



4-2008

## The EU has Accepted IAS for Listed Companies: Will the U. S. Follow?

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### Recommended Citation

Cascini, Karen and Rich, Anne, "The EU has Accepted IAS for Listed Companies: Will the U. S. Follow?" (2008). *WCOB Faculty Publications*. Paper 49.

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# The EU Has Accepted IAS For Listed Companies: Will The U. S. Follow?

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## ABSTRACT

*International financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), have become respected by many countries and regulatory agencies. The European Union (EU) has determined for most publicly held companies that IFRS promulgated by IASB meet the standards for cross-boarder listing. This paper will present a brief history of the development of international accounting standards and discuss the factors that led to the EU's acceptance of them. The paper will then consider the case of the U.S. By examining the changes in the accounting environment in the U.S. and specifically looking at the role of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB), this paper will consider whether the U.S. will follow the EU and accept IFRS for cross-boarder listings.*

## INTRODUCTION

International financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), have become respected by many countries and regulatory agencies. The European Union (EU) has determined for most publicly held companies that IFRS promulgated by IASB meet the standards for cross-boarder listing. This paper will present a brief history of the development of international accounting standards and discuss the factors that led to the EU's acceptance of them. The paper will then consider the case of the U.S. By examining the changes in the accounting environment in the U.S. and specifically looking at the role of the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB), this paper will consider whether the U.S. will follow the EU and accept IFRS for cross-boarder listings.

## THE EVOLUTION OF INTERNATIONAL ACCOUNTING STANDARDS

Efforts to internationalize accounting standards can be traced back more than fifty years. However, Henry Benson, a British chartered accountant, is recognized as the visionary whose interest in international accounting standards led to the creation of the International Accounting Standards Committee (IASC). A private organization, founded in 1973, the IASC was not composed of standard setters but rather was made up of representatives of the accounting profession from nine industrialized nations: Australia, Canada, France, Germany, Japan, Mexico, Netherlands, the United Kingdom and the United States. The mission of the IASC was to develop accounting standards accepted by the world's financial community. The focus of the IASC was to harmonize accounting standards. Until 2001, the organization worked hard to reduce alternatives in financial reporting. During its existence, the IASC issued 41 International Accounting Standards (IAS). However, many criticized the IASC for allowing too many choices in accounting methods. So, in 1987, the IASC focused its efforts on The Comparability/Improvements Project (E32) to identify and reduce differences in accounting alternatives. In 1993, the IASC received the attention of the world when it partnered with the International Organization of Securities Commissions (IOSCO) and by 1998 received that organization's endorsement for cross-boarder listings. The IASC expanded to include Latin America and other countries bringing its membership to 140 bodies in 101 countries. While improvements in financial reporting were recognized, the Asian financial crisis as well as the world-wide investment community, called for higher-quality international accounting standards. Unfortunately, IASC could not meet this high standard. It suffered from many obstacles including the lack of involvement of national standard setters. A working committee was established to consider its future and their recommendation, in 1999, was to restructure the organization.

As a result of this IASC committee, by April 2001, the International Accounting Standards Board (IASB) was formed. The mission of the IASB is now to develop a single set of global accounting standards and to bring about the convergence of national accounting standards. The trustees, composed of 19 practitioners as well as users and academics, appoint, oversee the organization and raise funds. There is a working board that is comprised of 12 full-time and 2 part-time members all considered accounting experts and does not represent any particular country. However, seven board members have a formal relationship with national standard setters from the major industrialized countries (Australia, Canada, France, Germany, Japan, UK and the US. The IASB issues International Financial Reporting Standards (IFRS). Before setting its agenda, the IASB is required to consult with its Standards Advisory Committee.

The IASB's initial agenda consisted of nine projects intending to provide leadership and convergence. The IASB accepted all of the international accounting standards (IAS) issued by its predecessor and issued a standard providing guidance on first-time application of IFRS. Many of these IAS that were accepted by the IASB have been revised. The driving force behind the changes has been the IASB's Improvements Project. The purpose of this latest project is to raise the quality and consistency of financial reporting by drawing on the best worldwide practices. The IASB seems to have accomplished some of its objectives. In 2001, IOSCO recommended that it members allow multinational issuers to use IASC standards in cross-boarder offerings and listing. Clearly, the IASB has moved from harmonization, where many alternative areas are allowed, to convergence. Their current goal is to remove options. While many countries accept IAS as their own domestic standards, perhaps the most significant impact the IASB has had to date is the response by the European Union to require most listed companies to prepare financial statements consistent with IFRS. The IASB has now included a project on accounting small and medium sized companies that will further expand the impact of IAS beyond listed companies. The next section will discuss the evolution of accounting standards in Europe and how this latest acceptance of IFRS evolved.

