

# IFRS Convergence: The Way Forward

9 November 2010



# IFRS in 2011 and beyond

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The views expressed in this presentation are those of the presenter,  
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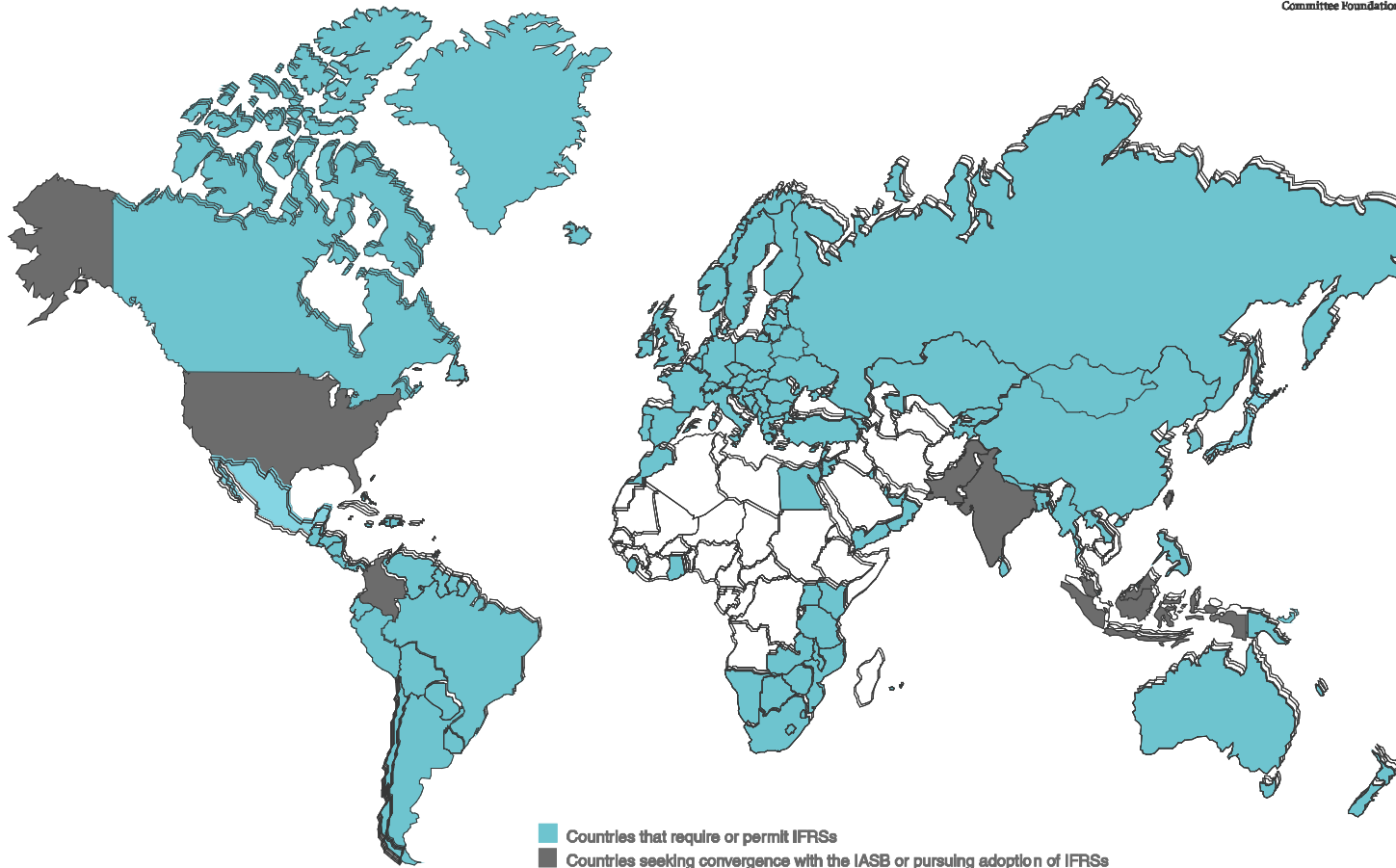
# IFRS Around the World

