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U.S. Progress Toward IFRS

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Introduction

Accounting standards affect the way many people do business and plan for their taxes. Almost everyone is affected by some principle or accounting standard that could help them in their financial reporting, whether through being able to include more deductions and credits or being required to report a transaction that they were unaware needed to be reported. However, it is not always easy to keep up with current accounting standards because they are almost constantly changing and being adjusted with new rules and regulations. The constant changing of standards as well as the fact that there is more than one set of accounting standards internationally makes accounting standards and regulations very complex.

In the United States, we use Generally Accepted Accounting Principles (GAAP) which are created and overseen by the Financial Accounting Standards Board (FASB). Other countries in the world have adopted International Financial Reporting Standards (IFRS) created by the International Accounting Standards Board (IASB). IFRS was created with the intent that it would be used as a set of high quality, uniform standards across the world. The FASB and IASB are working together to converge U.S. GAAP and IFRS. The objective is to create a set of standards that financial statement users and accountants in the U.S. will accept.

The Financial Accounting Foundation (FAF) is an independent organization that created the FASB in 1973. It still oversees and governs the FASB. The primary duty of the FAF is to ensure that the process of setting accounting standards remains independent and to appoint members to the FASB. The FASB is a private board composed of seven full-time members who are appointed by the FAF's Board of Trustees.

The IFRS Foundation is an independent organization whose primary objective is to develop a single set of high quality international financial reporting standards. The IASB is the standard-setting body of the IFRS Foundation. There are currently fifteen full-time members of the IASB and they are responsible for the development and publication of IFRS.

In 2002, the FASB and the IASB issued the Norwalk Agreement where they committed to developing a high quality, compatible set of accounting standards. The Boards made it a top priority to work together on joint projects and formulate a single set of high quality financial standards that would be compatible worldwide. In 2006, the Boards reaffirmed their commitment to the development of a global set of accounting standards. The Boards set forth milestones to be met and projects to be completed by the years 2008 and 2011. As of the Boards' joint meeting in 2008, the FASB and the IASB had been able to complete, reach similar conclusions, or were currently working on seven of the eleven areas identified by the Memorandum of Understanding.[1]

One of the main reasons of the debate of whether or not to adopt or converge with IFRS is that it is considered a more principles based set of standards. The primary difference between GAAP and IFRS is that GAAP is more rules based while IFRS is more principles based and allows for judgment. This main difference is the basis of almost every scholar's argument as to why IFRS should or should not be adopted. Some argue that the bright-line rules that GAAP provides ensures that everyone knows what rules to follow and that it is not based off of one's judgment. Others say that by not having specific rules or regulations that have to meet certain criteria, corporations are much likely to report their accounting accurately based off of their judgments. This also would mean that their decisions would have to be justified in order to be upheld if audited or questioned by a governmental entity. Another main issue is comparability and consistency. Those that argue for IFRS state that having one uniform set of financial

[1] Memorandum of Understanding. (2008). *Completing the February 2006 Memorandum of Understanding: A progress report and timetable for completion*.

standards will allow for comparability among all corporations whether they are large or small or domestic or international. Those that argue against IFRS make the case that once IFRS is adjusted and carve outs occur for each country's specific financial needs or for larger corporations, that it will have lost its comparability and will basically turn into the current set of accounting standards.

The idea of convergence has been discussed for many years but the process began in earnest in 2002 when the FASB and the IASB created the Norwalk Agreement. Since then the two boards have been working on joint projects and have received strong support for creating a single set of high quality accounting standards. However, since 2008, it seems to have slowed. There has also been much discussion about whether or not U.S. GAAP and IFRS should converge, and if so, how much the current set of accounting standards will change. This leads to the question: Is the United States making progress toward a single set of international financial reporting standards or are we backing off, and if so, what impacted the decision to slow down convergence or adoption of IFRS?

The two accounting standards-setting boards are still making progress toward convergence. However, it seems to be at a much slower rate than originally anticipated or expected. This could be in part due to the decline in popularity of IFRS on the part of U.S. investors, professionals, and financial statement users. It appears that overall public support for IFRS has waned in the U.S. The SEC had originally proposed a Roadmap or guideline to follow for when IFRS and U.S. GAAP would be converged and implemented. Since then, the SEC has seemingly backed off from this set of deadlines for implementation and convergence, possibly in response to the recession and the new administration that came into office in January 2009.

While the SEC has slowed down in its move to IFRS and smaller corporations and businesses seem to prefer U.S. GAAP, many of the bigger accounting firms and corporations are supportive of the convergence with IFRS. There are differences of opinion over whether the U.S. should adopt IFRS or converge with IFRS and if so, to what extent the international set of standards should apply to the U.S. accounting system. While the FASB and the IASB are still working to present an international set of financial reporting standards that will be accepted by the majority and work for many different countries and corporations, the process and support from the SEC has slowed over the past three years. While the SEC is on one side of this issue, the AICPA is on the other, supporting and encouraging the boards to allow larger corporations to use IFRS if they choose to do so. This is because the AICPA feels that this would cause U.S. companies' financial information to be more comparable to international companies. Both sides of the issue have stated their cases and have strong support from leaders in the profession as well as from corporations that would have to use IFRS if adopted. While many are still for it, there seems to be a trend that shows a decline in the popularity of IFRS in the U.S. Since the recession public support has declined, therefore causing the convergence process to slow down as well.