## **THE EUROPEAN UNION**

The establishment of the European Union began with The Treaty of Rome in 1957. It was formed by six European nations: France, Germany, Italy, Belgium, Luxembourg, and the Netherlands. The original goal was to harmonize the economic and legal systems of its member countries. It was initially called the European Economic Community (EEC). From 1973 through 1995 nine additional countries joined the EU: Austria, Denmark, Finland, Greece, Ireland, Portugal, Sweden, Spain, and the United Kingdom. At that point, fifteen nations comprised the EU trading bloc. These nations possessed similar characteristics such as, common economic traits, standards of living and all were wealthy industrial nations. In 2004 ten additional nations were admitted to EU membership which most likely will change the dynamics of the EU with regard to its former characteristics given that eight of the ten new entrants were former Soviet bloc countries. (Doupnik, 2007). These new members include: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia – Twenty-Five nations in all.

The governing body of the EU is the European Commission (EC). The EC has complete enforcement powers of its accounting directives of all member nations. Since one of the EU's goals was to fully integrate European financial markets, the EC issued directives toward that end. They include:

1. raising capital on an EU-wide basis
2. establish a common legal framework for securities and derivative markets
3. establish a single set of accounting standards for listed companies (Choi,2005)

The EC developed the Fourth, Seventh and Eighth Directives to accomplish its goals. The Fourth Directive (1978) outlined formal requirements for financial statement disclosure and valuation rules. It also established the "true and fair view" which required companies' financial statements to provide a true and fair view of their balance sheet and profit and loss positions to third parties. The Seventh Directive (1983) dealt with issues of consolidated financial statements. Few member states issued consolidated statements at that time. The Eighth Directive (1984) addressed aspects of professional qualifications of those persons authorized to perform audits. This directive outlines only the minimum requirements necessary to conduct required audits. As a result of the Fourth Directive's considerable flexibility with regard to reporting requirements (the language of dozen of provisions, for example,

stated that “member states may require or permit...” ), member nations’ financial reporting standards and practices were very diverse. In countries with a stronger equity culture,( e.g., the UK) financial reporting tended to be more transparent. By contrast, there was less transparency in countries where debt financing was the norm ( e.g., France and Germany). Hence, the EU directives were counterproductive to its goal of complete integration European financial markets. Member states’ financial statements lacked the very important comparability aspect that is a necessary component to third party informed financial decision- making. Nonetheless, these directives formed the framework that has allowed other countries to adopt it as a model for their own accounting standards.

The success of the EU’s harmonization efforts have been debated because, upon member states’ adoption of the new EU directives, they held onto their own accounting standards and “fitted” the new directives into their existing systems. Also, the directives were not always interpreted the same way by all member states. Finally, there were too many unanswered questions with regard to the interpretation of these directives, and because of this, member states would not compromise on the interpretation (Choi, 2005).

### **THE NEW ACCOUNTING STRATEGY FOR THE EU**

In 1995 the EC proclaimed that the EU must move quickly so that companies that desired to be listed in the United States and other world markets would be free to stay within the EU accounting framework (Choi). Therefore, in 2000, the EU proposed that all EU companies listed on regulated markets. Including banks, insurance companies and small to medium firms, prepare consolidated accounts in accordance with International Accounting Standards (IFRS). Small and medium companies that are unlisted were not required to follow IFRS (Douppnik). The EU was on its way to meeting its goal of making financial information more transparent and comparable.

