



GAAP CONVERGENCE 2002

A Survey of National Efforts to Promote and
Achieve Convergence with International
Financial Reporting Standards

BDO
Deloitte Touche Tohmatsu
Ernst & Young
Grant Thornton
KPMG
PricewaterhouseCoopers

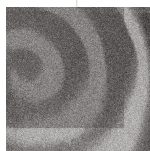
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[Adoption of IFRS will mean that] “investors and other stakeholders will be able to compare like with like. It will help European firms to compete on equal terms when raising capital on world markets.”

Frits Bolkestein,
European Commissioner for
the Internal Market

“[...] by drawing on the best of US GAAP, IFRSs and other national standards, the world’s capital markets will have a set of global accounting standards that investors can trust.”

Sir David Tweedie
Chairman of the IASB



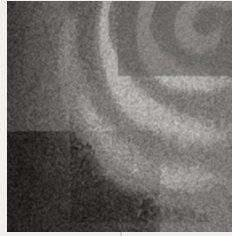
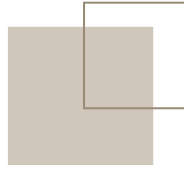


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Highlights

Investors are increasingly making capital allocation decisions based on global opportunities. Globalisation of capital markets has helped fuel demand for a common worldwide accounting framework. Use of different national accounting standards makes it more difficult and costly for an investor to compare opportunities and make informed financial decisions.

Differences in accounting standards also impose additional costs on companies that must prepare financial information based on multiple reporting models in order to raise capital in different markets, as well as creating potential confusion as to which are the “real numbers.”

In April 2001 the restructured International Accounting Standards Board (IASB) was given a strong mandate by the major constituents of the world’s capital markets to realise the goal of developing a single set of high-quality accounting standards.

The major accounting firms support the IASB’s efforts and have conducted three annual surveys of reporting practices worldwide to measure progress towards convergence. This document summarises the findings of our most recent survey.

GAAP Convergence 2002 provides an overview of country plans, as of December 2002, to promote and achieve convergence with International Financial Reporting Standards (IFRS). Highlights of our findings from surveys in 59 countries include:

CONVERGENCE IS COMING

- Over 90 percent of the surveyed countries intend to converge with IFRS, indicating that the IASB is viewed as the appropriate body to develop a global accounting language.

- The majority of the surveyed countries currently have formally stated their intention to converge. Typically, this intention takes the form of a governmental or other regulatory requirement, or a policy announced by the national accounting standard setting body. In many instances, the country initially will require only listed companies to adopt IFRS. In other countries, national standard setters have an agenda designed to remove existing differences between IFRS and their national GAAP, covering listed and unlisted companies. Some countries are pursuing a combination of these two strategies.

BUT OBSTACLES STILL EXIST:

- There are disagreements in some countries with the requirements of certain significant IFRS (such as financial instruments and other standards based on fair value accounting). In addition, there is tension between the capital markets orientation of IFRS and the tax-driven nature of some national accounting regimes.
- The complicated nature of some IFRS is perceived as a barrier to convergence in about half of the surveyed countries. Consequently, countries may be limiting implementation of IFRS to listed companies. The result of this approach will be a widening of the gap between IFRS and the national accounting standards utilised by small and medium-sized entities (SMEs).

AND SIGNIFICANT CHANGE MANAGEMENT CHALLENGES LIE AHEAD:

- The coverage of IFRS in the education and training of professional accountants needs to be increased.
- Timely national language translations of IFRS, including interpretations, need to be made available.



We have highlighted the following principal action items needed to support convergence. While we identify certain constituents to take the lead in actioning these items, every one requires *all* capital market participants to join forces and work together at both a national and international level.

ACCOUNTING PROFESSION:

- Assist governments and standard setters in formulating and enacting convergence plans
- Provide IFRS training and education
- Support the preparation of national language translations of IFRS

GOVERNMENTS:

- Establish formal convergence plans that include target dates for implementation
- Address impediments to convergence (for example the link between financial accounting and tax legislation)

REGULATORS:

- Promote convergence of national standards with IFRS
- Set up efficient and effective enforcement mechanisms to increase the consistency and quality of application of IFRS
- Support the International Financial Reporting Interpretations Committee (IFRIC) and the IASB as the sole clearinghouse for interpretation of IFRS

NATIONAL STANDARD SETTERS:

- Decide on a strategy and timetable for achieving convergence
- Develop an active standard-setting agenda aimed at eliminating existing differences with IFRS
- Actively provide feedback to the IASB standard-setting process

IASB:

- Address concerns about the complexity and operational practicality of IFRS
- Prioritise the SME project as an agenda item
- Oversee and authorise translations of IFRS in various languages

PREPARERS:

- Actively participate in the standard-setting process, in particular to identify practical application concerns
- Provide IFRS training for staff and managers, including those in non-financial roles
- Prepare to implement IFRS by identifying differences and addressing required systems changes

UNIVERSITIES:

- Include IFRS in the core accounting curriculum

ANALYSTS AND INVESTORS:

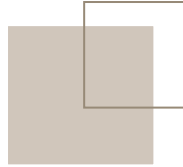
- Promote convergence of national accounting standards with IFRS
- Actively participate in the IASB's standard-setting process, in particular to identify users' needs
- Educate staff regarding the IFRS reporting model

A country's intention to adopt IFRS or converge with IFRS is highly admirable and to be applauded. However, the accounting profession, governments, regulators, national accounting standard setters, and other constituents must continue to work together to eliminate differences between national and international standards. Only with a joint effort will we achieve a common accounting framework that is interpreted and applied consistently.

This year's survey reveals that significant progress is being made towards achieving the vision of a single worldwide language of financial reporting, notably for listed

companies. As a next step, it is necessary to extend the benefits of convergence to *all* companies and *all* countries. While change is always difficult, the reflex of maintaining familiar practice should be challenged, and national GAAP departures from IFRS should become a rare exception.

Only with a joint effort will we achieve a common accounting framework that is interpreted and applied consistently.