	<u>Total</u>
<b>IFRSs permitted</b> <i>(for all or some)</i>	<b>25</b>
<b>IFRSs required</b> <i>(for all domestic companies)</i>	<b>91</b>
<b>IFRS required</b> <i>(for some domestic companies)</i>	<b>6</b>
	<hr/> <b><u>122</u></b>

# The World is Getting Smaller

## THE MOMENTUM TOWARDS GLOBAL ADOPTION OF IFRSs

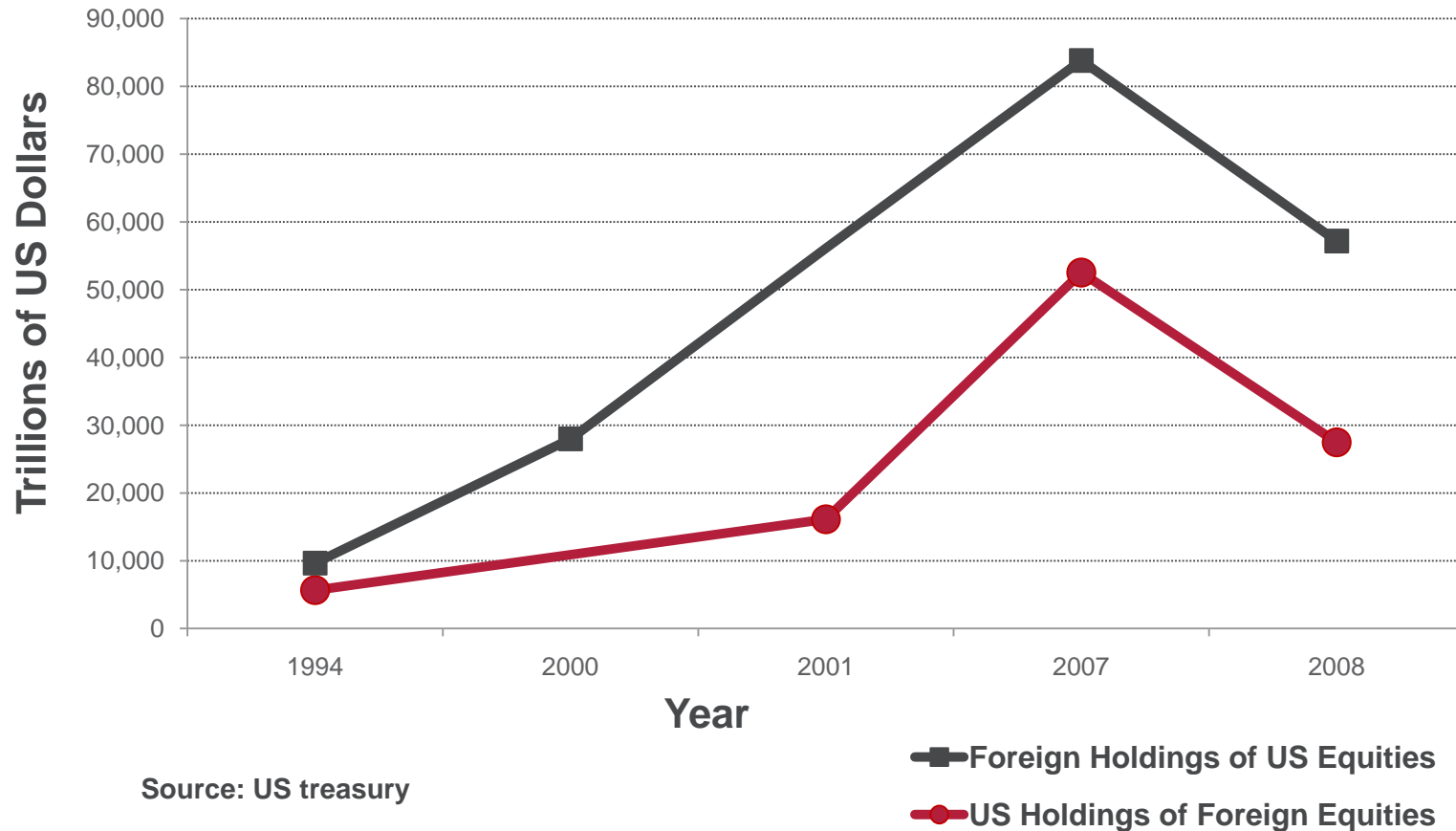
More than 100 countries require or permit the use of International Financial Reporting Standards (IFRSs), or are converging with the IASB's standards.



