

# International Financial Reporting Standards



## IFRS and Taiwan – The Move to Global Accounting Standards

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The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASC Foundation or the IASB



# The IFRS Objective

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- Goal to be the **single set of accounting standards used worldwide**
- Aimed at **providing high-quality, transparent, and comparable information** for investors and other users of financial information



# Why Global Standards are Needed

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- **Accounting standards evolved nationally**
- **Globalisation hindered by national comparisons**



# Benefits to Capital Markets

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- **Credibility of local market to foreign investors**
- **Greater cross-border investment**
- **Efficient capital allocation**
- **Comparability across political boundaries**
- **Facilitates global education and training**



# Benefit to companies

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- **Lower cost of capital**
- **Integrated IT systems**
- **Easier consolidation**
- **“One set of books”**
- **Assist in raising capital overseas**
- **Understand financial statements of overseas suppliers, customers, subsidiaries**



# Independent and accountable governance

## Similar governance to the FASB

### Domestic model

Securities and Exchange Commission (SEC)

Public accountability to securities regulators

FAF Trustees

Overseen by Trustees

Financial Accounting Standards Board

Independent standard-setter

### Global model

Monitoring Board (inc. SEC Chair)

IASC Foundation Trustees (5/22 US)

International Accounting Standards Board (4/15 US)



# IFRS Around the World

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	<u>Total</u>
<b>IFRSs permitted</b>	<b>24</b>
<b>IFRSs required</b> <i>(for all domestic companies)</i>	<b>93</b>
<b>IFRS required</b> <i>(for some domestic companies)</i>	<b>6</b>
	<hr/> <b><u>123</u></b>