Background

In *GAAP 2001*, we discussed the urgency for a global accounting and financial reporting framework and noted that the IASB is best positioned to lead these efforts. Several significant events have occurred since that support this view. In 2002, the European Parliament and the European Council of Ministers passed a Regulation that requires the adoption of IASB standards. From 2005, all EU listed companies are required to prepare their consolidated financial statements in accordance with IFRS.^{1, 2} This Regulation also will require listed companies based in the central and eastern European countries that plan to join the EU to prepare for adoption of IFRS.

During the last quarter of 2002, several events also transpired in the United States that ultimately resulted in the national accounting standard setter, the Financial Accounting Standards Board (FASB), linking its agenda and priorities much more closely with those of the IASB.

Following the appointment of former IASB board member Robert Herz as chairman of the FASB, the IASB and FASB have agreed that convergence of IFRS and U.S. GAAP is a “primary objective of both Boards.” In recent years, the existence of a formal liaison relationship between the two Boards, their monitoring each others’ major projects, and their working on joint projects have contributed to the reduction of differences between these two sets of internationally recognised standards. Yet, the Boards recognise that many differences remain, which are “collectively major irritants to those using, preparing, auditing, or regulating cross-border financial reporting.”

In addition, the IASB and FASB recently added a short-term convergence project to their agendas. The scope of this project is limited to resolving those differences in which convergence around a high-quality solution appears to be achievable in the short term, usually by selecting current practice under either existing IFRS or U.S. GAAP. The two standard setters agreed to use their best efforts to issue Exposure Drafts (ED) during 2003 that will reflect common solutions to at least some of the identified differences.

Subsequently, the IASB and FASB issued a memorandum of understanding that formalises the commitment of both Boards to converge their standards based on high-quality solutions. The Boards also committed to then maintain convergence through continued progress on joint projects and coordination of future work programmes. The U.S. Securities Exchange Commission (SEC) and the European Commission welcomed this formal agreement between the IASB and FASB.

“[The IASB – FASB] announcement is a very positive move towards a single worldwide set of high-quality, best of breed, principles-based financial reporting standards, which would dramatically improve the efficiency of global capital markets.”

**Frits Bolkestein,
European Commissioner for
the Internal Market**

Senior officials of the SEC also have indicated that, if the IASB and FASB make sufficient progress in converging their standards and if sufficient progress is also made in creating an effective infrastructure for interpretation and enforcement of standards, the SEC will consider allowing non-domestic companies to file in the United States using IFRS without reconciling to U.S. GAAP. While there is no certainty with regard to what will occur by 2005, SEC officials have indicated their strong support for moving toward a common worldwide approach in accounting standards.

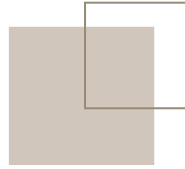
Throughout 2002, the IASB continued to work with all of its seven liaison standard setters: Australia/New Zealand, Canada, France, Germany, Japan, the United Kingdom/Ireland, and the United States. In addition, from 2003, the European Financial Reporting Advisory Group is an observer liaison member of the IASB. These partnerships are crucial to achieving the goal of a single global set of standards. For example, 2002 also saw Australia and New Zealand deciding to adopt IFRS.

“[We] are confident that the IASB in partnership with national standard-setters can meet the legitimate expectations of the global business community.”

Sir David Tweedie
Chairman of the IASB

Clearly 2002 was a memorable year for the newly restructured IASB. However, while the cooperation and support of the European Union, the SEC, and the IASB’s liaison national standard setters are necessary to achieve convergence, they are not sufficient. Countries worldwide must respond to the challenge with an active agenda for achieving convergence. Our *GAAP Convergence 2002* survey reveals the extent to which this is materialising.





This Year's Report

GAAP Convergence 2002 represents the third in a series of surveys conducted by the large accounting firms to encourage convergence of national accounting standards with IFRS. In the past two years, we provided a “status report” of the extent to which national accounting standards in various countries differed from international standards.

Last year's survey revealed that many national standards continue to have numerous and major differences from IFRS, and that more effort should be made in these countries to identify differences from international standards and to work to remove them over time. Hence, this year's survey has been designed to learn more about each country's plans—or lack thereof—to promote and achieve convergence with IFRS.

Focusing on listed companies, *GAAP Convergence 2002* provides an indication of the convergence plans of 59 countries and seeks to answer the following key questions:

- Is there a plan to adopt IFRS or converge national accounting standards with IFRS?
- What is the nature of the convergence plan?
- What difficulties have been faced to date and what are the obstacles to further convergence?

We conducted the survey by asking accounting professionals in each of the countries to complete a questionnaire about their countries' convergence plans. The responses represent the views of the accounting professionals in each country and not necessarily those of the national governments or standard setters.

Our report concludes with observations and recommendations to encourage national standard setters and other relevant parties, including the accounting profession, governments, and regulators, to move forward to achieve a single set of global accounting standards.





Findings, Observations, and Recommendations

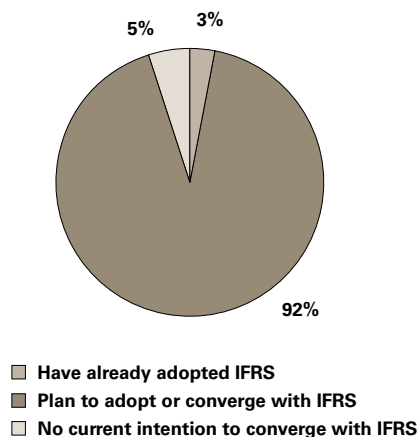
The discussion and recommendations below are based on survey results that are summarised in the *Appendix*. We encourage you to review our findings and observations in the context of our survey methodology and limitations as set out on page 15.

PLANS TO ADOPT IFRS OR ENSURE CONVERGENCE WITH IFRS

Findings

Our survey reveals that the IASB is viewed as the appropriate organisation to develop a global accounting language that provides high-quality financial information and enhances transparency. As illustrated in *Figure 1*,³ 95 percent of the 59 countries surveyed in *GAAP Convergence 2002* either have adopted, intend to adopt, or intend to converge with, IFRS. Iceland, Japan, and Saudi Arabia have not yet expressed an intention to converge with IFRS.

