

By Robert K. Larson, CMA, CPA, and Thomas J. Brady

# Incorporating IFRS into the Accounting Curriculum

International Financial Reporting Standards are coming to the U.S., and students will need to be familiar with them. Here's a plan for teaching IFRS and some resources that can help.

**W**e may soon need to teach International Financial Reporting Standards (IFRS) to all U.S. accounting students. While IFRS are now used in about 100 countries around the world, they are also coming to America. In November 2007, the U.S. Securities & Exchange Commission (SEC) decided to accept foreign corporations' financial statements prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) without reconciliation to U.S. Generally Accepted Accounting Principles (GAAP). The SEC is also considering whether to allow or require U.S. corporations to use IFRS. Many influential organizations in the U.S. support this proposal. If the SEC lets U.S. corporations use IFRS, it will force major changes in how financial accounting is taught and practiced in the U.S., so many U.S. students will need a good basic knowledge of IFRS.

U.S. accounting educators need to plan how to incorporate IFRS into their accounting courses. In

this column we suggest how IFRS might be incorporated into the accounting curriculum and identify resources available to help teach the Standards. The good news is that many IFRS resources are inexpensive or free to educators and their students, and practitioners might be interested in them also.

While the U.S. Financial Accounting Standards Board (FASB) has made a formal commitment to make U.S. GAAP more similar to IFRS, it's still unclear how closely the two sets of accounting standards will converge and the timing of these changes. Some people think that at least a five-year transition period would be needed, but a few others suggest letting U.S. corporations have a free choice between IFRS and U.S. GAAP immediately.

Regardless of the timing, U.S. accounting students will have careers where global transactions and interactions are common, so they will need to be familiar with IFRS and sensitive to the rapidly changing accounting environment. Although many countries either require or allow the use of IFRS (or a locally adapted variation thereof), current U.S. accounting students will likely begin their careers in a framework still

largely dominated by U.S. GAAP and where U.S. professional licensing examination content will, in the near term, likely remain heavily weighted toward U.S. standards.

As a first step in preparing U.S. accountants for IFRS, college and university accounting programs need to incorporate coverage of the rationale and current status of the convergence process in their principles and other courses. One approach might be to incorporate recent articles from *Strategic Finance* that discuss the current status of convergence (for example, "IFRS in America—When?" September 2008, pp. 40-43). Students could be assigned to find information about convergence on the websites listed at the end of the article, such as the international section on the FASB's website that has the Board's formal commitment to convergence with IFRS.

Faculty might also want to integrate related material designed to acquaint students with the cultural, legal, political, and economic differences that explain why accounting practices differ among countries. This might facilitate discussion in an intermediate financial accounting or accounting theory class of why IASB-approved IFRS are different from European

## ACADEMIC CORNER

Union (EU)-endorsed IFRS.

In many upper-division and graduate financial accounting courses, students might explore the key differences that currently exist between U.S. GAAP and IFRS by utilizing the many Web-based resources. Faculty could also use cases that expose students to international scenarios that provide a measure of hands-on experience with differing regulatory and enforcement frameworks and enhance familiarity with company financial statements prepared using IFRS. For example, *Issues in Accounting Education* has published a large number of international accounting cases. Also, for a limited time, students could still use the Form 20-F reconciliations from IFRS to U.S. GAAP as a class project to better understand existing differences (the Summer 2007 *Management Accounting Quarterly* has a wonderful article describing how to do a 20-F project).

Students could also be encouraged to participate in IFRS-focused international study-abroad programs and work experiences. In addition, faculty could utilize the expertise of practitioners by joining with members of the accounting and business community to develop on-campus presentations and seminars related to IFRS.

### TRY THESE RESOURCES

The following resources are available to help teach IFRS.

**IFRS Standards and Summaries: Official IFRS™ Bound Volume**, 2008, IASB. Contains all IFRS as of January 1, 2008. 2,752 pages. UK£60 + shipping. ([www.iasb.org/home.htm](http://www.iasb.org/home.htm))

The IASB website provides a large amount of information, including summaries of its Standards, and the Board also has a number of other printed and electronic resources.