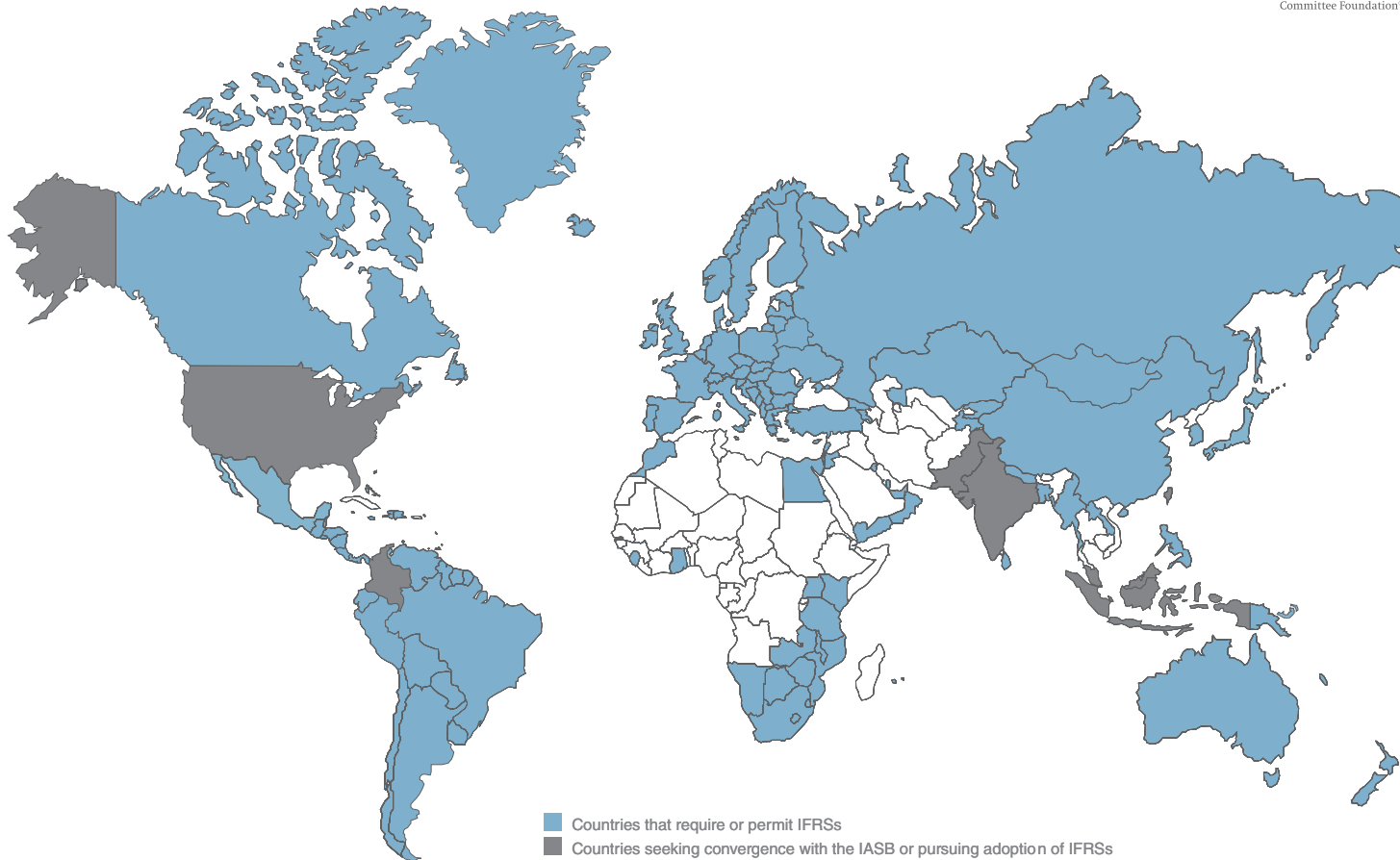




# The World is Getting Smaller

## THE MOMENTUM TOWARDS GLOBAL ADOPTION OF IFRSs

More than 100 countries require or permit the use of International Financial Reporting Standards (IFRSs), or are converging with the IASB's standards.



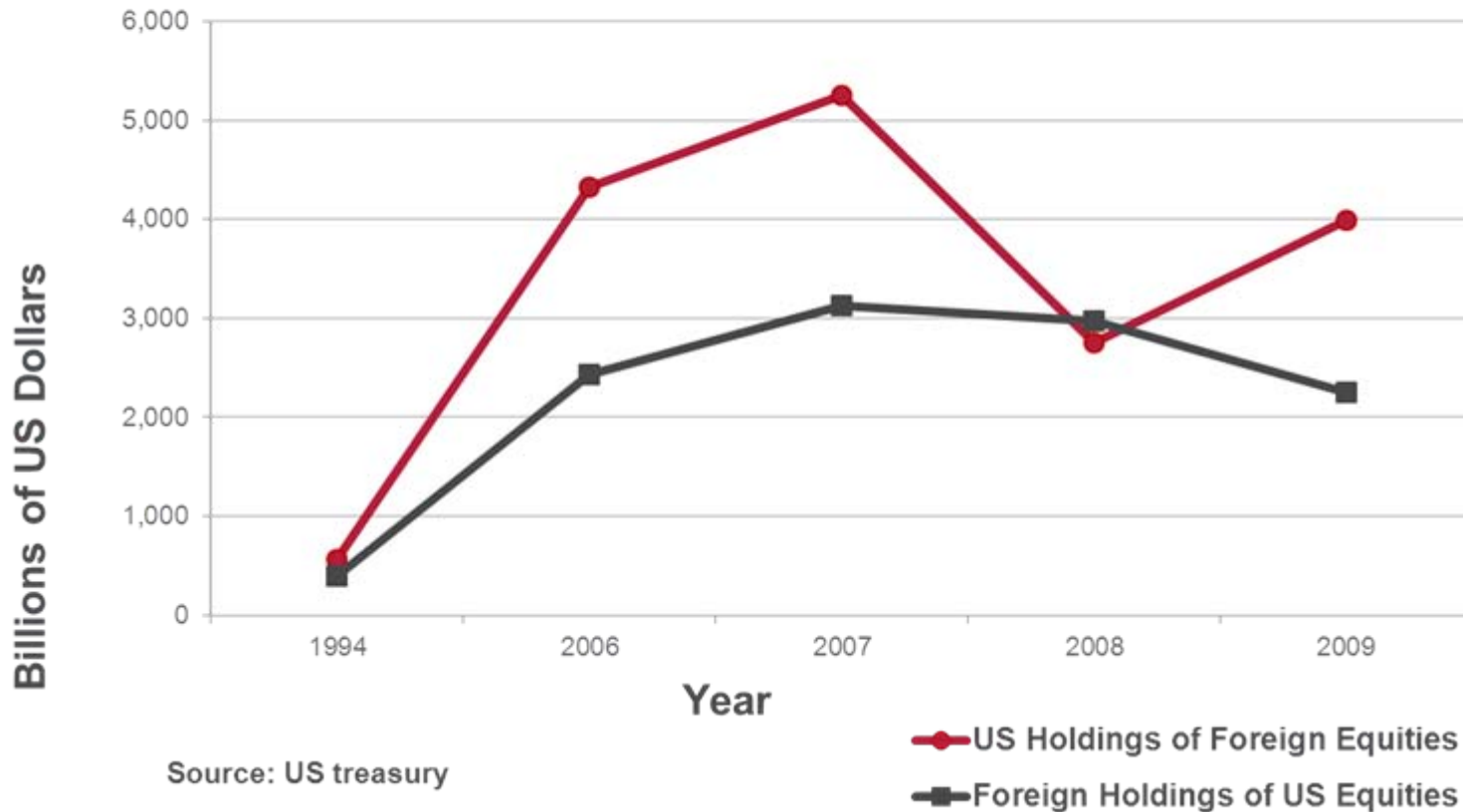
Source of information (adapted from): [www.iasplus.com](http://www.iasplus.com)





