audience represents:
 - Owners
 - Managers
 - Tax authorities
 - Government entities

Definition of Users

- Small and medium-sized entities are entities that:
 - (a) Do not have public accountability, and
 - (b) Publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

Definition of Users, Cont.

- An entity has public accountability if:
 - (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
 - (b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

30+ Topics

- Financial statement presentation
- Four separate financial statements
- Footnotes
- Accounting policies
- Inventory
- Investment in associates and joint ventures
- PP&E
- Goodwill and intangibles
- Leases

30+ Topics, Cont.

- Reserves and contingencies
- Revenues
- Share-based payments
- Impairments
- Employee benefits
- Taxes
- Foreign currency translation
- Hyper inflation
- Related parties

Key Differences Between Full IFRS and IFRS for SMEs

- Jointly controlled entities / no proportional consolidation
- Investment properties – no cost method allowed
- PP&E / intangibles – no revaluation treatment
- Employee benefits – no corridor method allowed
- Intangibles – no capitalization of R&D costs
- Borrowing costs – expense only

IFRS Business Opportunities for CPAs

U.S. CPAs

AICPA Auditing Standards
Board now provides for
U.S. CPAs to issue
opinions pursuant to full
IFRS and IFRS SMEs

Public and Private Company CFO/Controller Considerations

1. Understand the key components of IFRS
2. Develop company-wide strategy and timelines
3. Monitor IASB/FASB/SEC developments and adjust timelines
4. Assess the cost/benefit for start date
5. Interview consultants
6. Assess project management software
7. Assess "foreign sub" needs
8. Ethics/compliance risk assessment

CPA/Public Accounting Considerations

1. Educate your audit/tax professionals
2. Identify client needs and timing for implementation deadlines
3. Develop thought leadership materials
4. Watch the SEC Roadmap
5. Look for early adopters
6. Look now for U.S. subsidiaries of foreign entities
7. Address with your clients:
 1. Project management
 2. Change management
 3. Legacy accounting
 4. Cost benefits
 5. Software tools
 6. Training materials
8. Audit risk assessment

Implications for Businesses and Audit Committees

Audit Committee

IFRS - What's Coming Around the Corner

- Audit Committee training
- Judgment risks
- Alternative implementations – EU/U.S.
- Educate entire Board of Directors and corporate counsel

IFRS Going Forward...

Where Do We Go From Here?

IFRS Resources, Self-Study Opportunities and SDSU IFRS Curriculum



IASB January 2009

We are pleased to announce that IASB Update for January is now available.

[Change in effective date of restructured IFRS 1](#)

At its December 2008



IFRS Bound Volume 2009

will be available in March. [Find out more here](#)



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www.iasb.org

Welcome to IASB.org

This is the Website of the International Accounting Standards Board.

The second meeting of the reconstituted Standards Advisory Council (SAC) took place on 13 February 2009.

The Trustees of the International Accounting Standards Committee (IASC) Foundation, the body that oversees the International Accounting Standards Board (IASB), announced today appointments to the reconstituted Standards Advisory Council (SAC). Membership of the SAC is for the period ending on 31 December 2011.

Second meeting of Financial Crisis Advisory Group taking place 13 February 2009

The second meeting of the Financial Crisis Advisory Group is taking place today at Baruch College Newman Conference Center in New York, US at 9.30am Eastern time (2.30pm UK time).

Live web presentation introducing the Discussion Paper on Revenue Recognition today 3pm London time 10 February 2009

In December 2008 the IASB and the FASB published their joint discussing paper on Revenue Recognition. The discussing paper is

Meetings Diary

IASB Board Meeting 17 February 2009
Tuesday 17 February 2009

IASB Board Meeting 18 February 2009
Wednesday 18 February 2009

IASB Board Meeting 19 February 2009
Thursday 19 February 2009

IASB Board Meeting 20 February 2009
Friday 20 February 2009

SAC Meeting 23 February 2009
Monday 23 February 2009

SAC Meeting 24 February 2009
Tuesday 24 February 2009

Meeting of the International Accounting Standards Board with the Analyst Representative Group

Wednesday 25 February 2009

IFRIC Meeting - March 2009

Thursday 5 March 2009



IFRS – An AICPA Backgrounder

Recently updated, this publication provides a background of international accounting convergence including a timeline of key dates.