### **THE EU AND COMPLIANCE WITH IFRSs**

It is important to note that the IASB is a private body, and as such, does not possess the authority to enforce its standards. Instead, the IASB develops standards for the public good and makes them available to any nation desiring to adopt them. Because the EU wished to move quickly in order to meet its goal, it formally proposed an IAS regulation in 2001, calling for listed companies in the EU to begin applying IFRS beginning January, 2005. At the urging of France and Germany, the EU Council added an amendment allowing member states to delay the required adoption of IFRSs to 2007 for companies with only listed debt and for companies that are currently using globally accepted GAAP, (such as US GAAP). Furthermore, the Fourth and Seventh Directives were amended in 2003, to make them more compatible with IFRS. Currently the EU has adopted all IFRSs except for one aspect of IAS 39, related to derivative and hedging provisions. Five member states (Belgium, France, Italy, Portugal, and Spain expressed strong opposition to IAS 39 and requested amendments to the standard. Some countries will implement IFRSs in 2007, Belgium, for example. Some member states say that they will adopt IFRS to the extent of domestic tax and legal aspects. [Please refer to Table 1 for EU countries compliance status] Douppnik outlines a number of ways in which a country might adopt IFRSs as follows:

1. All companies. IFRSs replace national GAAP.
2. Parent companies preparing consolidated statements. National GAAP is used in parent company-only financial statements.
3. Stock-exchange- listed companies preparing consolidated financial statements. Nonlisted companies use national GAAP.
4. Foreign companies listing on domestic stock exchanges. Domestic companies use national GAAP.
5. Domestic companies that list on foreign stock exchanges. Other domestic companies use national GAAP.

**Table 1**  
**Use Of IFRS's For Reporting By Domestic Listed Companies By Country**

This table reports only direct use of IFRS's in individual countries. Direct use means that the basis of preparation note and the auditor's report will refer to conformity with IFRS's.

<u>Country</u>	<u>IFRS Not Permitted For Domestic Listed Companies</u>	<u>IFRS's Permitted for Domestic Listed Companies</u>	<u>IFRS's Required for Some Domestic Listed Companies</u>	<u>IFRS's Required for all Domestic Listed Companies</u>
Austria				X *
Belgium				X *
Cyprus				X *
Czech Republic				X *
Denmark				X *
Estonia				X *
Finland				X *
France				X *
Germany				X *
Greece				X *
Hungary				X *
Ireland				X *
Italy				X *
Latvia				X *
Lithuania				X *
Luxembourg				X *
Malta				X *
Netherlands				X *
Poland				X *
Portugal				X *
Slovenia				X *
Slovak Republic				X *
Spain				X *
Sweden				X *
United Kingdom				X *

\*The audit report and basis of preparation note will refer to compliance with "IFRSs as adopted by the EU". Currently, the EU has adopted all IFRSs, though one aspect of IAS 39 was modified. The modification affects only a tiny percentage of EU companies following IFRSs. Also, EU... member states are permitted to defer the application of IFRSs until 2007 (a) for companies that only have debt securities listed in a public securities market and/or (b) for companies whose securities are admitted to public trading in a non-member state and that, for that purpose, have been using internationally accepted standards other than IFRSs (such as US GAAP) since a financial year that started prior to adoption of the European IAS regulation. Please refer to the above website to see which of the 25 EU members will use this option.

Source: Deloitte "IAS PLUS" . [WWW.iasplus.com/country/useias.htm](http://WWW.iasplus.com/country/useias.htm)

### **COSTS AND BENEFITS TO MEMBER STATES OF ADOPTING IFRS**

EU companies that do business or seek capital across borders will be able to prepare their accounts and financial statements using IAS and IFRS for ease of comparison. Also, comparability of accounts will assist shareholders, financial analysts and other stakeholders. Moreover, comparability of EU companies financial statements will attract international investors. Not having to prepare financial statements to different national standards will be a cost saving to EU companies. Finally, companies of different sizes will be able to choose which standard is best suited for their needs. The costs to EU companies of adopting IAS and IFRSs include a one-time

investment in order to restate comparative figures. They must re-design accounting and IT systems to adapt to different disclosure requirements, and ongoing costs might arise as a result of adopting IAS' different requirements for subsidiary companies. There will be, as well, training costs for staff instruction on ways in which to integrate existing accounts with the new accounting system.

### **THE UNITED STATES: THE FASB AND THE SEC**

The United States appears to be moving towards the EU model of requiring only public companies to apply IFRS in cross-boarder listings. To understand accounting in the U.S. it is important to consider two organizations, the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB), and how each are embracing international accounting standards. The evolution of accounting in the US began more than 100 years ago.

