



US Companies Rapidly Warming to IFRS

A recent survey conducted by the Controllers' Leadership Roundtable indicates that a surprisingly large percentage of US companies are warming up to the idea of reporting financial results using the International Financial Reporting Standards (IFRS) in the United States. According to the survey, 73% of respondents are in favor of U.S. companies having the option to file under IFRS and 54% would consider filing under IFRS if given the option (a 13% increase from just 4 months ago).

This overall shift is being driven primarily by the significant actions taken by the standard setters over the past 6 months, including the issuance of the first joint FASB/IASB pronouncement, the elimination of the US GAAP reconciliation requirement for foreign issuers and the formation of an SEC meeting series to discuss the option of IFRS adoption in the United States. Many Roundtable members have indicated there is a growing sense of inevitability among US organizations around IFRS adoption. Notes Bob Driessack, VP and Controller at HNI Corporation, "When you know you probably won't have a choice embracing something, you start to figure out how to embrace it..."

Other companies – especially US multinationals – see significant potential benefits (such as cost-savings) with IFRS adoption. Mark McCollum, EVP & CFO at Halliburton, notes that "Since many of the 50+ countries we report in are, or are about to, shift to IFRS for statutory reporting purposes, it became apparent that significant benefits might be derived from changing our overall internal systems to report results in IFRS." Some of the specific benefits cited include "faster cycle time for statutory report preparation, lower audit fees since we wouldn't need to replicate work by multiple audit firms and lower long-term costs for accounting technical training for our foreign employees."

Despite the potential benefits associated with the adoption of IFRS, there are several challenges that would need to be overcome before widespread IFRS adoption in the United States. Even if practitioners are in favor of principles-based accounting, there is healthy skepticism surrounding the ability of the U.S. governance structure to adapt to a principles-based systems. Further, the application of the standard on a global basis varies widely, with jurisdictions carving out particular aspects they disagree with (IAS 39, for example). An extended dialogue on application in the US should be expected as well.

The Controllers' Roundtable plans to continue to closely track and benchmark the progress of IFRS adoption in the US, and share best practices from European and Canadian IFRS adopters.