



---

## Preparing Your Business for IFRS

---

The International Financial Reporting Standards (IFRS) are a set of global accounting standards developed by the International Accounting Standards Board (IASB). IFRS are rapidly becoming the worldwide norm for financial statements of publically traded companies. Currently, IFRS is only available for publically traded companies; however, the IASB is developing a less complex version of IFRS for private companies. The private company IFRS are scheduled to be available in the first quarter of 2009.

Recently, the Institute of Internal Auditors (IIA) released a research report, *International Financial Reporting Standards (IFRS): What Internal Auditors Need to Know (2009)*. This report is intended to provide internal auditors with a working knowledge of IFRS and the challenges that will face many companies upon converting from U.S. GAAP to IFRS. Topics in this report include:

- **IFRS versus U.S. GAAP: What is the difference?**
  - From a high-level perspective, the biggest difference between IFRS and U.S. GAAP is that IFRS are principle-based standards, so they offer much less detail than U.S. GAAP. As a result, IFRS require more judgment and interpretation by accounting professionals than U.S. GAAP. Having to switch from U.S. GAAP to IFRS means more entities may need to be consolidated, liabilities will be recognized and measured differently, development costs will be deferred and amortized, impairment charges will be recognized earlier and measured differently, the computation of depreciation will be more complicated, and CFOs will need to focus more on the economics underlying transactions and events. Additional specifics of converting to IFRS are discussed in detail in the research report.
- **Internal Audit's Responsibility in the IFRS Process**
  - The accounting/finance department should be in charge of the entire IFRS project, and sufficient time must be incorporated into the project plan. This section of the research report discusses ways internal auditors should seek to get involved during the pre-implementation phase, transition phase, and post-implementation phase of the IFRS project.
- **Business Impact: Key Changes to Expect from IFRS**
  - The internal auditor can help insure that broader business impacts are identified and monitored. This section of the research report identifies the potential impact of IFRS on production/R&D, market communication, legal, treasury, human resources, taxation, and marketing/sales business areas.

- **Proposed Timeline for IFRS Convergence in the United States**
  - Some public companies will be allowed to use IFRS by the end of 2009. The SEC will not make a decision on whether to mandate to use IFRS until 2011. If mandate in 2011, all public companies will be mandated to report financial results on IFRS by 2016.
  
- **Summary and IFRS Resources**
  - This section of the research report provides additional resources for learning about IFRS.

To view the full copy of the research report, *International Financial Reporting Standards (IFRS): What Internal Auditors Need to Know (2009)*, you can visit the IIA website and download a PDF copy at <http://www.theiia.org/research/research-reports/chronological-listing-research-reports/downloadable-research-reports/?search=ifrs&C=2098&I=8810>.

Even though IFRS may not have an impact on your business and accounting this year, this document is a great resource to use to start building a working knowledge of IFRS so your business can be prepared for the transition in the future. For more information on this topic or other related topics, please contact your GBQ representative at 614.221.1120.