Figure 1: Intentions Regarding Accepting IFRS or Converging With IFRS



Source: GAAP Convergence 2002

Observation

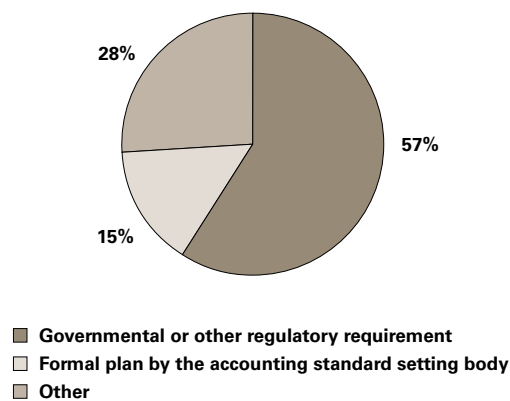
The adoption of IFRS by most major countries around the world, as well as general trends toward globalisation, should encourage these remaining countries to look to IFRS for guidance in the future.

CONVERGENCE STRATEGIES

Findings

Two countries in our survey, Kenya and Cyprus, already have adopted IFRS as their mandatory standard. For the 54 survey countries that intend to converge with IFRS in full or in part, *Figure 2* indicates the basis that supports the countries' intentions to converge.⁴

Figure 2: Basis For Convergence Plan



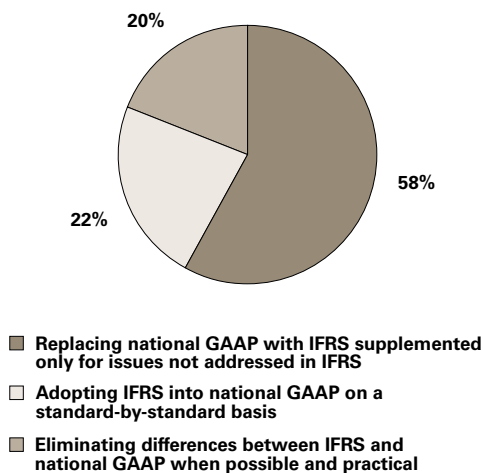
Source: GAAP Convergence 2002

Thirty-nine of these countries have a formal plan for the adoption of, or convergence with, IFRS. This is evidenced by either a governmental or other regulatory requirement, or a formal plan announced by the national standard setting body. Of the countries with a formal plan, 25 are EU member states or countries that plan to join the European Union. For many countries, the plan primarily consists of requiring

listed companies to prepare consolidated financial statements in accordance with IFRS from 2005 in line with EU legislation. While a few EU member states and potential EU accession countries either plan to require all companies to adopt IFRS (for example, Bulgaria) or are working to converge their national GAAP with IFRS (for example, Denmark and Estonia), most have not yet formalised a plan for non-listed companies.

As reflected in *Figure 3*, almost 60 percent of the 54 countries surveyed that intend to converge plan to replace their national GAAP with IFRS for listed companies, supplemented only for national issues not addressed in IFRS.

Figure 3: Approach to Convergence



Source: GAAP Convergence 2002

Observations and Recommendations

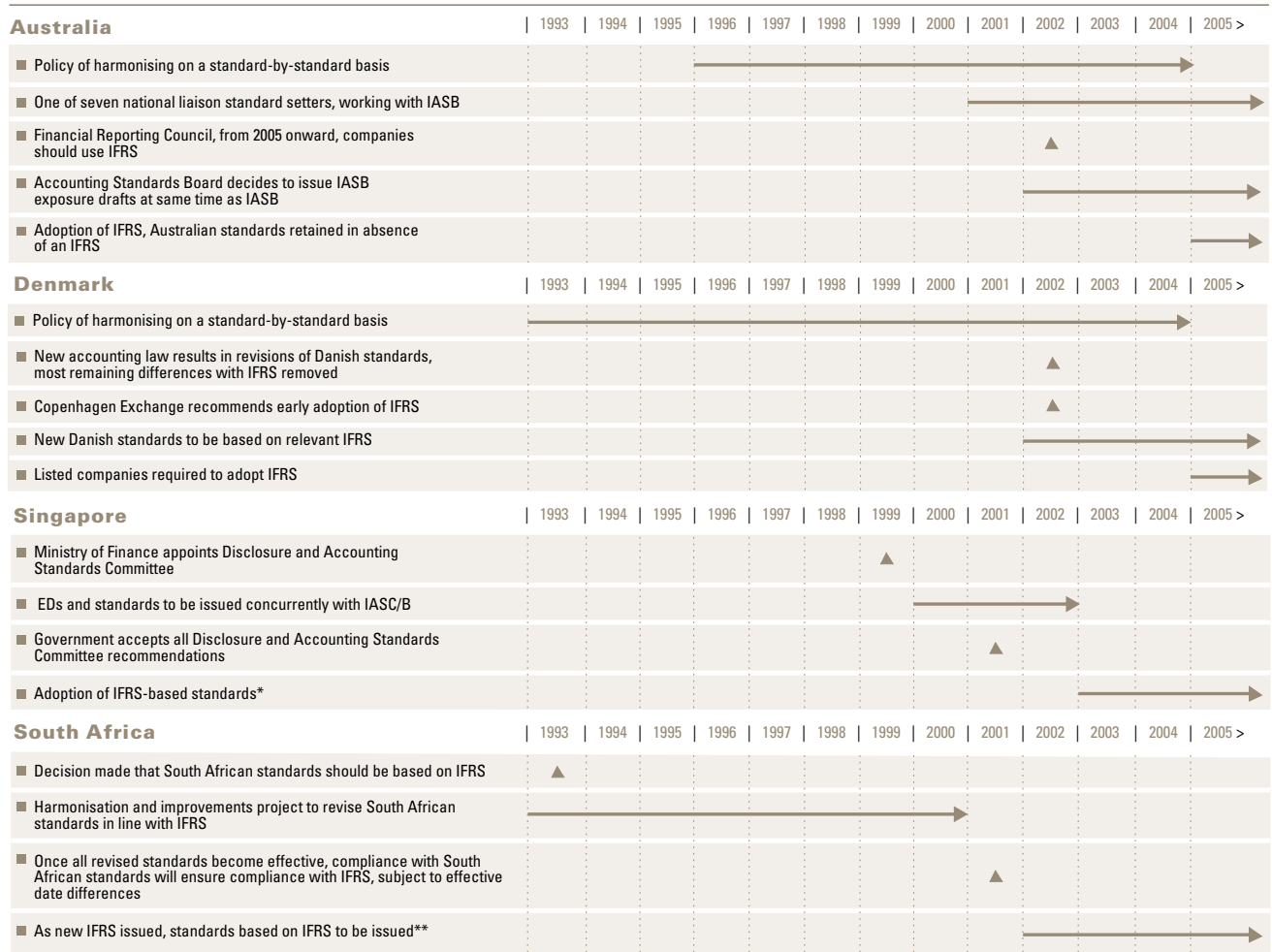
The intention to adopt IFRS or converge with IFRS, as noted by most of the survey respondents, is highly admirable and to be applauded. However, all participants in the convergence process must appreciate the challenges that lie ahead.