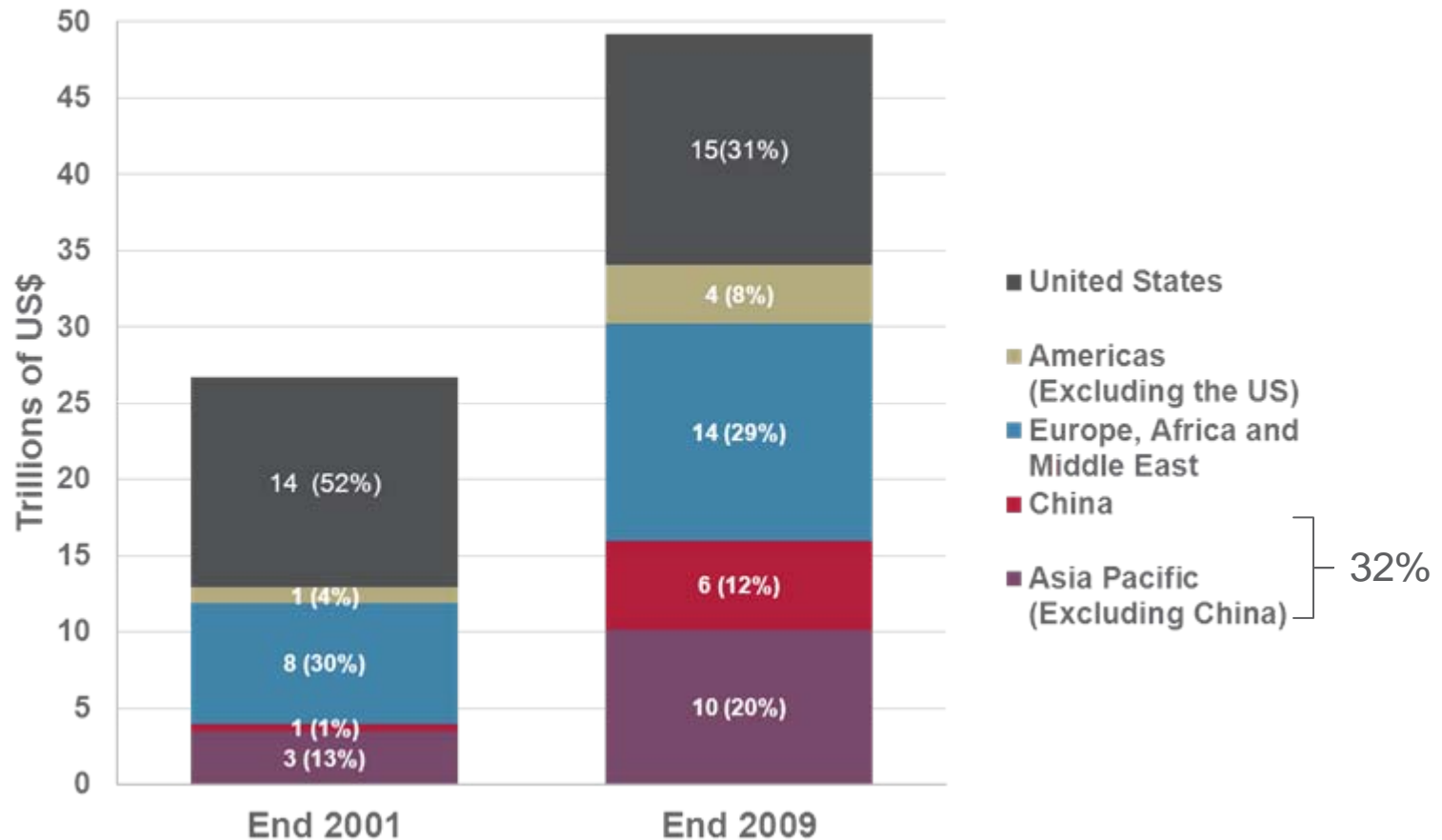
# US investors, companies depend on cross-border capital flows

