FIVE THINGS YOU SHOULD KNOW ABOUT INTEGRATING IFRS IN YOUR BEGINNING ACCOUNTING COURSE

Mark Holtzblatt, Ph.D., CPA
Monte Ahuja College of Business
Cleveland State University
1860 E. 18th Street, BU 508
Cleveland, OH 44115
Telephone: 224-392-7030
Email: m.holtzblatt@csuohio.edu

Norbert Tschakert, Ph.D., CPA, CFE, CFF, CITP
Bertolon School of Business
Salem State University
352 Lafayette Street
Salem, MA 01970
Telephone: 978-542-6627
Email: ntschakert@salemstate.edu
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INTRODUCTION

International Financial Reporting Standards (IFRS) are set by the International Accounting Standards Board (IASB) in London. They are now being used in more than 120 nations in the world. The U.S. neighboring countries Canada and Mexico adopted IFRS in 2011 and 2012 respectively. The U.S. Securities and Exchange Commission (SEC) has not yet committed U.S. listed companies to using IFRS and continues to deliberate this question. The Group of Twenty repeatedly supported IFRS and views IFRS as an important factor to overcome the current financial crisis. A single set of high quality global accounting standards is viewed as having the capacity to improve information for investors, resulting in a more efficient worldwide capital allocation.

Whether the SEC decides to adopt IFRS or not, the convergence process involving the FASB and IASB continues as initiated by the Norwalk Agreement of 2002. Numerous U.S. based multinational companies (MNCs) have foreign subsidiaries that are required to report under IFRS and numerous foreign based MNCs have U.S. subsidiaries that must have their results converted to IFRS for consolidation purposes. Furthermore, cross border offerings of various securities are increasing and investors must become aware of IFRS in order to understand financial statements for investment purposes.

It is important to notice that the beginning accounting courses should not only encompass IFRS because of the accounting issues involved. IFRS affect other functions of business, such as information systems, human resources, taxation and management. Thus, accounting majors are not the only students that have to learn about IFRS. Non-accounting majors should also be exposed to IFRS. For non-accounting majors, the beginning course may be their sole opportunity to be exposed to the international accounting standards. To not provide such an introduction to IFRS will result in business graduates being unprepared to understand and analyze financial statements of global companies, most of whom use IFRS.

One important component of the SEC work plan involved assessing the readiness of “all parties involved in the financial reporting process, including investors,” for a conversion to IFRS, which may require changes to the university accounting curricula. The 2012 SEC Final Staff Report addresses a variety of concerns, among them the state of IFRS education and training for preparers and users. Hence, addressing IFRS in the introductory accounting courses contributes to enabling domestic investors and accountants to successfully deal with a potential transition to IFRS.

We have been teaching IFRS in various levels of the accounting curriculum during the past four years (from beginning to graduate level stand-alone courses). During this time, we have researched and organized an extensive list of informative IFRS related websites that facilitate in engaging the interest of and imparting IFRS knowledge to beginning accounting students.
This article is structured into the following five sections: (1) IFRS Resources and Websites Available; (2) Providing Incentives for Beginning Accounting Students to Learn IFRS; (3) History, Structure, and Standard-Setting of the IASB; (4) IFRS-U.S. GAAP Comparisons and Status of Global Adoption; and (5) Engaging Beginning Accounting Students with IFRS Videos.

(1) IFRS RESOURCES AND WEBSITES AVAILABLE

There are numerous sources of engaging and up-to-date IFRS educational materials and information available on various websites. The majority of these websites are accessible for free. These websites are created and hosted by a variety of organizations, including the accounting firms, standard setters, regulators, universities and professional associations.

The IFRS Foundation and the IASB provide a wealth of information on their website IFRS.org. The large accounting firms Ernst and Young, KPMG, Deloitte, PricewaterhouseCoopers, BDO, Grant Thornton, and RSM McGladrey provide separate IFRS related websites. The U.S. Securities and Exchange Commission (SEC) has a section of their website focused on IFRS. The American Institute of Certified Public Accountants (AICPA) hosts a comprehensive site called IFRS.com.