We recommend that all countries begin to eliminate important differences with IFRS if they have not done so, and prepare to eventually replace national GAAP with IFRS. As we explained in *GAAP 2001*, the adoption of IFRS in a country where numerous differences exist between national and international standards might be effective if initially applied to a limited number of companies (for example, only to listed companies in a country with a manageable level of such companies) and in the context of a highly trained accounting profession. However, without sufficient lead time, a “big bang” approach to convergence poses a greater threat to the short-term quality of the application of new standards when compared with a phased approach, in which change occurs over time.

We encourage the government and/or the national standard setter in each country to develop a formal convergence strategy that includes target dates for achieving various stages of the plan. Considering the process followed by countries such as Australia, Denmark, Singapore, and South Africa, as outlined in *Figure 4* on page 9, may assist other countries in developing such a plan. These examples suggest that most countries need a transition period to remove existing differences with IFRS gradually, or to give companies sufficient lead-time to prepare for the full adoption of IFRS. However, given the interrelationships among accounting standards, basic conceptual differences between IFRS and national standards should be removed as rapidly as possible to pave the way for convergence. Otherwise, the gap between national requirements and IFRS will increase significantly as new IFRS are issued.

The ultimate goal of each country’s convergence plan should be to adopt IFRS, supplemented only in rare instances for national issues. If a country elects a convergence strategy other than eventually replacing their national GAAP with IFRS, companies domiciled within its borders are unlikely to be able to comply with international standards without exception.

Figure 4: Illustrations of National Convergence Strategies



Note: *The only exception is for A-listed Singapore incorporated companies listed on a foreign exchange that requires use of alternative standards.
 **Legislation in progress to require public companies to adopt IFRS from 2005.

Source: GAAP Convergence 2002

Additionally, if countries do not formalise plans for non-listed companies, the potential exists for a “two-standard” system, whereby listed companies will adopt IFRS and other companies will prepare financial statements based on national accounting standards. While the adoption of IFRS for listed companies is a logical transition towards convergence, a two-standard system may be difficult to maintain in the long run.

OBSTACLES TO CONVERGENCE

Findings

Figure 5 highlights concerns expressed by the respondents about impediments to achieving IFRS convergence.

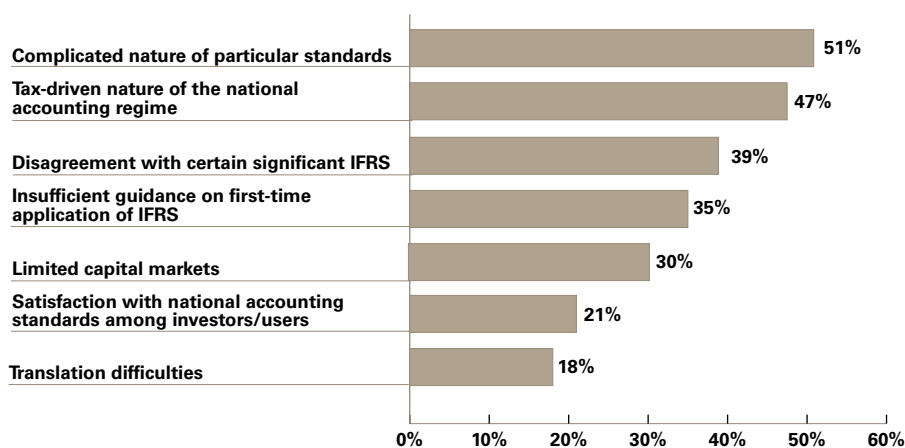
More than half of the survey respondents indicated that the complicated nature of particular standards has served as an impediment to achieving convergence in their country. Specifically, these respondents most frequently cited the financial instruments standards and other standards that incorporate fair value accounting as the most complicated and therefore the ones that are impediments to convergence.

The tax-driven nature of the national accounting regime was identified as an obstacle to convergence in almost half of the countries surveyed. In countries where one of the primary objectives of the accounting standards traditionally has been to determine taxable income, the existing link between accounting and tax is seen as a potential barrier to convergence. Financial statements prepared in accordance with IFRS are intended primarily to serve the needs of the capital markets, which may differ significantly from the needs of the tax authorities.

Respondents in over one third of the countries surveyed indicated that difficulties in achieving convergence have been experienced or are expected to be experienced as a result of disagreements with the approach taken in certain IFRS. Again, the most frequently cited points of contention are financial instruments and other standards incorporating fair value accounting.