Source of information (adapted from): [www.iasplus.com](http://www.iasplus.com)

# US investors, companies depend on cross-border capital flows

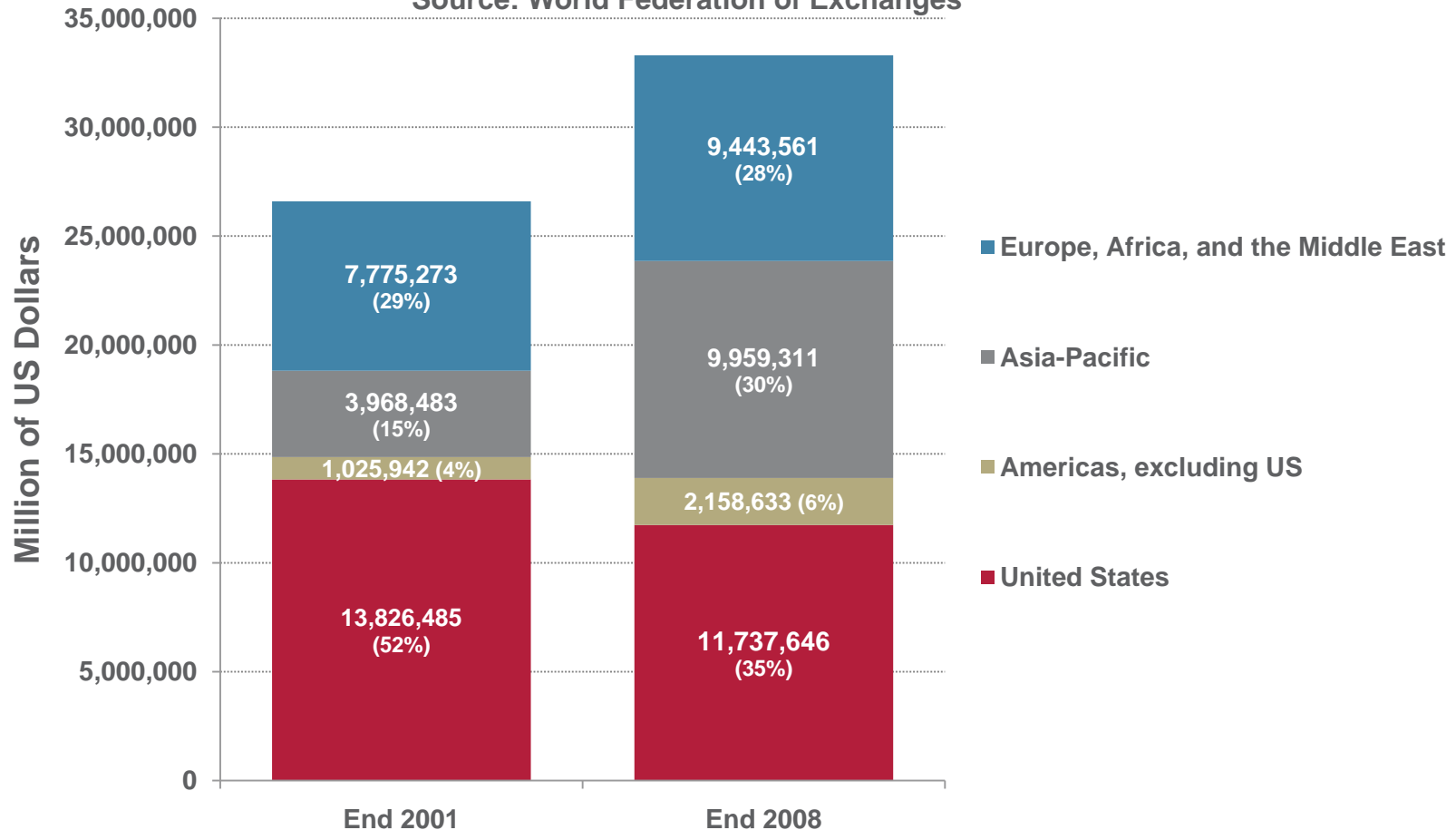
## Growing cross-border holdings of US companies and investors