- [Worldwide Momentum](#)
- [SEC Leadership in International Effort](#)
- [What CPAs Need to Know](#)
- [GAAP and IFRS, Still Differences](#)



Featured IFRS News

Public Comments on IFRS Roadmap

Read public comments received by the SEC on the Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers. Public comments are available on the [SEC's website](#).

XBRL Rule Issued

February 10, 2009 – The Securities and Exchange Commission issued its final rule requiring public companies to file their financial statements in interactive data format using the eXtensible Business Reporting Language (XBRL). The new rules will require the largest companies to use interactive data beginning with their quarterly June 2009 filings. The rules will be phased in over a three-year period. [CFO.com](#) writes about the new rule and says that [some observers](#) believe that XBRL will help move companies towards IFRS.

[View Final Rule](#)

IFRS News Clips

Schapiro's remarks cause confusion - *Accountancy Age* writes that remarks by the new SEC Chair have caused confusion about the direction of IFRS in the U.S. The author expressed concern about the possibility of an underlying protectionist attitude.

IASC Foundation Trustees announce appointments to the reconstituted Standards Advisory Council (SAC) - The SAC is the formal advisory body to the IASB.

PricewaterhouseCoopers LLP Announces \$700,000 IFRS Grant - The accounting firm announced the awarding of \$700,000 in grants to 26 universities and colleges to accelerate IFRS Curriculum.



Experts answer questions about IFRS

Four experienced practitioners share views on early-adopter advantages, the potential demand for early adoption and IFRS for private entities.

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▶ [SEC's Schapiro plans to slow the pace of IFRS implementation](#)

www.ifrs.com

Self-Study Opportunities

1) Certificates

Institute of Chartered Accountants of England and Wales offers 'Certificate in IFRS', www.icaew.com

2) Continuing Education

The International Financial Reporting Standards: An Overview
www.cpa2biz.com (AICPA, 2 CPE)

International Versus U.S. Accounting: What in the World is the Difference?
www.cpa2biz.com (AICPA, 10 CPE)

Are You Ready for IFRS? Moving Beyond the Basics, www.cpa2biz.com
(AICPA, 18 CPE)

3) E-Learning Modules

www.deloitteifrslearning.com

www.ey.com/ifrs

4) Email Newsletters

www.ifrs.com

5) Webcasts

www.ifrs.com

www.kpmgifrsinstitute.com

SDSU IFRS Curriculum

- Currently, Universities in the U.S. are starting to implement IFRS into their curriculums.
- Since 2005 the Charles W. Lamden School of Accountancy at San Diego State University offers courses in International Accounting, employing experienced IFRS Professionals from Europe and Russia.
- Other SDSU Accounting Courses include at least a brief comparisons to IFRS. IFRS has been included into undergraduate classes.
- SDSU Open University invites professionals to participate in classes to earn credits towards a 'Certificate in Accounting'. This can also include courses in IFRS.

Selected IFRS Internet Resources

International Accounting Standards Board (www.iasb.org)

American Institute of Certified Public Accountants (www.ifrs.com)

Deloitte (www.iasplus.com)

Deloitte (www.deloitteifrslearning.com)

KPMG (www.kpmgfacultyportal.com)

PricewaterhouseCoopers (www.pwc.com/faculty)

Ernst & Young (www.ey.com/ifrs)

European Commission (http://ec.europa.eu/internal_market/accounting/ias_en.htm)

European Financial Reporting Advisory Group (www.efrag.org)

The Federation of European Accountants (www.fee.be)

The Committee of European Securities Regulators (www.cesr-eu.org)

Chartered Accountants of Canada (www.cica.ca)

The Institute of Chartered Accountants of England and Wales (www.icaew.com)

International Association for Accounting Education and Research (www.iaaer.org)

Association of Chartered Certified Accountants (www.accaglobal.com)

Financial Accounting Standards Board (www.fasb.org)

Selected IFRS Internet Resources, Cont.

- Chartered Financial Analyst Institute (www.cfainstitute.org)
- Securities and Exchange Commission (www.sec.gov)
- SEC Roadmap to IFRS (<http://www.sec.gov/spotlight/ifrsroadmap.htm>)
- American Institute of Certified Public Accountants (www.aicpa.org)
- Public Company Accounting Oversight Board (www.pcaobus.org)
- International Auditing and Assurance Standards Board (www.ifac.org/IAASB)
- UN Conference on Trade and Development (www.unctad.org)
- International Organization of Securities Commissions (www.iosco.org)
- Financial Stability Forum (www.fsforum.org)
- XBRL International (www.xbrl.org)

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