Several respondents also commented on difficulties associated with insufficient guidance on first-time application of IFRS. The IASB issued the Board’s first ED, *First-time*

Figure 5: Concerns Expressed About Impediments to Achieving IFRS Convergence



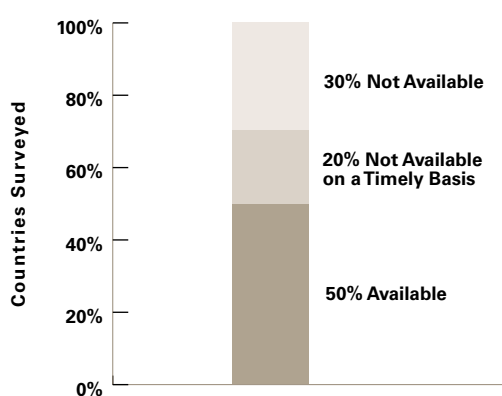
Source: GAAP Convergence 2002

Application of International Financial Reporting Standards, in July 2002, with the expectation of issuing a final standard in 2003. The proposals set forth in ED 1 are designed to ease the transition to IFRS while retaining the highest quality information practicable. We applaud the IASB for working to address this obstacle to convergence in a timely manner.

Also reflected in *Figure 5*, limited capital markets and satisfaction with current national standards were identified as obstacles to convergence in 30 and 21 percent of the countries surveyed, respectively.

Translation difficulties were identified by some respondents as an additional concern. The availability of IFRS in the national languages of the countries surveyed is summarised in *Figure 6*. At the time of our survey, international standards were published in the national language(s) of 70 percent of the countries covered. However, responses from several countries indicated that while international standards are available in the national language, the translation is not sanctioned by the IASB.

Figure 6: Availability of IFRS Translation



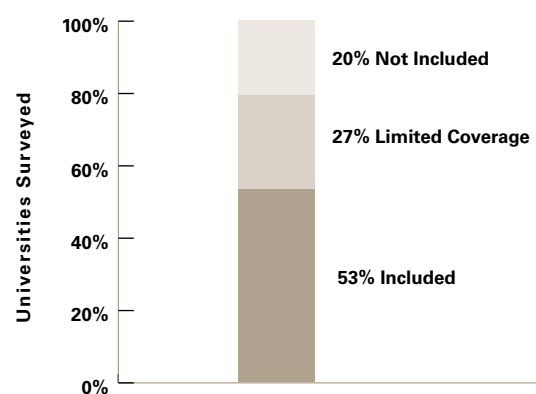
Source: GAAP Convergence 2002

On a promising note, in several countries a national language translation is in process, and the respondents from certain other countries expect the next version of the existing translation to be sanctioned by the IASB. Additionally, some respondents explained that, because English is the language of business in their country, a national language translation may not be necessary. Still others commented that IFRS are available in one, but not all, of the official national languages within the country.

However, ensuring that translated IFRS are available in a timely manner is an area that still requires much work. In nearly one third of the countries where IFRS are available in the national language, the translations are not available in a timely manner. In some countries, IFRS are translated only on an annual basis and in others the delay is even longer.

Our findings in respect of IFRS training reveal that IFRS is part of the university curriculum in 80 percent of the countries covered, as shown in *Figure 7*. However, over one third of the respondents who indicated that IFRS is included in the curriculum qualified their response by stating the coverage is limited or offered by only a few universities within the country.

Figure 7: IFRS Inclusion in University Curriculum



Source: GAAP Convergence 2002

In nearly 30 percent of the countries, IFRS training in the national language is not provided by professional organisations, and therefore is not readily available to either preparers or auditors of financial statements.

Observations and Recommendations

Complexity of Standards

We encourage the IASB to consider the significance of our findings and to keep in mind the goal of making IFRS both functional and operational. We recommend that the IASB continue with its strategy of developing standards based on sound principles, and continue to clearly set out the rationale for each new IFRS in a Basis for Conclusions. The IASB should also maintain awareness of the obstacles faced by various countries and continue to work with national standard setters in this regard.

For their part, the countries should realise that global standards will not be achieved if they selectively adopt only those international standards that suit their national interests or reflect their current practice.

The difficulty experienced by countries in coping with complex and significant changes is compounded by the pace and degree of change. We appreciate that the IASB is working diligently to improve IFRS as soon as possible, with 2005 as an important target date. As a result, many standards are currently under review and new proposals are being issued. However, it is equally important for the IASB to strike a balance between the need to improve IFRS on a priority basis and the practical difficulties that countries and companies face in implementing its Standards.

Our findings regarding the complexity of standards also highlight the significance of the IASB's active research project aimed at resolving accounting issues faced by SMEs and by companies in emerging economies. We recommend that the IASB move forward with its SME project as a matter of priority. Otherwise, the gap between increasingly complex IFRS and the standards used elsewhere will become difficult to bridge.

Tax-Driven Nature of Accounting Regimes

We encourage governments to acknowledge the differing roles of tax accounting and financial reporting. In jurisdictions where the two are linked, we encourage governments to consider approaches that will accommodate their different objectives. Otherwise, convergence with IFRS may not be feasible, particularly for SMEs.

Translations

The IASB, in conjunction with the accounting profession, should take the lead in addressing the difficulties associated with timely translation of IFRS into national languages. Because of the urgent need for translations in EU member states and those countries that are candidates for EU membership, we suggest that the European Commission work expeditiously with the IASB and the accounting profession to develop sanctioned translations for all of these countries.

After this work is completed, there will be a relatively small number of countries where the government, the profession, and the IASB must concentrate their efforts to make IFRS available in the national language. However, ongoing responsibility for maintaining timely translations (which include all amendments to Standards as well as Interpretations) must be assigned, and there must also be a process for timely sanctioning of the translations.



We encourage the IASB to take on full responsibility for these translation efforts. Timely translation is even more essential in light of the IASB's proposed requirement for companies reporting in accordance with IFRS to disclose the effect of newly issued standards.

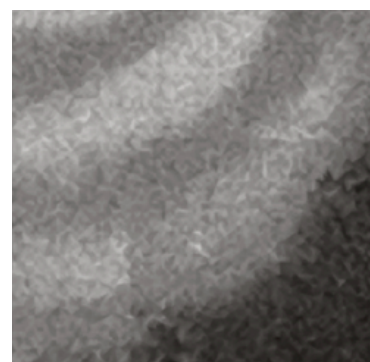
Education and Training

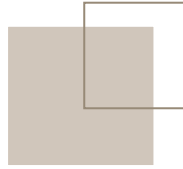
A high priority should be assigned to accelerating efforts to address both the education of practicing accounting professionals and the university education of those individuals entering the accounting profession.