There has been much discussion about the FASB and the IASB and their joint efforts to create a new set of accounting standards. There is also much debate over which set of accounting standards, U.S. GAAP or IFRS works best for corporations in the U.S. and for financial accounting purposes. The following is a discussion of the pertinent and relevant points made by those who are for IFRS, those who are for GAAP, and those who are for a mixture of the two sets of standards. These arguments all tend to fall under one of the following umbrellas: ignore IFRS, adopt IFRS, converge with IFRS, endorse IFRS, and the new approach of "Condorsement." While the process of working towards creating a new set of accounting standards has been going on for years, the support from the public and organizations such as the SEC and the AICPA seems to have subsided as other issues have taken top priority. With a change in administration and the financial crisis that began in 2008, the SEC no longer appears to be a strong supporter of IFRS. There is now more of a discussion of whether or not the U.S. should adopt or converge with IFRS. Since the SEC pushed back its timeline of when IFRS will be converged in the U.S., it leads to the question of whether or not IFRS will be required for U.S. accounting purposes and if so, when.

Literature Review

There are many differing opinions regarding the issue of a set of international financial reporting standards. From the many opinions have come options as to how to address the subject of a uniform set of accounting standards and how the U.S. should approach it. These options are to ignore IFRS, adopt IFRS, converge U.S. GAAP with IFRS, endorse IFRS, and the newer approach of "Condorsement." At the beginning of the discussion of a new set of international financial reporting standards, most of the support was for adoption of or endorsement of IFRS. Since 2008, the support has broken up more into the categories of ignoring IFRS or converging U.S. GAAP with IFRS. There is much more support for the convergence process with IFRS even though many suggest to proceed with the process slowly. This also appears to be the same approach that the SEC and the AICPA have chosen to follow.

Scholars address the issue of IFRS by arguing for or against one of the major categories that dictate the debate of changing accounting standards. Many scholars continue to weigh in on the debate and make arguments, however, these arguments all tend to fall under only a few themes. Some scholars fully support the set of international financial reporting standards and believe that the U.S. should adopt IFRS. Others believe that IFRS will turn into GAAP over a matter of time and hence defeat the purpose of its adoption. Several scholars argue that GAAP is the best set of standards for U.S. accounting purposes and therefore go against IFRS. While many scholars choose to make the argument that is either for IFRS or for U.S. GAAP, some are using the convergence process as an opportunity to address where both GAAP and IFRS fall short when it comes to some specific accounting issues. One of the most recent arguments with regards to accounting standards is "Condorsement." This is a hybrid of the convergence and endorsement arguments. Some scholars focus on more specific accounting issues and how treatment of these issues differs between U.S. GAAP and IFRS.

At one point during the discussion, many scholars, professionals, and even the SEC were very supportive of IFRS. However, since about late 2008, the support has waned and the SEC has backed off of its strong position for IFRS convergence instead of sticking closely to its Roadmap. While many professionals still question the effectiveness of IFRS, overall, the discussion and question has turned more to how much of IFRS should be transferred into the American accounting system and when IFRS will be integrated.

A recurring theme in the debate around IFRS is mostly about how this new set of standards could affect the accounting system already in place in the United States. Many scholars have chosen to give examples of specific accounting issues to illustrate the effects of IFRS on the system and the distinction between U.S. GAAP and IFRS. Several in the profession state that changing accounting standards could pose problems for accountants and corporations because of heavy reliance on auditors and CPAs to explain and follow the new set of rules. Other scholars believe it would be more efficient to keep both U.S. GAAP and IFRS separate from each other as it is now and let corporations choose which set of standards to use. Some scholars believe that there should be no rush to converge with IFRS. The belief is that if the boards do not rush to adopt IFRS, but instead focus on how to implement a new set of standards and figure out the most effective ways of how to handle accounting issues to best suit the needs of the majority in the U.S.as well as figuring out the best way to handle accounting issues, then the best version of IFRS will be presented for adoption. This is one reason many have come to the conclusion that convergence with IFRS is preferred for U.S. accounting. This causes the FASB and IASB to address the many differing accounting issues and treatments in each of their sets of standards and figure out how to best proceed in a clear and consistent manner. Currently there is no overall consensus for the profession as a whole on whether or not IFRS should become the accepted accounting principles for the United States.

Part of the reason it is so difficult for the U.S. to adopt a set of international set of standards is because its corporations and financial statement users are so different and diverse and what works best for one group of corporations does not work best for others. Larger accounting firms and larger, multinational corporations prefer IFRS reporting for their financial statements; however, smaller more domestic firms and corporations as well as investors have a tendency to prefer the current version of U.S. GAAP. This is because the larger corporations are already run on a more international scale so this would help to make them more comparable to other international firms and possibly lead to more increased competition. The smaller, more domestic firms do not have to worry about some of the issues addressed with IFRS because they do not interact with or deal with international issues. It would be more of a hassle for a domestic firm to be concerned with switching to or converging with IFRS because that firm would have no real use or need for IFRS.