# At the same time, US markets are diminishing in relative size

## The Globalization of Capital Markets: Domestic Market Capitalization

Source: World Federation of Exchanges



# Fortune Global 500 (July 2009)

Fortune G500	Based on announced plans		
	2009	2013	Japan 2015?
IFRSs and word-for-word IFRS equivalents	190	245	310
US GAAP	155	155	140
National GAAPs	155	100	50
Total	500	500	500

# IFRS – FASB Convergence Process

<b>2001 – 04</b>	<b>Reaction to investor desire for improved, global standards following Asian crisis and US financial scandals</b>	<b>IASB is established; enters Norwalk Agreement with FASB</b>
<b>2005 – 07</b>	<b>Growing IFRS adoption by major economies; continued US support and recognition of IFRSs as being high-quality standards</b>	<b>MoU accelerating convergence SEC removes reconciliation requirement</b>
<b>2008 - 09</b>	<b>Financial crisis; G20 pressure for convergence leading to adoption; focus on remaining major joint projects</b>	<b>Updates to MoU with 2011 targets and SEC roadmap</b>
<b>2010 - 2011</b>	<b>MoU timetable adjusted to ensure critical issues are completed.</b>	<b>Further SEC update to roadmap Modified convergence strategy prioritises major projects for June 2011 completion</b>



- Redouble efforts to:
  - achieve a single set of high quality, global accounting standards within the context of their independent standard setting process
  - complete convergence project by June 2011.
- IASB's institutional framework should further enhance the involvement of various stakeholders.
- G20 acknowledge that there could be differences between capital requirements and accounting rules:
  - to ensure comparability, the details of the leverage ratio will be harmonized internationally, fully adjusting for differences in accounting.

# Major MoU Projects – 2010 Standard

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- Derecognition
- Consolidations

# Major MoU Projects – Q1 2011

## Standards

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- Fair Value Measurement
- Pensions

# Major MoU Progress – Q2 2011

## Standards

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- Revenue Recognition
- Leases
- Financial Instruments

- Classification and Measurement
  - Assets
  - Liabilities
- Impairment
- Hedging

- 1. Deadlines – quality paramount
- 2. More time taken does not mean better standards
- 3. World and standard setting changed since crisis
  - Proactive engagement
  - Globally consistent answers
  - New ways of working
- 4. Support for post-implementation reviews

# Possible agenda issues

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- Old Standards
- Agriculture
- Share-based payments
- Income taxes
- Pensions
- Associates
- Government grants
- Intangibles
- Foreign currency translation
- Performance reporting
- Disclosure framework

# Possible Agenda Issues (Cont.)

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- Post-implementation Review
- - Segments
- - Business Combinations
  
- Other
- - Extractive Industries
- - Common Control
- - Islamic Accounting

- 1. Transparency v Financial Stability
- 2. Ideology
  - Fair value v historical cost
  - IFRS v US GAAP
  - Performance presentation
- 3. IFRS – international or regional?
- 4. ADOPT don't ADAPT
- 5. Principles v rules

# The future

2010	IFRS in +120 countries and US convergence programme
2012	IFRS in +150 countries and US broadly converged
Vision	A single set of high quality global accounting standards



**THANK YOU**