Successfully addressing education and training deficiencies for practicing accounting professionals is dependent on the profession obtaining the support of international organisations such as the World Bank, as well as governments and educators. We recommend that international organisations join with the International Federation of Accountants (IFAC) and the profession to focus on the development of high-quality IFRS training programmes and to assist in translating and modifying these training programmes as needed for specific countries. Upon achieving sufficient regional/national support, the profession and international organisations should participate in delivering these training programmes to preparers and auditors in those countries that are converging with or adopting IFRS.

We also recommend that the profession and international organisations commit to working with IFAC's Education Committee to develop a model university curriculum based on the IFAC Education Committee's forthcoming Interna-

tional Education Standards. This model will provide the outline of an IFRS-focused curriculum that also incorporates issues related to practical application of international standards. In addition, we observe that IFRS should be a significant part of the accounting curriculum at all, as opposed to some, universities. In those countries that plan to converge their national standards with IFRS, existing differences between IFRS and national GAAP should be highlighted and the importance of global convergence should be clearly communicated.





The Way Forward

The vision of achieving a single worldwide language of financial reporting is beginning to materialise. Most of the countries that we surveyed plan to adopt IFRS or plan to converge their national accounting standards with IFRS. However, much work remains if we are to achieve one set of high-quality global accounting standards that are applied consistently worldwide. A first step is to encourage the few remaining countries that have no current plan to converge with IFRS to join the effort to achieve global standards. Additionally, we strongly encourage countries to ensure the ultimate goal is full adoption of IFRS and to make every effort to limit instances in which IFRS is locally modified or supplemented.

The profession has promoted actively the development of global standards, but must redouble its efforts to achieve the goal. Greater commitment is now required to make IFRS available throughout the world, to all in their national language, by providing training to clients and others, and by assisting those countries that have started the convergence process to complete it.

Analysts and investors should continue their efforts to promote the convergence of accounting standards worldwide, and should actively participate in the IASB's standard-setting process. We also encourage the user community to ensure their staff are fully conversant with IFRS and understand the implications of changes from the accounting and financial reporting frameworks with which they are familiar.

We also urge national and regional regulators to work closely with the IASB to ensure that IFRS are interpreted consistently worldwide. An effective infrastructure for interpretation and enforcement of accounting standards and cooperation among regulators is critical if the benefits of convergence are to be achieved. We acknowledge the complexity of this task, particularly given the number of organisations that have a justifiable interest in high-quality standards and consistent accounting and reporting. However, ultimately and importantly, the IASB and IFRIC

must be the sole clearinghouse for interpretations of IFRS.

We strongly encourage countries to ensure the ultimate goal is full adoption of IFRS.

To achieve global standards, we must have global solutions. We therefore strongly encourage countries

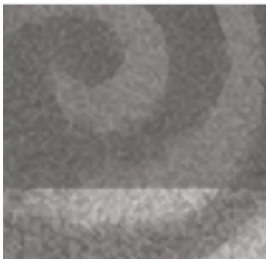
and their national standard setters to actively participate in the IASB's due process and to contribute to the international debate that will lead to the development of high-quality global standards. However, once the due process is complete and IFRS is finalised, each country must accept the standard as the global solution.



Survey Methodology and Limitations

To obtain the data to compile *GAAP Convergence 2002*, we asked professionals in the six largest accountancy firms in 59 countries to complete a questionnaire that addressed country plans for convergence of national accounting standards with IFRS. Partners from the large accountancy firms collectively completed the 2002 questionnaire and then reviewed the resulting report presented here. A copy of the survey questionnaire is included in the *Appendix*.

In completing the questionnaire, the respondents were asked to focus on listed companies and to provide appropriate



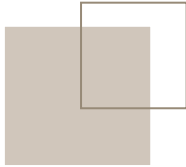
additional information for non-listed companies. Thus, the figures included in the report categorise countries based on the scenario for listed companies. The comments given in respect of non-listed companies enabled us to include some statements regarding countries

with differential requirements which may lead to a “two-standard” scenario.

The questionnaire also did not seek to address any different or additional requirements that may apply to financial services or other specialised industries.

The respondents were encouraged to provide explanatory comments throughout the survey, which were used in the preparation of this report.





Appendix

Table 1

COUNTRIES SURVEYED IN GAAP CONVERGENCE 2002

Argentina	Egypt	Ireland	Norway	South Africa
Australia	Estonia	Israel	Pakistan	South Korea
Austria	Finland	Italy	Peru	Spain
Belgium	France	Japan	Philippines	Sweden
Brazil	Germany	Kenya	Poland	Switzerland
Bulgaria	Greece	Latvia	Portugal	Taiwan
Canada	Hong Kong	Lithuania	Romania	Thailand
Chile	Hungary	Luxembourg	Russia	Tunisia
China	Iceland	Malaysia	Saudi Arabia	United Kingdom
Cyprus	India	Mexico	Singapore	United States
Czech Republic	Indonesia	Netherlands	Slovakia	Venezuela
Denmark	Iran	New Zealand	Slovenia	

Source: GAAP Convergence 2002

Table 2

COUNTRIES THAT DO NOT CURRENTLY INTEND TO CONVERGE WITH IFRS

Iceland	Japan	Saudi Arabia
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Source: GAAP Convergence 2002