GAAP is the current set of accounting standards used in the United States. It has evolved over time. Whenever questions have arisen regarding unusual accounting practices, GAAP has been adjusted to answer these questions in the future. It has been adapted to be a user-friendly set of standards to professionals in the U.S. who use the financial statements of corporations to make financial and investing decisions. Many argue that GAAP has become a better set of standards over time because issues have been addressed and worked out, which is exactly what will have to happen if IFRS are adopted. Some believe that the SEC should at least keep GAAP as an option for financial reporting and let it compete with IFRS, therefore bettering both sets of standards through competition. S.P. Kothari, Karthik Ramanna, and Douglas Skinner make this argument, saying that GAAP will best achieve efficient capital allocation if it remains an option for accounting standards and is in competition with IFRS. These authors also make the argument that one global standard setter, such as the IASB, is not likely to be successful in the goal of achieving comparability and consistency in accounting practices around the world because there are too many factors and too many different focuses across different countries. Each country would adapt and alter the standards to suit their needs, the so called exceptions to IFRS, and then that one set of standards will become like the current sets of standards in which every country will have a particular set that best fits their needs for financial reporting.[2]

As opposed to Kothari, Ramanna, and Skinner, Sylwia Gornik-Tomaszewski and Steve Showerman provide some insight into opportunities regarding the adoption of IFRS. These authors make the argument that IFRS will move accounting forward, and whether or not it is adopted by the U.S., investors and professionals in the U.S. will need to be educated on the set of standards because many companies throughout the world have started using these standards.[3]

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[2] Kothari, S. P., Ramanna, K., & Skinner, D. J. (2010). "Implications for GAAP from an analysis of positive research in accounting." *Journal of Accounting & Economics*, 50(2/3), 246-286.

[3] Gornik-Tomaszewski, S., & Showerman, S. (2010). "IFRS in the United States: Challenges and Opportunities." *Review of Business*, 30(2), 59-71.

Unlike many of their colleagues, instead of asking whether or not the U.S. should adopt IFRS, Christopher Wright and Steven Hobbs take their argument in a slightly different direction by asking how IFRS will affect the U.S. and its businesses once it is adopted. Wright and Hobbs argue that it is just a matter of time before IFRS are adopted. They have chosen to address the issue of how America will be affected by IFRS when it does become the set of standards for financial reporting.[4] The authors' argument focuses more on the application of IFRS in U.S. corporations instead of asking if IFRS or GAAP is the right way to go when it comes to financial reporting standards.

Many professionals in the field have taken the position that there is no need to rush into the adoption of IFRS in the United States. Some are completely against adoption, while others have concerns about adopting a new set of standards and the implications that it will bring. Some authors have chosen to operate under the assumption that IFRS is the direction the SEC has decided to go in, while others believe IFRS really is the best direction for the U.S. to go in when it comes to accounting standards. These authors choose to write about the advantages and effects of IFRS and how it is a good decision to keep up with the rest of the world, while some other authors focus on the negative effects of IFRS and how the set of standards should not be forced on American businesses and users of financial information.

Luzi Hail, Christian Leuz, and Peter Wysocki argue that IFRS will not provide any true benefits beyond what the current set of accounting standards already provides. The authors are skeptical about whether or not IFRS will provide more consistency and comparability for world corporations as others have argued. Consistency and comparability along with rules based versus principles based argument are issues that these authors discuss, and they seem to take the

[4] Wright, C., & Hobbs, S. (2010). "Impact and Implications of IFRS Conversion or Convergence." Bank Accounting & Finance (08943958), 23(4), 17-24.

same view as many others in the field while providing evidence as to why IFRS will not be beneficial to adopt. They argue that a uniform set of standards is a bad idea because there will be many loopholes and changes that other countries could make, which would affect the set of standards for everyone. They address the issue that a uniform set of standards after being adopted by corporations worldwide would be adjusted and altered to fit specific needs of industries, corporations, and countries and therefore would no longer be the same set of standards internationally. They make the point that IFRS may end up favoring other countries, and therefore the financial objectives may not necessarily line up with those that American companies use and may not be the sort of standards that the U.S. is looking for. [5]

Most of the discussion of IFRS has been presented from the viewpoint of large firms adopting it. However, there are some questions regarding smaller entities and how they will be affected by IFRS. Eva Jermakowicz and Barry Epstein discuss the effects of IFRS on small and medium sized entities (SMEs). They discuss how IFRS for SMEs are different from the full version of IFRS and GAAP. These authors present the argument that IFRS for SMEs would be good for smaller firms and private companies. However, the authors do not really focus on whether or not IFRS should be adopted over GAAP. They argue that if IFRS is adopted in the U.S., then IFRS for SMEs should be allowed for those smaller companies that do not need many of the standards created for larger public corporations. They address the issues of private and smaller corporations, those that may be affected differently from public and larger corporations if IFRS were adopted, and how a smaller version of IFRS will be best for these companies.[6]

[5] Hail, L., Leuz, C., & Wysocki, P. (2010). "Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part II): Political Factors and Future Scenarios for U.S. Accounting Standards." Accounting Horizons, 24(4), 567-588.

[6] Jermakowicz, E. K., & Epstein, B. (2010). "IFRS for SMEs - An Option for U.S. Private Entities?." *Review of Business*, 30(2), 72-79.