In the early twentieth century, accounting in the United States was governed by generally accepted practices. The Stock Market Crash of 1933 highlighted the need for the federal government to protect investors. According to Kieso (2007), at this time in U.S. history, no private or public group issued accounting standards. The SEC urged the creation of a private sector professional body. As a result, the American Institute of Certified Public Accountants (AICPA) took up the charge of setting accounting standards. However, the SEC holds the legal right to establish accounting standards for publicly held companies.

### **THE FASB AND THE ROAD TO CONVERGENCE**

For years, the AICPA issued both auditing and accounting standards. However, many felt the AICPA, composed only of CPA's, was too insulated and did not represent the views of the larger financial community. As a result, in 1973, the AICPA created the Financial Accounting Standards Board, (FASB), and gave up its accounting standards setting responsibilities. It retained its focus on auditing and other professional standards. Both the AICPA and the FASB are private sector, professional organizations. However, unlike the IASC in its early years, they both hold the respect of the financial community not only in the U.S. but world-wide. The FASB did not take the IASC seriously in the early years. More recently, the FASB has decided to cooperate with the IASB. On the FASB's website, the FASB states the "ideal outcome of cooperative international accounting standard-setting efforts would be the worldwide use of a single set of high-quality accounting standards for both domestic and cross-boarder financial reporting. At present a single set of high-quality international accounting standards that is accepted in all capital markets does not exist." It is also interesting to note, the FASB has not created different accounting standards for large and small businesses. Except for some additional disclosures, big-GAAP and little GAAP do not exist in the US.

Thus, the FASB issues accounting standards for all enterprises in the US and has been until recently, the dominant force in generating accounting standards. However, legally, all publicly-held companies must follow the regulations of a federal agency, the SEC. The mission of the SEC is to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation. In the early years, the SEC allowed the AICPA to issue accounting standards. The SEC often added additional disclosure requirements and mandated financial reports to be submitted to the agency. When the FASB took over as the accounting standard setting organization in the U.S. the SEC continued its support of the private sector in establishing US Generally Accepted Accounting Principles (US GAAP). The focus of the two organizations was very similar. FASB identified the primary objective of financial reporting in the U.S. is to focus on the information needs of investors and creditors. The SEC's focus is on investors and creditors associated with publicly-held companies. When accounting scandals such as Enron surfaced, the federal government was urged by investors and creditors to regain control over financial reporting standards. As a result of the Sarbanes-Oxley Act of 2002, the SEC took on a more dominant role in establishing financial reporting standards for publicly-held companies. For example, the SEC's Staff Accounting Bulletins have provided detailed guidelines for the recognition of revenue. So far, the SEC has accepted all of the FASB's pronouncements and recognizes the FASB as the standard-setting organization in the private sector. However, the SEC has the right to reject any FASB Statement that they do not want U.S. publicly-held companies to follow. In addition, it is the SEC that must oversee the listing of any foreign entity wishing to list its shares in the U.S. As of December 31, 2003,

there were over 1,200 foreign companies from 57 countries filing periodic reports with the Commission. In November 2004, the SEC reported that for the prior ten year period, the number of foreign companies accessing the U.S. public markets has increased dramatically. Since 1997, over 600 foreign companies have registered securities with the SEC for the first time. The SEC could no longer ignore the presence of foreign registrants. The SEC has responded by making allowances for foreign companies listing in the US. According to the SEC November 4, 2004 U.S. SEC Requirements for Foreign Companies Listing in the US, the following accommodations have been made, including:

1. Interim reporting on the basis of home country and stock exchange practice rather than quarterly report.
2. Exemption from the proxy rules and the insider reporting and short swing profit recovery provisions of Section 16,
3. Aggregate executive compensation disclosure rather than individual disclosure, if so permitted in an issuer's home country,
4. Acceptance of three IFRS relating to Cash Flow, Business Combinations and Operations in Hyperinflationary Economies,
5. Offering document financial statements updated principally on a semi-annual rather than a quarterly basis, and
6. Foreign companies may prepare their financial statements using a comprehensive body of generally accepted accounting principles (GAAP) other than US GAAP. Foreign companies that present their financial information in accordance with GAAP of their home country or IFRS must include a reconciliation of significant variations from US GAAP.