**Free IFRS on Web:** The EU requires all endorsed IFRS to be available for free on the Web. In November 2008, the EU reorganized its Web IFRS so that it's easier to use, but there's usually a time lag from when Standards are issued by the IASB, and, in rare cases (such as IAS 39), EU-endorsed IFRS are different from IASB-approved IFRS. ([http://ec.europa.eu/internal\\_market/accounting/ias\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias_en.htm)) The EU webpage also has a great deal of other free accounting information.

**Low-Cost eIFRS:** The International Association for Accounting Education and Research (IAAER) provides educators and students low-cost access to all IFRS and other IASB educational material available on eIFRS. eIFRS is always up to date. While the normal rate for eIFRS is UK£200 (\$400), educators pay only \$25, and students pay only \$20. Access to eIFRS is via the IAAER website's "members only" link ([www.iaaer.org](http://www.iaaer.org)).

### Other Web-Based Resources: American Accounting Association (AAA)

For AAA members, the AAA Commons (<https://commons.aaahq.org/signin>) has an IFRS "hive" that holds many IFRS resources, including items from the large accounting firms.

**Deloitte** ([www.deloitte.com/us/ifrs/consortium](http://www.deloitte.com/us/ifrs/consortium))

### www.IASPlus.com

Both sites contain a great deal of information about IFRS. The consortium site is geared specifically for faculty. IASPlus.com has a wider variety of information regarding the IASB and IFRS, including current developments, Standards summaries, and country updates. Examples:

- **IFRSs In Your Pocket** (2008) ([www.iasplus.com/dttpubs/pocket2008.pdf](http://www.iasplus.com/dttpubs/pocket2008.pdf))

- **IFRSs and U.S. GAAP: A Pocket Comparison** (2008) ([www.iasplus.com/dttpubs/0809ifrsusgaap.pdf](http://www.iasplus.com/dttpubs/0809ifrsusgaap.pdf))

Deloitte grants permission for accounting educators and students to print copies for educational purposes for both these resources. IASPlus has more than three dozen free, up-to-date online interactive learning and application modules, one for each IAS/IFRS. On the home page, just click Deloitte IFRS e-Learning.

### FASB (Financial Accounting Standards Board)

([www.fasb.org/intl](http://www.fasb.org/intl))

The FASB's international home page has lots of great resources, such as a September 2008 update on the 2006 Memorandum of Understanding between the FASB and the IASB.

**Ernst & Young** ([www.ey.com](http://www.ey.com); [www.ey.com/global/content.nsf/International/Home](http://www.ey.com/global/content.nsf/International/Home))

- **U.S. GAAP v. IFRS: The Basics** (2nd Ed., June 2008) ([www.ey.com/Global/assets.nsf/International/IFRS\\_US\\_GAAP\\_vs\\_IFRS/\\$file/US\\_GAAP\\_vs\\_IFRS.pdf](http://www.ey.com/Global/assets.nsf/International/IFRS_US_GAAP_vs_IFRS/$file/US_GAAP_vs_IFRS.pdf))

- **IFRS Outlook**  
([www.ey.com/global/content.nsf/InternationalAssurance\\_-\\_IAS\\_-\\_Tools\\_and\\_Resources](http://www.ey.com/global/content.nsf/InternationalAssurance_-_IAS_-_Tools_and_Resources))

E&Y also has an excellent book available for purchase: *International GAAP 2008*.

### **Institute of Management Accountants (IMA®)**

([www.imanet.org](http://www.imanet.org))

"A U.S. Manager's Guide to Differences Between IFRS and U.S.

GAAP," by Susan B. Hughes and James F. Sander, *Management Accounting Quarterly*, Summer 2007, pp. 1-8.

([www.imanet.org/pdf/Qsummer07hughes.pdf](http://www.imanet.org/pdf/Qsummer07hughes.pdf))

**KPMG** ([www.kpmg.com](http://www.kpmg.com);  
[www.kpmgifrsinstitute.com](http://www.kpmgifrsinstitute.com))

- **KPMG Faculty Portal** also has an IFRS corner ([www.kpmgfacultyportal.com](http://www.kpmgfacultyportal.com)).