Lori Olsen and Thomas Weirich discuss the effect that IFRS had on the financial crisis and if it helped lessen the severity of the crisis or actually made it worse. They use other countries that have adopted IFRS as evidence of the effects it during the recession. They argue that since IFRS did not stop the financial crisis in Greece, Spain, and other European countries, then it would not have stopped it in the U.S. They believe that while IFRS was not the cause of the financial crisis, it did contribute to the crisis, and thereby made it worse than it could otherwise have been. They show that the fair value principle in IFRS helped to intensify the impact of the financial crisis. Through this example, they argue that the effects of IFRS are relatively negative and help to intensify an already worse situation. [7]

While some professionals argue that one version should be chosen and adopted over the other, others write about convergence and compare the two sets of standards objectively to show the pros and cons of each set of standards. W.G. Bremser and R.P. Derstine present a comparison of IFRS and GAAP. Since they believe IFRS will be adopted by the SEC as the official set of accounting standards for the U.S., they discuss how the SEC would be able to enforce IFRS and how long it will take for the U.S. to adopt some form of IFRS. Bremser and Derstine take the view of the majority of scholars writing on this subject and state that there is really no rush to set a date for the U.S. to convert to IFRS. The authors seem to be against international standards because they are concerned about some issues that could arise from adopting IFRS and agree that many of these types of issues are handled very well by GAAP. They believe that the process of converging GAAP and IFRS should not be hurried into.[8]

[7] Olsen, L., & Weirich, T. R. (2010). "IFRS and the financial crisis." *Journal of Corporate Accounting & Finance (Wiley)*, 21(6), 41-45.

[8] Derstine, R. P., & Bremser, W. G. (2010). "The Journey Toward IFRS in the United States." *CPA Journal*, 80(7), 6-9.

In some comparisons, experts in the field believe that while IFRS may seem appealing now because it compensates for some shortcomings in GAAP, over time IFRS will take the same path as GAAP and be adjusted and altered to fit specific reporting needs for different countries, corporations, and industries. Hail, Leuz, and Wysocki argue that IFRS will not truly help bring about a consistency in accounting procedures across the world and that this set of standards will not work for every corporation in every country, at least not without some adjustments and changes. This would then contradict the main reason some want to adopt IFRS: its consistency and how it could bring similarity to financial standards across the world. These authors also state that the U.S. will not have gained much of anything by moving from U.S. GAAP to IFRS over time. They support this position by stating that IFRS is too broad in its scope and that since it is more principles-based than rules-based like GAAP, it will be opened up to more interpretation and changes will be made that will suit each individual company's or country's needs.[9]

To get a full understanding of how IFRS affects accounting principles, some experts analyze how other countries have adapted under IFRS. Sidney Gray, Cheryl Linthicum, and Donna Street use this approach to explain IFRS and GAAP and their different effects. They ask whether or not IFRS will really lead to more comparable results among different companies and countries. They conducted research in which they tried to show if IFRS and GAAP, whether the UK or the U.S. versions of GAAP, truly have converged. In the comparison, the main factors they address are income and equity. The authors make the argument that the numbers produced under IFRS and U.S. GAAP are not comparable after looking at Form 20-F, which was used to reconcile figures from IFRS to U.S. GAAP. This shows how different the two sets of standards

[9] Hail, L., Leuz, C., & Wysocki, P. (2010). "Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part I): Conceptual Underpinnings and Economic Analysis." *Accounting Horizons*, 24(3), 355-394.

really are and how changing to one from another could drastically impact corporations, financial statement users, investors, and the overall market. The authors are able to point out specific issues where GAAP and IFRS really differ and then show the effects on the accounting treatment for these issues. They argue, like Bremser and Derstine, that IFRS should not be quickly adopted until the convergence process is truly complete and it becomes comparable to the various versions of GAAP across the world that some are pushing for it to replace. [10] While they are not so much against having a more uniform set of accounting standards, they do not believe that the current standards that each country has should be changed to a completely new set of standards. They do not believe that there should be such an extreme change or shift in how the U.S. presents its accounting information, rather they believe that IFRS should be more converged with GAAP before any standards are adopted or implemented.

Throughout the discussion of converging GAAP and IFRS, some researchers have focused on the views and opinions of those professionals in the field who will be most affected. They include CPAs, investors, and those in the financial world who must navigate different financial reporting standards in order to understand the financial statements produced by different corporations. Joseph Langmead and Jalal Soroosh address the issue of IFRS and convergence through the views of CPAs. They consider whether or not U.S. corporations are ready to adopt IFRS and if CPAs are willing to accept the new accounting principles that the SEC had mapped out for the U.S. to adopt over the next few years. The authors share the majority viewpoint that if the benefits seem to outweigh the costs and the majority in the profession feels comfortable with the new set of standards, then IFRS should be adopted.

[10] Gray, S. J., Linthicum, C. L., & Street, D. L. (2009). "Have 'European' and US GAAP measures of income and equity converged under IFRS? Evidence from European companies listed in the US." *Accounting & Business Research*, 39(5), 431-447.