Table 3

BASIS FOR IFRS CONVERGENCE PLAN				
National Position as of December 2002 for Consolidated Accounts of Listed Companies				
GOVERNMENTAL OR OTHER REGULATORY REQUIREMENT TO CONVERGE WITH IFRS (57%)				
EUROPEAN UNION:				
(All listed companies must adopt IFRS from 2005)				
Austria	Finland	Greece	Luxembourg	Spain
Belgium	France	Ireland	Netherlands	Sweden
Denmark	Germany	Italy	Portugal	United Kingdom
EUROPEAN UNION CANDIDATES:*				
(All listed companies must adopt IFRS upon accession)				
Bulgaria	Estonia	Latvia	Poland	Slovakia
Czech Republic	Hungary	Lithuania	Romania	Slovenia
OTHER:				
Norway	Russia	Taiwan		
Peru	Singapore	Tunisia		
FORMAL PLAN FOR CONVERGENCE BY THE ACCOUNTING STANDARD SETTING BODY (15%)				
Australia	India	New Zealand	South Africa	
Hong Kong	Malaysia	Philippines	United States	
OTHER TYPES OF CONVERGENCE PLANS (28%)				
(Includes a policy announced by the government or other regulatory body, a policy announced by the accounting standard setting body, or a plan that is under development but not finalised)				
Argentina	Chile	Indonesia	Mexico	Switzerland
Brazil	China	Iran	Pakistan	Thailand
Canada	Egypt	Israel	South Korea	Venezuela

* Cyprus is a European Union candidate but has not been included, as IFRS has already been adopted for listed companies.

Percentages are based on the 54 countries that plan to adopt or converge with IFRS.

Source: GAAP Convergence 2002

Table 4

CONCERNS EXPRESSED ABOUT IMPEDIMENTS TO ACHIEVING IFRS CONVERGENCE

COMPLICATED NATURE OF PARTICULAR STANDARDS (51%)				
Australia	France	Latvia	Poland	Spain
Bulgaria	Germany	Lithuania	Portugal	Thailand
Chile	India	Luxembourg	Romania	Tunisia
China	Indonesia	Malaysia	Russia	United Kingdom
Estonia	Iran	Norway	Slovakia	Venezuela
Finland	Ireland	Philippines	South Korea	
TAX-DRIVEN NATURE OF THE NATIONAL ACCOUNTING REGIME (47%)				
Austria	France	Italy	Saudi Arabia	Thailand
Belgium	Germany	Lithuania	Slovakia	Tunisia
Brazil	Greece	Luxembourg	South Korea	Venezuela
Bulgaria	Hungary	Pakistan	Spain	
Czech Republic	India	Portugal	Sweden	
Finland	Iran	Romania	Switzerland	
DISAGREEMENT WITH CERTAIN SIGNIFICANT IFRS (39%)				
Argentina	Germany	Japan	Romania	United Kingdom
Austria	Hong Kong	Malaysia	Russia	Venezuela
Denmark	Iran	Netherlands	Singapore	
Finland	Ireland	New Zealand	Spain	
France	Italy	Peru	Thailand	
INSUFFICIENT GUIDANCE ON FIRST-TIME APPLICATION OF IFRS (35%)				
Bulgaria	Italy	Norway	Portugal	Taiwan
Czech Republic	Japan	Peru	Romania	Thailand
Denmark	Latvia	Philippines	South Africa	Tunisia
India	Lithuania	Poland	South Korea	Venezuela
LIMITED CAPITAL MARKETS (30%)				
Austria	Finland	Lithuania	Romania	Tunisia
Bulgaria	Iceland	Pakistan	Russia	
Czech Republic	Iran	Philippines	Slovakia	
Estonia	Latvia	Poland	Thailand	
SATISFACTION WITH NATIONAL ACCOUNTING STANDARDS AMONG INVESTORS/USERS (21%)				
Chile	Japan	Netherlands	Saudi Arabia	
Czech Republic	Luxembourg	Norway	Thailand	
Finland	Mexico	Poland	United States	
TRANSLATION DIFFICULTIES (18%)				
Belgium	Estonia	Latvia	Russia	Sweden
Bulgaria	Finland	Peru	Spain	Thailand

Percentages are based on 57 countries that have not yet converged with or adopted IFRS.

Source: GAAP Convergence 2002

IFRS/IAS Convergence Questionnaire

IFRS/IAS CONVERGENCE QUESTIONNAIRE

QUESTION	YES/NO	EXPLANATION (Attach additional pages if necessary)
PART A: Plans*		
1. Is it intended that there will be convergence of your country's national accounting standards with IFRS/IAS either in full or in part?		
2. If the answer to Question 1 is "no", are there plans to converge with another widely recognised body of GAAP? If so, which one? If the answers to Questions 1 and 2 are "NO" go to Question 5.		
3. If the answer to Question 1 or 2 is yes, is that intention evidenced by:		
3a. Governmental or other regulatory mandate or decree (including regional regulatory bodies such as the European Commission and stock exchange listing requirements)? Please describe, including to which companies/entities the governmental or regulatory decree applies.		
3b. A formal plan for convergence by the accounting standard-setting body with specific implementation steps? Please describe.		
3c. A policy announced by the accounting standard-setting body? Please describe.		
3d. A policy announced by government or other regulatory body? Please describe.		
3e. Other? Please describe.		
4. If the answer to Question 3a or 3b is "yes", is a mandatory convergence or adoption date specified by the legislation (or equivalent) or by the standard-setting body? Please describe the date(s) and specifically to which companies/entities the legislation or standards will apply.		

* In completing the questionnaire, if the national requirements and conversion plans vary depending on the nature of the company, please respond to the questions for listed companies, with additional comment for those entities without publicly traded securities. As with GAAP 2000 and GAAP 2001, you need not address the details of specialised industry GAAP (for example, banking or insurance) used for reporting to regulatory authorities.

Source: GAAP Convergence 2002

IFRS/IAS CONVERGENCE QUESTIONNAIRE (continued)

QUESTION	YES/NO	EXPLANATION <small>(Attach additional pages if necessary)</small>
PART A: Plans*		
5. If there are no plans for convergence with or adoption of IFRS/IAS, may companies voluntarily adopt IFRS/IAS for national reporting purposes?		
6. If the answer to Question 5 is "no", is convergence currently being discussed and/or considered by the national regulatory or standard-setting authorities?		
6a. What factors are expected to influence the convergence decision?		
6b. What, if anything, would be needed to cause the national regulatory or standard-setting authorities to address convergence of national standards?		
7. In any case, what difficulties have been experienced or are anticipated in working toward convergence, for example:		
7a. Insufficient guidance on first-time application of IFRS?		
7b. The tax-driven nature of the national accounting requirements?		
7c. The reluctance of national authorities to accept standards based on rules that are prepared by an international organisation?		
7d. The desire to wait until the IASB has been operating for a longer period before evaluating the merits of IFRS?		
7e. A disagreement with certain significant IFRS? Please identify.		
7f. General satisfaction with national accounting standards and a lack of interest from investors and other users to change national standards.		
7g. Other? Please describe.		
8. If plans for convergence involve specific milestones (see Question 3b), have those milestones generally been met to date?		

