

# WORLD

## What you need to know now

By Donna Pinsoneault

Decisions are still pending but pressure is mounting to bring the United States into conformity with international accounting standards. Meanwhile, questions surrounding the issue are changing.

“It’s not a question of ‘if’ anymore, it’s a question of ‘when,’” said Robert Gruber, Ph.D., CPA, CMA, an accounting professor at the University of Wisconsin–Whitewater.

Conversations about convergence began when the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) formally signed the Norwalk Agreement of 2002. The agreement sparked cooperation on projects expected to lead to convergence between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Standards (GAAP) used currently in the United States. Proponents see convergence as a way to

provide a single, robust set of standards that public companies throughout the world would use to prepare transparent financial reports. Others consider GAAP to be the “gold standard” and tend to see moves toward convergence as potential erosion of that standard.

The latter view points to a key difference between the systems: GAAP is more rules-oriented; IFRS is more principles-oriented. “The international standards don’t issue interpretative guidance,” said Carla Gogin, CPA, partner and firm leader of quality at Virchow Krause & Company, LLC.

“It’s up to the professionals, auditors and practitioners to make their judgments,” Gogin said. “We have a different legal and heavily regulated environment in the U.S. We follow principle-based accounting but are always looking for interpretive guidance on industry practice vs. relying solely on auditor judgment.” Gruber and Gogin both agreed that

with more choices and more room for professional judgment, professionals will have to be more careful in documenting how they arrived at a particular conclusion.

“That will present more work and more challenges for auditors,” Gogin said. “It will also require more partner involvement. Partners will need to invest considerable time up front in engagement and planning as well as doing the appropriate reviews of an audit file.”

The American Institute of Certified Public Accountants (AICPA) recommended convergence to the Securities and Exchange Commission in November 2007. Last year, the SEC allowed foreign public companies to use IFRS instead of GAAP when issuing financial statements in the U.S. At an FASB Conference in June, Barry C. Melancon, president and CEO of AICPA, took another step by calling for a three- to five-year transition timeline.

“The overwhelming feedback we get from people who focus on this issue is ‘Let’s get it done,’” Melancon said. “Let’s get a date certain for public companies. Let’s put that date out there so the momentum can build, all the proper steps can be put in place and work groups that need to be in a whole variety of different areas can follow.”

# Want to learn more about IFRS?

Visit the AICPA's IFRS Web site at [www.ifrs.com](http://www.ifrs.com) to view tools and resources, including the new AICPA IFRS CPE video course.

The AICPA has also proposed adding international standards to the testing process. Educators were given until June 30, 2008, to comment. By Sept. 30, 2008, AICPA will have reviewed the comments and made a decision. "As soon as they put that out, educators will need to address international accounting issues in their classes," Gruber said.

Gogin, who also chairs the North American Accounting and Auditing Committee of Baker Tilly International, sees this as an opportunity at the firm level as well. "It will certainly be more immediate for any firm who audits publicly traded companies and is one of those things that any firm auditing companies with a global presence needs to be prepared for," she said. "The SEC could make convergence mandatory for U.S. companies traded on a U.S. exchange. That will lead to questioning what should happen for private companies."

**So while decision-makers ponder the "when" question, the profession is being proactive about the "how." Educators are considering how to incorporate new learning into an already full curriculum.**

"How you do that is an interesting question," Gruber said. "The easiest way is to add a self-contained course. It's quick, but that doesn't necessarily make it the only or best approach. On the other hand, you can imagine the challenges for educators when they try to integrate international into 10 separate courses."

Gruber identified additional questions that will need to be addressed by firms and educators alike: How much of the training will be firm specific? How much is client specific? How much will be done via Continuing Professional Education? "Perhaps those who have already graduated can get up to speed through in-house programs and CPE aligned around international issues," he said. "What we can't do is ignore it because it is not going away."

Gogin sees the need for a "significant education ramp-up" and expects that certain individuals in most firms will need to have dual knowledge of how things are done in both GAAP and IFRS. She recommends that firms consider the broad

impact the move to convergence is likely to have.

"Look at it holistically," she said. "As CPAs, auditors or business advisers to domestic companies, convergence also impacts provisional tax issues, business valuations and IT systems that clients use for reporting information. There will be a need to retrain clients, users of financial statements and anyone who is providing consulting services."

CPAs will be looking to AICPA and WICPA for continuing education and guidance to keep them updated about changes related to convergence. They will also need to know what is happening at the college and university levels

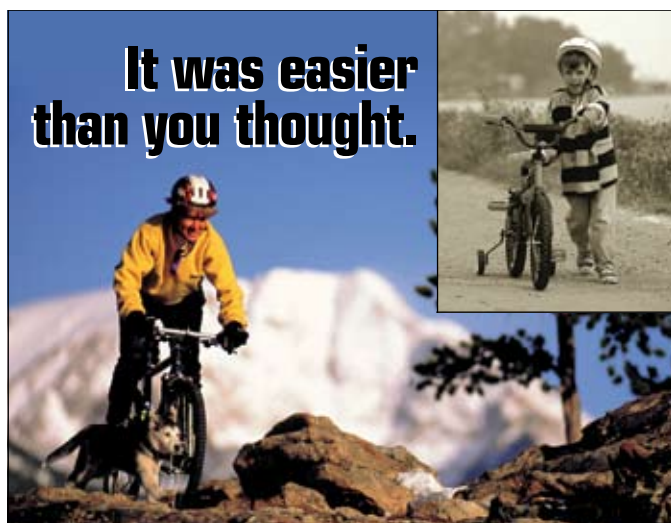
AICPA launched a Web site in May with multimedia content that includes videos, explanatory material, training programs and links to useful resources. The association also offers a continuing professional education course to teach CPAs about the significant similarities and differences between IFRS and GAAP. The course also will help professionals analyze IFRS-based financial statements and standardized reporting in an international environment.

WICPA continues to monitor developments related to convergence and to consider how best to educate its members. "We anticipate that the standards will change within three to five years," said WICPA Presi-

dent Ted Hart, CPA, CFE, partner at Clifton Gunderson, LLP. "We will be offering a CPE course as early as January 2009 and are working with AICPA and the academic community throughout Wisconsin to address the issue at the college level."

"Awareness is the most important task at this time," Gogin said. "CPAs in Wisconsin — even if they don't have SEC clients — need to look at what their strategy is in terms of how IFRS might impact their clients now and in the future. We need to do a better job of thinking ahead. At a minimum, every firm should be designating someone in their organization to be looking at convergence, evaluating how it affects their firm, making training decisions, and looking at what types of communications they might need both externally and internally." ● ● ●

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