However, if neither is true, then it will be a long time before it is accepted. They conclude that it is best to wait and see how those in the accounting and financial areas of companies feel about IFRS and how quickly they choose to accept adopting new standards. These important viewpoints are key factors in determining how quickly IFRS will be adopted in the United States, if at all. [11]

J.E. McEnroe and M. Sullivan focus their attention on the financial aspects of IFRS and how they will affect individual investors. The authors argue that not much consideration has been given to the individual investor when determining whether or not to change from U.S. GAAP to IFRS. Throughout the article, they explain how a change in accounting standards will affect investment and give the opinions of individual investors who have been surveyed. The authors then argue that individual investors are not supportive of a change to IFRS. The conclusion, based on many surveys of top professionals, is that investors overall do not believe that IFRS are superior to GAAP. With the research cited in the articles, it appears that CPAs and individual investors do not believe the SEC should adopt IFRS as the official set of accounting standards in the U.S. [12]

Even though many surveys show that professionals in the field do not want to adopt IFRS or do not feel prepared for IFRS, there is a chance that the SEC will go ahead and adopt this set of standards anyway. In the Roadmap to convergence that was created in 2008, the SEC set a tentative date for larger companies in the U.S. to be required to adopt IFRS by the year 2014. However, that has been postponed to possibly 2015 or 2016. There is also a group of

[11] Langmead, J. M., & Soroosh, J. (2010). "Mapping the Road to IFRS: A Survey of CPAs in Public Practice." *CPA Journal*, 80(8), 30-35.

[12] McEnroe, J. E., & Sullivan, M. (2011). "Individual investors' attitudes toward the acceptance of International Financial Reporting Standards in the United States." *Journal of International Accounting, Auditing & Taxation*, 20(1), 20-31.

professionals that feels IFRS should be adopted and chooses to focus their writing on the major reporting differences between GAAP and IFRS. Richard Barker focuses on financial activities and how they will be changed if IFRS is adopted. Barker argues that financing activities are extremely important and standards need to be implemented to show the nature and function of financing activities with regards to financial reporting. Barker approaches the subject in a way that is different from most scholars and professionals. While most argue over whether IFRS is better or worse than GAAP, Barker takes the opportunity to point out an important flaw in each set of standards. He argues that there is no real guidance provided in accounting standards, whether GAAP or IFRS, to explain how to report separate financing activities. A possible solution is that before convergence of U.S. GAAP with IFRS, both boards should continue to improve and focus on expanding the standards to include major accounting issues.[13]

Other main differences between IFRS and GAAP are the deferral of taxes and revenue recognition. Barry Epstein and Larry Macy discussed and explained the differences in the financial reporting of the deferred tax effects of repatriation of foreign earnings. They focus on the particular issue of deferring taxes and how GAAP and IFRS differ. The argument is that accounting standards used in the U.S. and around the world need to be more comparable. The authors agree that U.S. GAAP and IFRS need to be brought more closely together, which will also benefit multinational corporations, because they will then "level the playing field." [14] Steven Mintz addresses the issue of revenue recognition and how it would change when IFRS and GAAP converge to create new standards. The argument presented by Mintz is that IFRS and

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[13] Barker, R. (2010). "The operating-financing distinction in financial reporting." *Accounting & Business Research*, 40(4), 391-403.

[14] Epstein, B., & Macy, L. (2011). "The Differential Influence of U.S. GAAP and IFRS on Corporations' Decisions to Repatriate Earnings of Foreign Subsidiaries." *International Tax Journal*, 37(2), 25-51.

GAAP complement each other rather well on the subject of revenue recognition. Mintz argues that the proposed standards by the IASB and FASB will provide for much better revenue recognition principles and that this will allow for more consistency in financial reporting.[15]

While some scholars focus on how to make a particular issue better and more comparable between the two sets of standards, others focus on how IFRS could affect the profession. Joseph Langmead and Alfred Michenzi address the profession of auditing and how it may be affected by IFRS. They try to address the issue of whether or not IFRS and GAAP will be able to converge and accurately provide a picture of a company's financial position in the economy. They also address the issue of how, if IFRS is adopted, auditors will have to adjust to IFRS and be able to understand both sets of reporting standards in order to accurately audit a company in the coming years. They argue that it will be hard for auditors to become experts on a new set of standards and that there may possibly be many issues regarding the convergence of U.S. GAAP and IFRS. The argument also considers the fact that changing to IFRS could cause auditors and corporations many professional problems because companies will become so dependent on auditors for these new regulations that auditors will no longer be seen as independent.[16]

Findings

Table 1 shows a timeline of when the process of transitioning to IFRS began. Prior to 2002, the SEC had expressed its goal to work toward a single set of international financial reporting standards. However, 2002 was the year when the FASB and the IASB made a commitment to begin the process of developing a high-quality set of international standards.

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[15] Mintz, S. M. (2009). "Proposed Changes in Revenue Recognition Under U.S. GAAP and IFRS." *CPA Journal*, 79(12), 34-39.

[16] Langmead, J. M., & Michenzi, A. R. (2010). "Auditing Considerations in an IFRS Reporting Environment." *CPA Journal*, 80(3), 20-23.

Since 2002, the FASB and IASB have reaffirmed their efforts in this venture and are continuing on with joint projects. In 2008, the SEC completed a Roadmap for the use of IFRS in the U.S and the conditions set forth in this Roadmap would help the SEC to determine in 2011 if IFRS should be adopted.