Source: GAAP Convergence 2002

IFRS/IAS CONVERGENCE QUESTIONNAIRE (continued)

QUESTION	YES/NO	EXPLANATION (Attach additional pages if necessary)
PART B: Accounting Standards		
9. Does convergence with IAS take the form of:		
9a. Replacing your country's national GAAP with IFRS/IAS, supplemented only for national issues not addressed in IFRS/IAS?		
9b. Adopting IFRS/IAS into national GAAP on a standard-by-standard basis?		
9c. Eliminating differences between IFRS/IAS and your country's national GAAP by converging with IFRS/IAS standards when possible and practical?		
9d. Other? Please describe.		
10. If convergence will involve replacing your country's national GAAP with IFRS/IAS or adopting into national GAAP on a standard-by-standard basis, will the IFRS/IAS be incorporated into national GAAP with no changes (that is, "word for word")?		
11. In any case, what are the national impediments to achieving convergence, for example:		
11a. The complicated nature of a particular standard? Please identify the standards.		
11b. A lack of capital markets in the country or underdeveloped capital markets?		
11c. Translation difficulties of IFRS into the national language?		
11d. The lack of existence of transactions of a specific nature (for example, pensions and other post-retirement benefits)? Please describe.		
11e. Other? Please describe.		
12. If convergence will involve replacing national GAAP with IFRS/IAS, which standards issued by the IASB/IASC are yet to be adopted with an identical text?		

Source: GAAP Convergence 2002

IFRS/IAS CONVERGENCE QUESTIONNAIRE (continued)

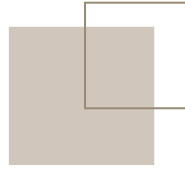
QUESTION	YES/NO	EXPLANATION <small>(Attach additional pages if necessary)</small>
PART B: Accounting Standards		
13. If convergence will involve replacing national GAAP with IFRS/IAS, what will be the timing of issuance of the national standard?		
13a. Immediately upon issuance of the IFRS?		
13b. Within 6 months of issuance of the IFRS?		
13c. Within 12 months of issuance of the IFRS?		
13d. Other? Please describe.		
14. If plans call for convergence with IAS by being adopted into national GAAP on a standard-by-standard basis (see question 9b) or being adopted into national GAAP by eliminating differences when possible and practical (see question 9c):		
14a. Which standards issued by the IASB/IASC are yet to be adopted into national GAAP?		
14b. What issues are viewed as priority in the path to convergence?		
PART C: Training		
15. Are IAS/IFRS published in the national language?		
15a. If the answer to 15 is yes, is it an official translation sanctioned by the IASB?		
15b. Are IFRS/IAS and IFRIC/SIC Interpretations translated as they are issued? What is the time lag between issuance and the availability of the Standard/Interpretation?		
15c. Is the translated version of Standards/ Interpretations widely available?		
16. Is IFRS/IAS included in the curriculum for training accountants?		
16a. Is IFRS/IAS included in university curriculum?		
16b. Do professional organisations provide IFRS/IAS training in the national language?		
16c. Are IFRS/IAS training programmes available to preparers of financial statements?		
16d. Are IFRS/IAS training programmes available from other sources? Please describe.		

Source: GAAP Convergence 2002

IFRS/IAS CONVERGENCE QUESTIONNAIRE (continued)

QUESTION	YES/NO	EXPLANATION (Attach additional pages if necessary)
PART D: Consistent Application of IFRS		
17. If IAS will be permitted or required to be applied in your country, what steps, if any, have been taken or are planned to ensure that IAS are consistently applied within your country?		
18. If IAS will be permitted or required to be applied in your country, what steps, if any, have been taken or are planned to ensure that national interpretations of IAS are consistent with interpretations and application of IAS to similar situations in other countries?		
19. If convergence of your national standards and IAS is planned or in process, what steps if any have been taken or are planned to ensure that interpretations of national standards are consistent with interpretations of IAS?		
PART E: Accounting Profession		
20. Please identify two or three initiatives taken by the accounting profession during the past two to three years to help promote convergence in your country.		
21. Please identify two or three additional initiatives that the accounting profession could take to help to further promote convergence in your country.		

Source: GAAP Convergence 2002



Endnotes

¹ The Regulation is effective for accounting periods beginning on or after 1 January 2005. A limited deferral is provided until 2007 for companies publicly traded both in the European Union and on a regulated third-country market that are already applying another set of internationally accepted standards and companies which only have publicly traded debt securities. This deferral requires national legislation being enacted to implement it.

² IFRS include future standards to be issued by the IASB as well as International Accounting Standards (IAS) issued by the former International Accounting Standards Committee.

³ In completing the questionnaire, if the national requirements and convergence plans vary depending on the nature of the company (e.g., listed or privately owned), the responses represent those applicable for listed companies. Thus, the figures categorise countries based on the scenario for listed companies.

⁴ Our findings provide a snapshot of country intentions at the time of the survey. As several countries are in the process of developing or modifying IFRS convergence plans, the situation is changing continuously.



The information provided in *GAAP Convergence 2002* should not be seen as the final word on convergence since it is a survey based on information at a point in time and in many cases represents the views of the preparers of the publication. No responsibility for loss to any person or organisation acting or refraining from acting as a result of any material in the publication can be accepted by the preparers of the publication or the accountancy firms that assisted in the underlying survey.

In completing this survey, we gratefully acknowledge the contribution of many hundreds of large-firm partners and managers across the world. Special thanks also goes to Stacy Brown and Andrea Freeborough for their significant contribution and enthusiasm in coordinating the *GAAP Convergence 2002* project.

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