We have researched and organized a list of the most informative IFRS websites at TeachingIFRS.com. The homepage of TeachingIFRS.com is shown in Appendix I.

Our work in creating TeachingIFRS.com has been recognized by an Honorable Mention for the 2012 AICPA Mark Chain/FSA Innovation in Graduate Teaching Award. Our website consolidates and provides links to numerous freely available IFRS pedagogical materials, which address both the full version of IFRS and the IFRS for SMEs. It provides easy access to IFRS e-Learning modules, job trends, certification programs, videos and webcasts, official pronouncements, news releases, textbooks and much more. Professors and students now have a single, one-stop resource for the teaching and learning of IFRS. TeachingIFRS.com complements and provides valuable IFRS supplements for the accounting curriculum, from introductory to capstone courses, at both the undergraduate and graduate levels.

(2) PROVIDING INCENTIVES FOR BEGINNING STUDENTS TO LEARN IFRS

The students in the beginning accounting course should be aware that IFRS will impact their careers regardless of their major or future functional area of expertise. We make our students aware of the significance that IFRS will have upon their careers by utilizing the website Indeed.com. Indeed is the leading job site worldwide, with over 70 million unique visitors and 1.5 billion job searches per month. Indeed is available in more than 50 countries and 26 languages. A search for all IFRS related jobs (as of October, 2012) is provided in Appendix II.

Additional more refined and selected searches can be shown to students by inserting terms such as “Information Systems”, “Finance”, etc. to make non-accounting majors in the class aware of the benefits of learning about IFRS. For example, the upper left hand column of
Appendix II shows numerous job ads mentioning “IFRS and Finance” (1,020) or “IFRS and Information Systems” (436).

In addition, Indeed.com has a function called “Trends” in which a graphical representation of IFRS employment opportunities in accounting and other functional areas can be requested. A graph of the frequency of the term “IFRS” elicits a sharp rise in such ads from 2005 to 2010, with a subsequent leveling off in the past two years. Such a visual display makes it easy to discuss the timeline of IFRS History shown below and it also demonstrates potential employment opportunities. Appendix III shows a trend graph of IFRS opportunities from Jan. 1, 2005 until Oct., 2012. The actual job listings can be explored to find the details of the job ads if class time allows or as a homework assignment.

For the accounting majors in the class, the recent appearance of IFRS on the CPA exam should be emphasized. We find it useful to display in-class to the students the Uniform CPA Examination FAQs - International Financial Reporting Standards (IFRS) on the Uniform CPA Examination.

Finally, beginning accounting students should be made aware of the sharp growth in international trade, foreign direct investment, and the international capital markets. This overall increase in international business provides a strong rationale for a single set of high quality global accounting standards. To educate students about the growth in cross-border listings, we utilize data and graphs from the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE). To explain the growth in global trade (imports and exports) we draw upon data and graphs from the World Trade Organization (WTO) and for the growth in foreign direct investment, we draw upon data from the United Nations World Investment Report.

Investors in the global capital markets would benefit by the increase in comparability brought about by IFRS. Multinational corporations (MNC’s) would benefit by decreased reporting costs in listing their shares in foreign stock markets. MNC’s would also have a lower cost of preparing global consolidated financial statements and lower training costs of sending staff to foreign assignments.

(3) HISTORY, STRUCTURE AND STANDARD-SETTING OF IASB

Beginning accounting students should be aware that the effort to create global standards has an interesting history dating back to the creation of the IASB’s predecessor body, the International Accounting Standards Committee (IASC) in 1973. We explain to our students the details of the timeline as seen in Exhibit 1.