Year	Timeline
2002	Norwalk Agreement
	Joint commitment between FASB and IASB to the development high-quality, compatible accounting standards
2006	Memorandum of Understanding
	Reaffirmed commitment to common set of high-quality global standards; long-term strategic priority; IASB and FASB set out work plan for several projects and coordinated agendas to be completed by 2008
2007	SEC accepts financial statements prepared in accordance with IFRS from foreign filers in the US without reconciliation to US GAAP
2008	SEC Roadmap
	Proposed plan as to when suggested milestones should be reached between US GAAP and IFRS; set forth to help SEC determine if IFRS should be adopted in the U.S.
2011	SEC Decision
	Proposed date for when the SEC will decide whether to require US companies to use IFRS beginning in 2014

Table 1. Timeline of Progress Toward IFRS in the U.S.

While the FASB and IASB are still working closely together to bring about comparability among the two sets of financial standards, the SEC is still analyzing and evaluating whether or not IFRS is truly best for U.S. issuers and investors. Since 2008, the SEC has shifted in its views on IFRS. Currently, while the SEC is not against IFRS, it does not support the set of standards as strongly as it did back in 2008. Since the issuance of the Roadmap, the SEC has backed off in its position to strongly and quickly move forward in the adoption of IFRS and has decided to take a more conservative approach toward the issue. There were many comments made in response to the 2008 Roadmap and as a result, the SEC has taken into account these comments and opinions and reevaluated whether IFRS is the best set of standards for the U.S. to adopt.

Table 2 shows this transition between the strong support of the SEC for IFRS in 2008 and how the Commission has backed off in its support for the set of standards as of 2010. In 2008, the SEC set forth seven milestones that needed to be completed or measured as to the success of these efforts before determining if IFRS should be adopted in 2011. The areas of concern highlighted in 2010 came from comments that were in relation to the Roadmap in 2008. The SEC has made it a priority to address these areas of concern before making a decision to adopt IFRS in the future. While both the Roadmap and the Work Plan state that the SEC will make a decision in 2011 as to whether to move forward with IFRS, the 2010 Work Plan has pushed back dates that were set in 2008 and changed the determining criteria for adoption of IFRS in the U.S. In 2008, if the SEC had chosen to move forward with IFRS, it had planned to be a mandatory adoption for all U.S. issuers. However, in the 2010 Work Plan, the SEC did not rule out the possibility that U.S. issuers may be able to have an option of adopting IFRS or maintaining the current set of standards.

2008 SEC Roadmap[17]	**2010 Work Plan**[18]
Milestones: • Improvements in accounting standards • The accountability and funding of the IASC Foundation • The improvement in the ability to use interactive data for IFRS reporting • Education and training relating to IFRS • Limited early use of IFRS where this would enhance comparability for U.S. investors • The anticipated timing of future rulemaking by the Commission	Areas of Concern: • Sufficient development and application of IFRS for the U.S. domestic reporting system • The independence of standard setting for the benefit of investors • Investor understanding and education regarding IFRS • Examination of the U.S. regulatory environment that would be affected by a change in accounting standards • The impact on issuers, both large and small, including changes to accounting systems, changes to

[17] United States Securities and Exchange Commission. (2008). Roadmap For The Potential Use of Financial Statements Prepared In Accordance With International Financial Reporting Standards By U.S. Issuers.

[18] United States Securities and Exchange Commission. (2010). Commission Statement in Support of Convergence and Global Accounting Standards.

• The implementation of the mandatory use of IFRS by U.S. issuers	contractual arrangements, corporate governance considerations, and litigation contingencies • Human capital readiness
Decision in 2011 on whether to move forward with IFRS	Decision in 2011 on whether to move forward with IFRS
Corporations could begin reporting under IFRS in 2014	Corporations could begin reporting under IFRS in 2015 or 2016
"Under the proposal, an eligible issuer that elects to file IFRS financial statements may begin to file financial statements prepared in accordance with IFRS as issued by the IASB for fiscal years ending on or after December 15, 2009."	"The conditions for early adoption, however, would depend on the overall approach to incorporate IFRS into the U.S. financial reporting system for U.S. issuers. As that overall approach remains under evaluation, we are not actively pursuing rulemaking to provide for an early use option at this time."
"We are proposing this Roadmap towards the mandatory, rather than elective, use of IFRS for U.S issuers in order to promote fully a single set of high-quality globally accepted accounting standards to improve the comparability of financial information prepared by U.S. public companies and foreign companies."	"The Commission is not foreclosing the possibility in the future that issuers may be permitted to choose between IFRS and U.S. GAAP, nor is the Commission foreclosing the possibility of some manner of early use or adoption approach."

Table 2. Comparison between the 2008 SEC Roadmap and the 2010 Work Plan.