#### **THE FASB AND THE SEC MOVING TOWARD CONVERGENCE**

It is clear from the activities of both the FASB and the SEC that U.S. standard setters and regulators have acknowledged the importance of convergence of international accounting standards. To move towards the goal of one set of world-wide accounting standards, in October 2002, the FASB and the IASB signed the Norwalk Agreement making a significant statement about their future cooperative working relationship. Part of this agreement was a focus on eliminating small differences in a short period of time – known as the short-term convergence project. Another effort is longer term in scope and deals with identifying all of the differences between US GAAP and IFRS. The SEC's website provides details of their international reporting and disclosure rules. The SEC has stated it wants high-quality, rigorous international accounting standards and has engaged in activities to accept international accounting standards. It issued a concept release inviting comments on the use of international accounting standards in the United States. As a result of input from various groups, the SEC published what is referred to as a roadmap that, if followed, will allow the elimination of the reconciliation requirement from IFRS to US GAAP. The roadmap (Exhibit 1) identifies what must be done, and a timeline for accomplishing it, so statements prepared using IFRS be accepted and that the IFRS to US GAAP reconciliation could be eliminated for foreign companies listing in the US.

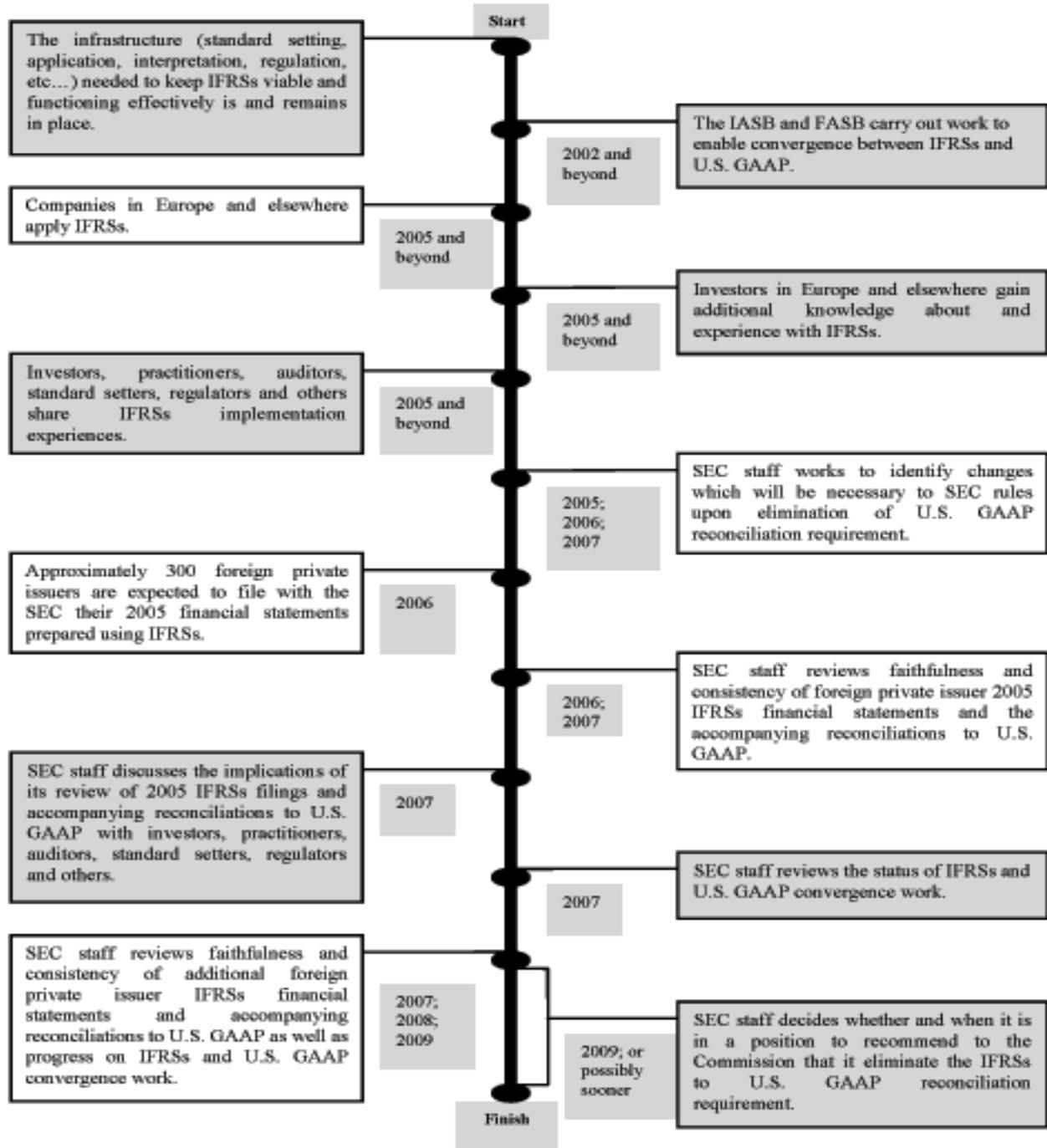
#### **THE IMPACT OF THE EU ON THE US**

The Chief Accountant at the SEC, Nicolaisen(2006) writes:

*The primary driver behind the significantly expanded use of IFRS's is a decision made by the European Parliament and the Council of the European Union that all listed European Union companies (including banks and insurance companies) must prepare their consolidated financial statements in accordance with IFRS's, generally from 2005 onward.<sup>2</sup> That was a bold and critically important decision. The amount of work involved to make this happen has been daunting. I strongly commend the European Union and the International Accounting Standards Board (IASB)<sup>3</sup>, as well as the many others involved, for making possible this significant transition toward a single set of globally accepted accounting standards.*

EXHIBIT I

A Possible Roadmap to an SEC Staff Recommendation to Eliminate the SEC Requirement for Foreign Private Issuers to Reconcile Financial Statements Prepared Under IFRSs to U.S. GAAP



Source: SEC Statement: A Securities Regulator Looks at Convergence by Donald Nicolaisen, found at [www.sec.gov/news/speech/spch040605dtn.htm](http://www.sec.gov/news/speech/spch040605dtn.htm)