EXHIBIT 1: TIMELINE OF IFRS HISTORY FOR BEGINNING STUDENTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>Formation of the International Accounting Standards Committee (IASC) and the FASB</td>
</tr>
<tr>
<td>2001</td>
<td>Formation of the IASC Foundation and the International Accounting Standards Board (IASB), Sir David Tweedie appointed Chairman of IASB</td>
</tr>
<tr>
<td>2002</td>
<td>EU passes regulation to adopt IFRS for listed entities in 2005; FASB and IASB sign ‘The Norwalk Agreement’ in which they commit to reduce differences between US GAAP and IFRS, initiating the conversion efforts</td>
</tr>
</tbody>
</table>
2005  Nearly 7,000 listed entities in Europe adopt IFRS
2006  IASB announces ‘three years stable platform period’ - entities that have already adopted IFRS do not need to implement new IFRS until 2009
2007  SEC removes reconciliation requirement for non-U.S. entities reporting under IFRS
2008  SEC proposes roadmap for potential mandatory adoption of IFRS by U.S. Filers under Chairman Christopher Cox
2009  New SEC Chairman Mary Shapiro is reluctant to support existing roadmap to IFRS. The Group of Twenty supports IFRS as an important step towards reforming the Financial System
2010  SEC announces that its staff will develop a work plan that would better analyze the issues regarding the potential adoption of IFRS. SEC issues Progress Report in late 2010.
2011  SEC postpones decision to adopt IFRS and publishes two staff papers: (1) An Analysis of IFRS in Practice and (2) A Comparison of U.S. GAAP and IFRS. Hans Hoogervorst appointed Chairman of IASB
2012  SEC issues ‘Final Staff Report’ regarding work plan. The decision to permit or adopt IFRS is pending.

The first module of the Ernst and Young (EY) IFRS Curriculum entitled “Introduction to IFRS” includes a 41 slide power point presentation that we find helpful for introductory accounting classes. The topics covered within the EY power point include: (1) What is IFRS?; (2) Is IFRS better or different than U.S. GAAP?; (3) Who are the International Standard Setters?; (4) What is the Structure of the International Accounting Standard Setters?; (5) What is the History of International Standard Setting?; (6) How are the International Standards Set?; (6) How are the International and U.S. Standard Setters Working Together?; (7) What is the Outlook for IFRS Adoption?; and (8) Why is it important to learn about IFRS Today?

(4) IFRS-U.S. GAAP COMPARISONS AND STATUS OF GLOBAL ADOPTION

Beginning accounting students should be introduced to some of the key U.S. GAAP-IFRS differences and the current status of global IFRS adoption. Several excellent U.S. GAAP-IFRS comparison publications have been created by the global firms and recently the SEC published their detailed comparison of IFRS vs. U.S GAAP. These publications can be accessed at the following web addresses: SEC, PwC, KPMG, EY, Deloitte.

In addition, several introductory accounting textbooks now provide U.S. GAAP-IFRS comparisons and there are several short IFRS books that can be used as supplements to the beginning accounting textbooks.

Since students in the introductory courses are in the early stages of learning accounting concepts, we recommend focusing on the more basic IFRS – U.S. GAAP differences such as accounting for inventory, intangible assets and property, plant and equipment. For inventory accounting, students should become aware that LIFO is not allowed under IFRS and that IFRS uses lower of cost or net realizable value instead of lower of cost or market. For intangible asset accounting, it should be pointed out that IFRS allows some research and development (R&D) costs to be capitalized when certain conditions are fulfilled whereas in the U.S. most R&D is expensed. For accounting for PP&E, students should learn that IFRS allows the revaluation
method for valuation subsequent to acquisition while the U.S. sticks to historical cost. There are other accounting issues involving U.S. GAAP-IFRS comparisons that can be inserted into the beginning accounting course, however such discussions should remain brief due to the vast amount of material that beginning students must cover. Beginning students should at a minimum have their eyes opened to the fact that IFRS based statements will have differences that may need to be explored during their future careers. The accounting majors in the class will most likely be exposed to more detailed and extensive comparative studies in their intermediate level courses or in separate stand-alone International Accounting or IFRS courses.

The current adoption status of IFRS in G-20 nations can be seen in a list compiled by the IASB and an interactive map with accompanying details has been made available by PwC.