- **IFRS compared to U.S. GAAP: An Overview** (May 2008)  
([www.kpmgifrg.com/pubs/beforepdf.cfm?PubID=2462#](http://www.kpmgifrg.com/pubs/beforepdf.cfm?PubID=2462#))

- **IFRS in Brief**, monthly reports  
([www.kpmg.com/Global/IssuesAndInsights/ArticlesAndPublications/Pages/default.aspx](http://www.kpmg.com/Global/IssuesAndInsights/ArticlesAndPublications/Pages/default.aspx)).

KPMG also has an excellent book available for purchase: *2008/9 Edition of Insights into IFRS: Practical Guide to International Financial Reporting Standards*.

**PricewaterhouseCoopers**  
([www.pwc.com](http://www.pwc.com))

A faculty IFRS website is available at: [www.pwc.com/faculty](http://www.pwc.com/faculty), then select IFRS Ready.

- **IFRS News** (monthly newsletter)  
([www.pwc.com/extweb/pwcpublications.nsf/docid/e3bb625a0a6e1a1380256c2800375319](http://www.pwc.com/extweb/pwcpublications.nsf/docid/e3bb625a0a6e1a1380256c2800375319)).

- **Similarities & differences: A comparison of IFRS and U.S. GAAP** (September 2008)  
([www.pwc.com/extweb/pwcpublications.nsf/docid/0926233008c4060380256ae700566123](http://www.pwc.com/extweb/pwcpublications.nsf/docid/0926233008c4060380256ae700566123))

- **IFRS Pocket guide** (March 2008),  
([www.pwc.com/gx/eng/about/svcs/corporatereporting/PocketGuide2008.pdf](http://www.pwc.com/gx/eng/about/svcs/corporatereporting/PocketGuide2008.pdf))

### **Securities & Exchange**

**Commission** ([www.sec.gov/spotlight/ifrsroadmap.htm](http://www.sec.gov/spotlight/ifrsroadmap.htm))

The SEC's Spotlight On: Global Accounting Standards section contains many excellent resources. The November 2008 Proposed Rule: "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers," is available at: [www.sec.gov/rules/proposed/2008/33-8982.pdf](http://www.sec.gov/rules/proposed/2008/33-8982.pdf).

### **IFRS Financial Accounting Textbooks:**

While no U.S. accounting textbooks teach IFRS exclusively, some are now available in the U.K. and Australia. These are examples:

David Alexander, Anne Britton, and Ann Jorissen, *International Financial Reporting and Analysis*, 3rd ed., Thomson Learning, London, U.K., 2007.

David Alexander and Christopher Nobes, *Financial Accounting: An International Introduction*. 3rd Ed., Prentice-Hall/Financial Times, U.K., 2007.

Barry Elliott and Jamie Elliott, *Financial Accounting, Reporting & Analysis: International Edition*, 2nd Ed., Financial Times Press, U.K., 2006.

Keith Alfredson, Ruth Picker, Ken Leo, Jeannie Radford, Victoria Wise, Paul Pactor, *Applying International Financial Reporting Standards*, Enhanced Edition, John Wiley and Sons, Australia, 2007.

### **Other Printed Resources: Cases in International Accounting.**

The November 2007 issue of *Issues in Accounting Education* contains 17 international accounting cases. The teaching notes are available online to all American Accounting Association members who subscribe to the journal.

Alan Melville, *International Financial Reporting: A Practical Guide*, Pearson Education Ltd., Prentice-Hall, Financial Times, Harlow, U.K., 2008. **SF**

*Robert K. Larson, CMA, CPA, Ph.D., is associate professor of accounting at the University of Dayton. You can reach him at (937) 229-2497 or [Robert.Larson@notes.udayton.edu](mailto:Robert.Larson@notes.udayton.edu).*

*Thomas J. Brady, Ph.D., is an associate professor in the Department of Accounting at the University of Dayton. You can reach him at (937) 229-2437 or [Thomas.Brady@notes.udayton.edu](mailto:Thomas.Brady@notes.udayton.edu).*