Bruce stated that the implementation in 2005 of International Financial Reporting Standards as the reporting language for all listed companies in the European Union and many others around the world has been the biggest revolution in the accounting world for a generation. The intense pressure from the international financial community led to the EU's mandate. It is likely similar pressure will be placed on the SEC to do the same. Hansen (2006) writes that 2006 marks the turning point for a new era of accounting based on global standards. She identifies nearly 100 countries that have adopted or permit the use of IFRS. She states all US companies will feel the effect as the majority of the world's countries adopt IFRS. Jermakowicz (2006) expects the EU's Accounting Regulation impact on the SEC to be significant. His article indicates that by 2005 more than 300 European SEC registrants who previously used their own national standards and then reconciled material differences to US GAAP had switched to IFRS for the US. His article also identifies four possible situations where a U.S. company would have to, or prefer to, use IFRS. Namely:

1. if the US company's international parent used IFRS, the subsidiary will have to prepare IFRS statements for the parent's consolidated financial statements,
2. a publicly listed European subsidiary of a US-headquartered multinational corporation must comply with IFRS and consequently the US parent may have to convert its subsidiary's financial statements to US GAAP for consolidation purposes. In this situation, the US parent company may simplify its financial reporting by implementing IFRS for all its foreign subsidiaries
3. If a foreign investor in a US company uses IFRS, the US company may also be required to follow suit or
4. 4) a US company that has foreign operations and is seeking to enter new markets and expand operations and is seeking to enter new markets and expand operations to a foreign country may need to report under IFRS to obtain an operating license

Other pressures will come from industry and regulators of stock exchanges. Numerous studies exist providing support from US CFOs to accept IFRS. The recent proposed mergers of the New York Stock Exchange with Euronext will be another driving force towards acceptance of international accounting standards. However, a small group of people exist who feel the convergence would not be good for the accounting profession. Myddelton (2006) quotes Sir Tommaso Padosa-Schioppa, Italy's new finance minister, suggests that a global monopoly where the US and the IASB reach the same conclusion all the time may not result in high-quality accounting standards that meet investors' needs. The finance minister is opposed to converging accounting standards in order to allow discussion on alternatives. The sentiment is echoed by the writer of this editorial in the London Times. These voices are clearly in the minority.