While scholars debate whether or not IFRS should be adopted as the official set of accounting standards for the U.S., the SEC and AICPA have taken positions supporting IFRS. Over the past few years, their support does not seem to be as strong as it was prior to 2008. There has been a slow but steady decline in popularity of IFRS since the recession and the change in administration. While the AICPA is still supportive of IFRS, it has shifted its opinion to providing more of an option for companies to choose to use U.S. GAAP or IFRS whereas in the past, it had fully supported the adoption and implementation of IFRS. The AICPA recommended to the SEC in August 2011 that U.S. public companies have the option to adopt

IFRS if they like. They state that this option would provide for consistency and this would help achieve the goal of incorporating IFRS into the U.S. financial reporting system.[19]

While many of the positions and stances on IFRS have remained the same over many years, since 2008 the overall opinion of numerous scholars has shifted from the position of supporting IFRS to supporting GAAP or supporting a slower process of convergence to IFRS. This is in part due to the recession. The popularity of IFRS has trended downward since the recession began and it is no longer the first priority of the SEC. This has had an impact on the entire convergence process. While the FASB and the IASB are still working towards convergence, major organizations such as the AICPA and the SEC have backed off in their support. The AICPA now just suggests that an option be provided for companies who choose to use IFRS but does not push for an overall adoption or convergence. The SEC has already pushed back the expected required deadline of IFRS by another year and now the earliest adoption date will be 2015, if at all. These organizations have stepped back and reevaluated their roles and positions in the process of adopting a new set of international financial reporting standards. While the official position of these organizations has not changed and they support a global set of standards, they are no longer in the forefront helping to push the process along or making decisions.

Since the financial crisis and the change in administration, IFRS have not been supported as strongly as they were prior to 2008. This began to cause doubt as to whether the U.S. and the SEC in particular were still pushing convergence with IFRS. In 2010, the SEC issued a statement in support of the global accounting standards and convergence. This was to remind the public that the SEC is still working on converging the two sets of accounting standards even

[19] AICPA. (2011, August 17). *AICPA Recommends SEC Allow Optional Adoption of IFRS by U.S. Public Companies.*

though the process is taking longer than originally expected. The SEC wanted to ensure that they are still working toward a single set of high-quality globally accepted accounting standards. The SEC also used this comment as an opportunity to discuss where an international set of standards may differ from current standards in the U.S. and how the U.S. will make the transition to a single set of international accounting standards. [20]

Overall, most of the arguments are more subjective as to whether IFRS should be adopted in the U.S. As a whole, the questions being asked deal with if IFRS should be adopted or not. The questions do not ask if the U.S. or the FASB is making progress toward IFRS. They do not take into account the time table the FASB had originally set for when the convergence with IFRS would be complete. By paying more attention to the timeliness of convergence and the issue of when IFRS was supposed to be implemented and where it stands now, it is clear to see that overall attitudes and opinions toward IFRS have shifted. This shift in opinion began in late 2008 when the recession started to really affect people. The shift continued when the administration changed and a new chairman was appointed for the SEC. With IFRS not in the forefront, many in the accounting profession took that to mean that the convergence process had slowed down and that support had declined. The U.S. as a whole appears to have slowed down in the adoption process of the new set of international standards.

It is interesting to note where the SEC planned to be with the adoption of IFRS at this time and where they actually stand now. By comparing the Roadmap and goals to what has actually been accomplished at this time, it is clear to see that the path to IFRS has slowed down. The SEC's roundtable discussion on the IFRS from 2008 focuses on converging to IFRS by the year 2011. The Chairman of the SEC at that time, Christopher Cox, was extremely supportive of

[20] United States Securities and Exchange Commission. (2010). Commission Statement in Support of Convergence and Global Accounting Standards.

convergence to IFRS. That is why the SEC had made convergence such a top priority and had a panel of investors, accountants, and experts explain and discuss IFRS and the IASB in relation to FASB.[21]

A new SEC Chairman, Mary Schapiro, took office in 2009. She kept to the timeframe that the SEC would make a recommendation of whether or not to continue on with the adoption process of IFRS in 2011 after the completion of convergence projects between the FASB and the IASB and after meeting criteria set forth in the Work Plan produced by the SEC staff. Chairman Schapiro stated that after analysis of where the FASB and the IASB stand in 2011, the SEC would be in a position to determine whether or not to incorporate IFRS into the U.S. markets.[22] The new Chairman of the SEC appears to be more conservative in her approach toward the adoption of IFRS and has set out new guidelines and criteria that need to be met before determining if IFRS is the right decision for the U.S. She has helped to slow down the process of adopting IFRS and is taking time to question if it is really the best option for U.S. companies.

In 2008, the SEC set 2014 as the initial deadline for when IFRS would be adopted in the U.S. and when companies would have to start using the set of standards. Also in the original Roadmap was the option that companies could start using IFRS as their financial guidelines earlier than 2014. However, in a statement released in 2010, the SEC retracted its proposed rules that would have allowed early adoption. The SEC has also pushed back the earliest possible date

[21] United State Securities and Exchange Commission. (2008). Roundtable Discussion on International Financial Reporting Standards.

[22] United States Securities and Exchange Commission. (2010). Speech by SEC Chairman:Statement at SEC Open Meeting — Global Accounting Standards

of adoption of IFRS to the year 2015. In the same statement, the SEC also suggested the possibility that corporations may be able to choose if they want to use U.S. GAAP or IFRS.[23]

Even though the SEC issued a comment in 2010 to show it still supports a single set of international accounting standards, it is clear to see that it is not as much of a top priority as it had originally been under Chairman Christopher Cox prior to the recession. The SEC had to focus more on how to get the economy to recover from the recession. While the convergence process is still occurring, the SEC no longer plays such a top role in publicizing the progress or in making the decisions. The SEC has already backed off of its original timetable for adoption and states that it may be 2015 at the earliest. IFRS adoption took a backseat to the financial crisis when it occurred and that left some scholars questioning if IFRS possibly worsened the situation in the companies where it is used. Also, the new SEC Chairman does not take as strong of a position on IFRS as the former chairman did. Since the SEC has seemingly backed off in its support for IFRS, many scholars and professionals are left wondering if IFRS was really better for the U.S. accounting system in the first place.

