

XBRL and IFRS in Latin America

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Exciting developments are currently taking place within the borders of our South American neighbors regarding International Financial Reporting Standards (IFRS) and XBRL. Countries are quickly moving toward International Accounting Standards or have already

adopted them. Although accounting itself isn't changing, the convergence on one global set of standards will have numerous implications throughout the Americas and the world.

The core concepts of accounting have been with us since the days when the merchants of Italy first began keeping records. As technology advances and exerts great influence over our profession, the underlying double-entry booking system lives on. Assets, liabilities, equity, revenues, expenses, gains, and losses are universal concepts, but new business practices and technological developments are impacting and shaping the financial reporting process.

The core accounting concepts are fully embraced by the International Accounting Standards Board (IASB), which issues IFRS. Adoption by the European Union is helping to estab-



lish IFRS as the de facto international standards for generally accepted accounting principles (GAAP). Accountants from all over the world have participated in the development of IFRS.

Latin American countries typically follow accounting standards issued in the United States. U.S. GAAP is widely used for local and overseas financial reporting purposes, but the IFRS accounting rules are starting to take hold, especially since the announcement of the adoption of IFRS by the European Union for financial reporting in 2005.

Why are IFRS becoming more important than U.S. GAAP in Latin America? Globalization is the key. According to the IAS Plus website run by Deloitte (www.iasplus.com), IFRS are currently in use for domestic financial reporting by more than 70 countries, and others are expected in the near future. The following is a summary of IFRS adoption by countries directly south of the U.S.

IFRS adoption in Latin America

First of all, it's very interesting to examine the number of CPAs in each country to understand how fast or slow the adoption of IFRS can occur. CPAs exert tremendous influence in the process of adopting accounting standards in developing countries. Here is a recent estimate of CPAs by country as of December 2003: Brazil, 360,000; Argentina, 90,000; Mexico, 70,000; Colombia, 70,000; Venezuela, 60,000; and Peru, 50,000.

It's obvious that Brazil would be the first country to deal with any effort of implementation for IFRS, but a barrier exists: It is the only Portuguese-speaking country in South America. Spanish is the main language in the rest of the South

American countries. Currently, IFRS aren't permitted for domestic financial reporting in Brazil.

Let's analyze the IFRS adoption process for several important countries:

Argentina—Accounting standards in Argentina are issued by the Federación de Consejos Profesionales de Ciencias Económicas y Sociales, a body pertaining to the accounting profession in that country. GAAP in Argentina are called Technical Resolutions. Argentina is studying IFRS but currently doesn't use IFRS for domestic reporting.

Brazil—The Brazilian Institute of Accountants, IBRACON, issues the accounting standards in Brazil. The Brazilian Accounting Standards are strongly influenced by IFRS, but IFRS aren't accepted for domestic financial reporting at this time.

Colombia—This is one of the most interesting countries. Colombian GAAP is included in Decree No. 2649, issued in 1993. The government establishes Colombian GAAP, but there's a body called Consejo Técnico de la Contaduría Pública that has functions including the research of new accounting and auditing standards. Their pronouncements aren't mandatory for accountants. Colombian GAAP is more focused and based on U.S. GAAP than IFRS.

Chile—The accounting standards in Chile are set by the Chilean College of Accountants. Their standards are known as Technical Bulletins. A process is in place for convergence from Chilean GAAP to IFRS, but firm dates haven't been established yet.

Mexico—The Mexican accounting profession has supported the international standardization process since 1973. The accounting profession's rule-making body, the Mexican Board for the Research and Development of Standards of Financial Information (CINIF), has formalized a plan and is working to change national rules to comply with IFRS.

Panama—In August 2000, Panama set the IFRS as the local standard beginning in 2001.

Venezuela—The accounting standards in Venezuela are set by the Federación de Colegios de Contadores Públicos de Venezuela, a body pertaining to the accounting profession in that country. While Venezuelan GAAP is based on U.S. GAAP, there's a strong discussion about the adoption of IFRS. The local Securities & Exchange Commission issued a decree mandating IFRS implementation by 2006.

Peru—The accounting standards in Peru are set by the Consejo Normativo de la Contabilidad, which is a specialized accounting regulator formed by different members responsible for the accounting profession in Peru. Peruvian companies must apply IFRS.

Dominican Republic—The Dominican Republic is another country where IFRS are the primary source of GAAP, and there are no differences in application.

Costa Rica—This country adopted IFRS in 2000.

Nicaragua—Nicaragua fully adopted IFRS in 2004.

XBRL perspective

As companies move to adopt International Accounting Standards, the use of XBRL will increase because XBRL offers a unique way for companies to express financial information electronically in multiple languages and currencies. A company in Peru, for example, can send IFRS-compliant financial information to investors in Europe using the IFRS XBRL taxonomy. The XBRL file can be easily translated from Spanish to whatever language the European investors chose, and, because the financial statements are prepared according to IFRS, the numbers will be understood.

One of the disadvantages for XBRL adoption in the South American market will be the level of information technology education for most South American CPAs. Typically, South American accountants and CPAs are well behind their U.S. counterparts in both access and understanding of basic information systems technology. Resistance to the adoption of XBRL will occur, but the strong worldwide support for IFRS will help speed up XBRL implementation. ■

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