Most everyone involved in financial reporting supports convergence. However, the same parties recognize the significant obstacles. Will the forces that led the EU to accept IFRS have the same effect on the FASB and the SEC in the US? Or will the basic differences between the US and the EU lead to a different outcome? Some say the Europeans being more pragmatic, preferring to reduce the number of accounting alternatives, and clearly desiring a principle-based system made the adoption of IFRS easy. Americans recognize our culture has been dominated by rules. In addition, the US is a litigious society and principled-based standards may be too ambiguous in our legal environment.

A recent report by KPMG entitled International Financial Reporting Standards: Views on a Financial Reporting Revolution authored by Bruce (2006) highlights critical issues in the US that lie ahead:

1. How will the SEC react to the first full IFRS results as they are issued?
2. How can the financial community ensure that IFRS is adopted and interpreted in a consistent manner across borders and between different industry sectors?
3. IFRS is a principles-based approach but will the need for consistency result in a movement towards a more rigid rules-based (US style) approach?
4. Concerning fair value, some preparers are still uncomfortable with the direction that fair value accounting is taking, and question the relevance of some of the numbers it produces.

5. Concerning complexity of accounts, they are meant to serve investors and yet they are becoming more difficult to read. Does more complexity accurately reflect reality and do the numbers bring greater rewards once they are understood?

In the same summary, Bruce reports many interested parties are hoping the SEC will come to a swift conclusion on the issue of reconciliation. He states the ability of companies with a US listing to file IFRS accounts without going through the hoops of having to produce further figures to comply with the SEC requirement for agreement with US GAAP was agreed to be the real goal behind the IFRS implementation process. Bruce quotes Jon Symonds who said the critical step is in the attitude of the SEC which has always taken a legalistic view; form rather than substance.

Others echo KPMG's concerns. Rieger (2006) reports that Paul Atkins, the new commissioner at the SEC appreciates the need for a global regulatory environment that facilitates investment while protecting the US business culture. Atkins said while there is a need to remove required accounting reconciliation between IFRS and US GAAP, nevertheless there is a concern that the standards in place may be weak. The newness of IFRS to the EU and the inexperience of EU accountants in using it will result initially in inconsistent practices. Thus, the SEC appears to be cautious. Atkins also said "while it may be a goal of the IASB that accounting standards between the US and IASB converge, true equivalence may be an illusory goal". Rieger, the Director of Financial Accounting and Reporting at AFP, supported this conclusion with his own experience in different countries with different legal and regulatory systems. He doubts if true convergence, which he defines as identical standards, will be possible nor should it be necessary to raise capital

Clearly the opinion of those at the SEC will be most important if the U.S. is to follow the EU. Nicolaisen (2006) writes:

*In the U.S. capital markets many, like me, are anxious to capitalize on the benefits of having a widely used set of accounting standards accepted and in place. I am excited about this opportunity, but I also want to make sure we get it right. IFRSs will be with us for a long time, making it all the more important that we start out on the right foot. Convergence of IFRSs and U.S. Generally Accepted Accounting Principles (U.S. GAAP) is an enabler that will allow the United States and other capital markets to capitalize on the benefits of a single set of globally accepted accounting standards because convergence bilaterally reduces differences between IFRSs and U.S. GAAP, while at the same time taking both to the highest quality level. I look forward to 2006 when a critical mass of non-U.S. companies who file with the SEC (foreign private issuers) will begin filing financial statements prepared using IFRSs with the U.S. Securities and Exchange Commission (SEC or the Commission) and I can actually start to see convergence in action.*

## **CONCLUSION**

As discussed previously the EU, weighing all the costs and benefits, decided that with a few exceptions, listed companies must use IFRS for cross-boarder listings. For all other organizations, IFRS are optional and domestic standards are likely to prevail. The FASB will likely to continue to converge US GAAP with IFRS, however, it is unlikely the two will ever completely merging into one standard. In addition, the forces driving listed companies to adopt IFRS are not the same for domestic medium and small-sized companies. will more likely than not still rely on FASB standards. The SEC, on the other hand, seems more receptive to accepting IFRS. Once the SEC accepts IFRS for foreign issuers, the use of IFRS for domestic listed companies may not be far behind. It is likely that the pressures as well as the benefits experienced by the EU will be the same for U.S. listed companies. U.S. listed companies are likely use IFRS in the near future.

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**NOTES**