### Growing cross-border holdings of US companies and investors



# Why Global Standards: Non-US Markets Have Grown

The Globalisation of Capital Markets: Domestic Market Capitalisation  
Source: World Federation of Exchanges



# Fortune Global 500 (July 2010)

Fortune G500	Based on announced plans		
	2010	2013	Japan 2016?
Which GAAP?			
IFRSs and word-for-word IFRS equivalents	39%	46%	60%
US GAAP	31%	31%	28%
National GAAPs	30%	23%	12%
Total	100%	100%	100%



# IFRS – FASB Convergence Process

<b>2001 – 04</b>	<b>Reaction to investor desire for improved, global standards following Asian crisis and US financial scandals</b>	<b>IASB is established; enters Norwalk Agreement with FASB</b>
<b>2005 – 07</b>	<b>Growing IFRS adoption by major economies; continued US support and recognition of IFRSs as being high-quality standards</b>	<b>MoU accelerating convergence SEC removes reconciliation requirement</b>
<b>2008 - 09</b>	<b>Financial crisis; G20 pressure for convergence leading to adoption; focus on remaining major joint projects</b>	<b>Updates to MoU with 2011 targets and SEC roadmap</b>
<b>2010 - 2011</b>	<b>MoU timetable adjusted to ensure critical issues are completed.</b>	<b>Further SEC update to roadmap Modified convergence strategy prioritizes major projects for June 2011 completion</b>

- **Remove differences**
- **Align Agendas**
- **Interpretation**



# What we have done so far

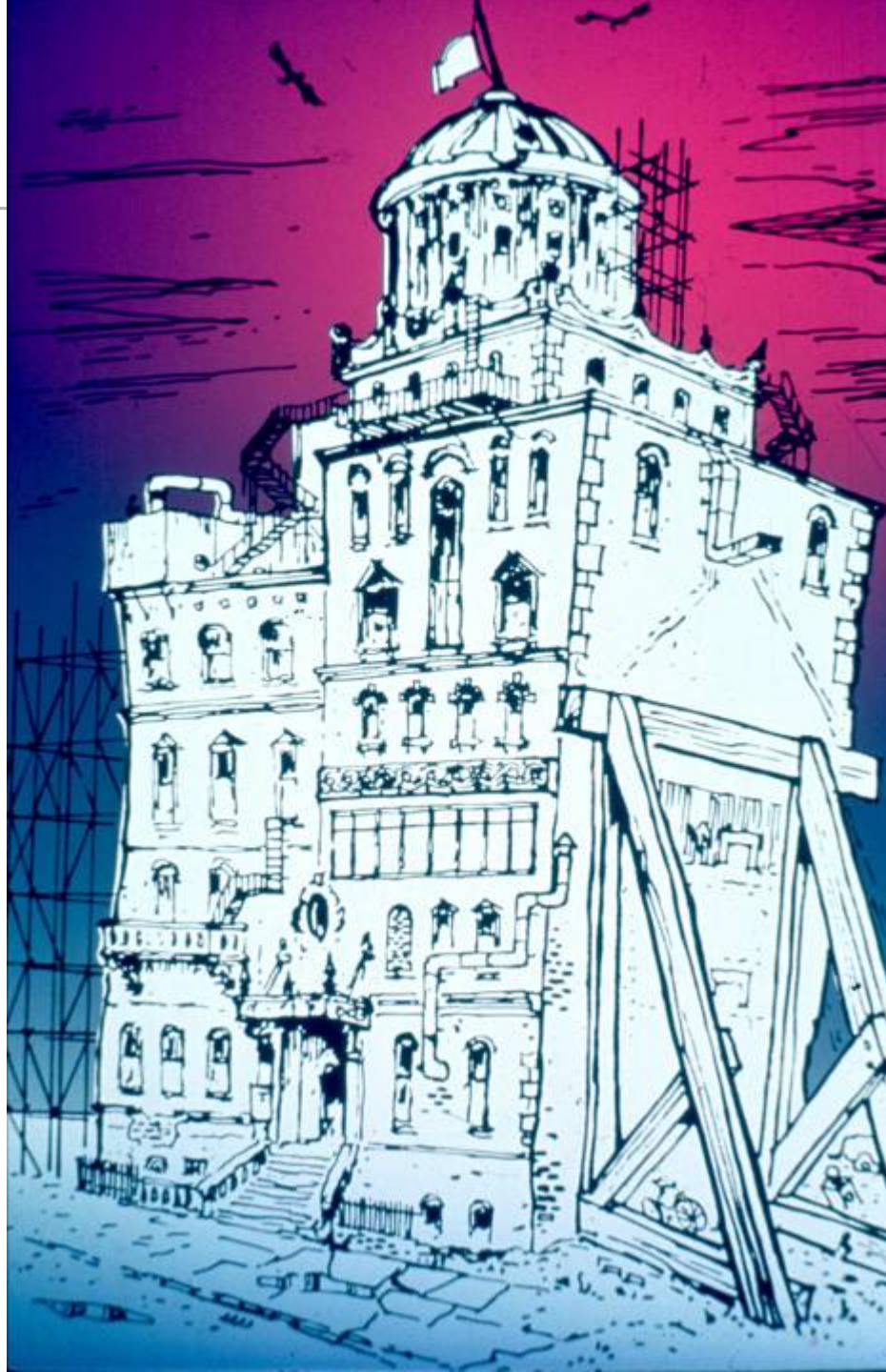
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- ✓ Nonmonetary exchanges
- ✓ Inventory accounting
- ✓ Accounting changes
- ✓ Business combinations
- ✓ Non controlling interests
- ✓ Share-based payments
- ✓ Segment reporting
- ✓ Borrowing costs
- ✓ Conceptual Framework – objective and qualitative characteristics
- ✓ Joint ventures