At the end of 2010, the Deputy Chief Accountant for the SEC created the term "Condorsement" when giving a speech on SEC developments. He called "Condorsement" a reasonable approach for the U.S. This approach shows that the SEC has slightly backed off of an adoption approach and is now focusing more on an approach to make sure that IFRS would be compatible with U.S. markets. A timeframe was not set for this approach but rather it is an approach where the FASB would go over, on a standard by standard basis, each IFRS standard to ensure that the existing standards would be best for the U.S. capital markets. At the same time, new IASB standards would be considered to be incorporated into U.S. GAAP possibly without

[23] Defelice, A. & Lamoreaux, M.G. (2010). No IFRS Requirement Until 2015 or Later Under New SEC Timeline. *Journal of Accountancy*, Retrieved from http://www.journalofaccountancy.com/Web/20102656.htm

modification. According to the Deputy Chief Accountant at the SEC, this would ensure that any new standards would be high quality and work well in the U.S. capital markets.[24]

Over the past few years, there has grown to be less support for IFRS from the major influential organizations including the AICPA and the SEC. This is in part due to the recession. The SEC shifted its focus to how to fix the economy more so than adopting a new set of accounting standards. The FASB and the IASB are still working on joint projects and convergence, however, this process has already taken longer than expected. The SEC has already pushed back the expected date to require IFRS and that is only contingent upon criteria that is to be reevaluated in 2011. The AICPA now endorses an option approach where companies can choose to use GAAP or IFRS and not be required to use one or the other. The SEC has even produced a new approach that is starting to gain some traction and that is the "Condorsement" approach. Even this approach would very slowly integrate the two sets of standards together to ensure that the right decisions are being made for the U.S. markets and accounting system.

Conclusion

Many scholars in the field have focused more on IFRS and the impact the new set of accounting standards would have on the U.S. accounting system as well as on U.S. corporations. Some have chosen to focus on the differences of U.S. GAAP and IFRS, while others have focused more on the similarities between the two sets of standards and how they believe that over time IFRS will become just like U.S. GAAP is now, fit more specifically for the U.S. and its accounting purposes. Others have discussed how IFRS could provide for more consistency and make it easier for international corporations and users of financial statements to be able to

[24] United States Security and Exchange Commission. (2010). Speech by SEC Staff: Remarks before the 2010 AICPA National Conference on Current SEC and PCAOB Developments

compare standards across other countries. Some have discussed that it is nearly impossible for IFRS to work out in the U.S. and that they would end up having to be adjusted and changed to fit U.S. corporations' needs better, thereby, defeating the purpose of an international set of accounting standards in the first place. The majority of the focus has been on IFRS and whether or not they are good or bad for the U.S.

Some scholars have been able to show that IFRS in other countries actually led to a worsening of the financial crisis based on how corporations have to account for certain transactions. Since the recession, many scholars in the U.S. and even the SEC have chosen to back off from fully supporting convergence to IFRS. However, they still seem to support that the FASB and the IASB work together to decide on standards that will best fit the U.S. economy and work better for U.S. investors.

Most of the scholarly questions deal with whether or not IFRS is a good set of accounting standards and if the U.S. should adopt them. These scholars do not discuss in much detail whether or not the U.S. or FASB is actually making progress toward the new set of international standards but most of them argue that either IFRS is the right path for the U.S. to go down or it is not. However, there are some scholars that do spend more of their argument discussing when the U.S. will be adopting IFRS and not just giving an opinion of the validity of the standards.

While many scholars argue and debate that IFRS is the right direction for the U.S. accounting system, it is hard to ignore the apparent slow down and decline in popularity of the convergence process. The timetable that was set in 2008 for convergence has been adjusted and pushed back and this leaves the public wondering what caused the SEC to back off of its original plan. Based on the scholars that say that IFRS is a bad idea due to various reasons, it is relatively easy to show that public opinion has shifted that way as well since the convergence process has drastically slowed down. Some scholars have held the position that IFRS should not be rushed into and that if the process is taken slowly, it will be easier to change over from U.S. GAAP to the new set of international standards. However, those positions were more of opinions than statements as to why the process has slowed.

FASB and the U.S. have backed off of the convergence to IFRS slightly and decided to slowly complete the process. The new SEC Chairman as well as the financial crisis played critical roles in the slowdown of the adoption of IFRS and really caused professionals to stop and reevaluate the decision of changing standards from U.S. GAAP to IFRS. This thesis shows a new aspect and direction with regards to the topic of international financial reporting standards. While the main focus seems to be on whether or not IFRS should be adopted in the U.S., the focus has appeared to shift more to the trend of how the popularity of IFRS has waned over time and why that is the case. This trend began around 2008 when the economic recession as well as the change in the administration occurred. These factors helped to shift the attention from IFRS adoption and affected the majority viewpoint on the new set of accounting standards. This decline in support for IFRS has already played and will continue to play a significant role in the convergence process and how successfully and quickly IFRS will be adopted. With the downward trend of support for international standards, it is safe to say that there will be a longer road than anticipated to convergence of IFRS in the U.S.

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