



IFRS - International Financial Reporting Standards: What is it? What do we need to do in 2009?

Here is a quick overview of what we need to know at this time.

What is IFRS?

Currently, all U.S. business entities follow GAAP (Generally Accepted Accounting Principles) for the accounting rules used to prepare, present, and report financial statements (the Income Statement, the Balance Sheet and Statement of Cash Flows). Business entities include private and public companies as well as non-profits and governments.

The development of GAAP in the United States was and is influenced by: the Securities and Exchange Commission (SEC), the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), and the Governmental Accounting Standards Board (GASB). Starting in 1939, with many revisions in the 1970s and 1980s right up to the present day, our accounting principles have been created and reworked to ensure that all businesses follow the same rules to do their accounting and reporting.

Let's talk about the accounting standards and principles outside the U.S. The International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB), that is becoming the global standard for the preparation of public company financial statements. IFRS is followed by more than 100 countries around the world, including all of Europe, much of Asia, Australia, Canada, GCC countries in the Middle East, Russia, and South Africa (data as of August 2008).

The U.S. GAAP provisions differ somewhat from IFRS. In 2002, the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) agreed to work towards reducing differences between IFRS and U.S. GAAP.

There are expectations among U.S. companies that the SEC will move to allow or require them to use IFRS in the near future.

In August 2008, the SEC announced a timetable that would allow some companies to report under IFRS as soon as 2010 and may require all companies by 2014.

What do we need to do in 2009?

We should understand that the move to a global standard is inevitable. Yet, the SEC is currently making their statements with the words "may require" because, at this time, there is no definite scope of what will change and when.

We should learn what part of the IFRS principles touch stock-based compensation and understand what are the "differences" and what are the "similarities" from IFRS to GAAP.

We should not change our Equity Plans in haste. Accounting for share-based payments is only one piece of the total picture when we offer equity compensation to our employees and non-employees.

(Some of the text in the IFRS article was drawn from http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards and http://en.wikipedia.org/wiki/US_generally_accepted_accounting_principles.)

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