# Conceptual Framework Issues

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- The objectives of financial reporting
- Qualitative characteristics
- Definitions of assets and liabilities
- Recognition
- Measurement
- Presentation and disclosure



## 1. Short term

- remove major differences

## 2. Medium term

- new joint standards where significant improvement required





# G20 Summit – 25 September 2009

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- Redouble efforts to:
  - achieve a single set of high quality, global accounting standards within the context of their independent standard setting process
  - complete convergence project by June 2011.
- IASB's institutional framework should further enhance the involvement of various stakeholders.
- G20 acknowledge that there could be differences between capital requirements and accounting rules:
  - to ensure comparability, the details of the leverage ratio will be harmonized internationally, fully adjusting for differences in accounting.



- Derecognition



# Major MoU Projects – H1 2011

## Standards

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- Consolidations / Joint Ventures
- Fair Value Measurement
- Pensions



# Pensions

	£m
<b>Deficit</b>	<b>10</b>
<b>Less 10% of liabilities</b>	<b><u>4</u></b>
	<b><u>6</u></b>

**Spread over 10 year working life**  
**Deficit per accounts - £600,000**



# Major MoU Progress – 2012 Standards

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- Revenue Recognition
- Leases
- Financial Instruments



	2008	2009
• Total Annual leasing volume	\$644bn	\$557bn
• N. America	21%	34%
• Europe	49%	38%
• Asia	19%	20%
• Rest of world	11%	8%





- Classification and Measurement
  - Assets
  - Liabilities
  
- Impairment
  
- Hedging



# Changing Standard Setting

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- 1. Deadlines – quality paramount
- 2. More time taken does not mean better standards
- 3. World and standard setting changed since crisis
  - Proactive engagement
  - Globally consistent answers
  - New ways of working
- 4. Support for post-implementation reviews



# Possible agenda issues

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- Old Standards
- Agriculture
- Share-based payments
- Income taxes
- Pensions
- Associates
- Government grants
- Intangibles
- Foreign currency translation
- Performance reporting
- Disclosure framework



# Possible Agenda Issues (Cont.)

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- Post-implementation Review
- - Segments
- - Business Combinations
  
- Other
- - Extractive Industries
- - Common Control



- 1. Transparency v Financial Stability
- 2. Ideology
  - Fair value v historical cost
  - IFRS v US GAAP
  - Performance presentation
- 3. IFRS – international or regional?
- 4. ADOPT don't ADAPT
- 5. Principles v rules



# Principle based standards

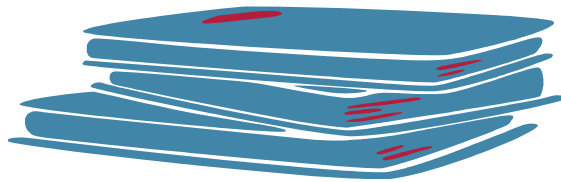
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**Can we do it?**





# Principle-based standards



**Principles**



**Rules**



# A principle based standard

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- **No exceptions**
- **Core principles (objectives)**
- **No inconsistencies**
- **Tied to conceptual framework**
- **Judgement**
- **Minimum guidance**





# Rule-based Standards

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- If don't act with integrity
- If attack reasonable judgement in court
- If ask for voluminous interpretations
- If raw economic facts are unacceptable
- If regulators want one answer





# The future

2010	IFRS in +120 countries and US convergence programme
2013	IFRS in +150 countries and US broadly converged
Vision	A single set of high quality global accounting standards