(5) ENGAGING BEGINNING STUDENTS WITH BRIEF IFRS VIDEOS

By using short videos in class, we find that students become more interested and engaged in learning about IFRS. We believe that the IFRS brief topic videos are the most suitable videos for the beginning accounting courses. This is because introductory students typically lack in-depth accounting knowledge and class time is limited due to the many basic accounting topics that need to be covered. Table 1 below lists and describes the IFRS videos that we find most valuable for introductory-level classes. This table provides a guideline for professors unfamiliar with IFRS and does not preclude the selection and assignment of other short IFRS videos.

The PwC IFRS Ready video and several of the short AICPA IFRS and YouTube.com videos are excellent supplements for introductory accounting classes that can effectively increase student awareness of IFRS. Our experience is that students respond favorably when viewing the AICPA video ‘IFRS: Adopting Global Standards’ (eight minutes) and the PwC ‘IFRS Ready? How’ video (seven minutes). The videos make students aware of the global harmonization of accounting standards, explained through accounting firm partners and managers, executives of multinational corporations, and officers of the AICPA and International Federation of Accountants (IFAC). Finance majors, international business students and other business students should also be made aware of the coming IFRS revolution, as IFRS is not only an ‘accounting’ issue but also affects other functional aspects of a company. These brief topic videos offer a very good source of virtual guest speakers who get students’ attention.

TABLE 1: IFRS Online Videos for Introductory Accounting Classes: Author’s Favorites

<table>
<thead>
<tr>
<th>Title</th>
<th>Source</th>
<th>Time</th>
<th>Benefit for Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS: Adopting Global Standards</td>
<td>IFRS.com</td>
<td>8 min.</td>
<td>Global experts discuss the significance of IFRS and their experiences with it.</td>
</tr>
<tr>
<td>PricewaterhouseCoopers (PwC): IFRS Ready: How?</td>
<td>YouTube</td>
<td>7 min.</td>
<td>PwC partners and managers, and an IBM executive discuss the influence of IFRS in their careers.</td>
</tr>
<tr>
<td>SEC Chair Mary Schapiro - 2010 Open Meeting on Global Accounting Standards</td>
<td>SEC.gov</td>
<td>4 min.</td>
<td>SEC Chairperson Mary Schapiro, “Remarks on the Convergence of Global Accounting Standards”.</td>
</tr>
<tr>
<td>IASB Chairman Hans</td>
<td>YouTube</td>
<td>3 min.</td>
<td>IASB Chairman, Hans Hoogervorst shares his</td>
</tr>
</tbody>
</table>
| **Hoogervorst - 2011 IFRS Summit** | thoughts on “IFRS Being Adopted in the United States”.

| **IFRS Summit 2010: Convergence - FASB Chair Leslie Seidman** | YouTube | 2 min. | Leslie Seidman, FASB Chair, shares her views on the convergence between IFRS and U.S. GAAP.

| **Importance of Global Standards to Ford Motor Company** | IFRS.com | 5 min. | Robert L. Shanks, Vice President and Controller of Ford Motor Company, speaks about the importance of IFRS to Ford.

| **FASB/IASB Convergence Project** | AICPA.org | 3 min. | AICPA President and CEO Barry Melancon discusses the convergence between IFRS and U.S. GAAP.

| **Brazil’s Transition to IFRS** | YouTube | 3 min. | Ana Maria Elorrieta, President of IBRACON, shares her perspective on Brazil's recent implementation of IFRS. |
Appendix I: Homepage for TeachingIFRS.com

Welcome to TeachingIFRS.com
Your one-stop source for Teaching and Learning International Financial Reporting Standards

- IFRS Resources
  - IFRS Official Pronouncements
  - IFRS Accounting Videos for the Classroom
  - Other Accounting Video Resources
- IFRS Classroom Materials
  - IFRS E-Learning Interactive Modules
  - IFRS Certifications
- Selected IFRS Articles
- IFRS Books
- IFRS Research and Surveys
- IFRS Employment
- IFRS around the World
- IFRS for SMEs
- About TeachingIFRS.com

This website is designed to be used directly in the classroom

Quick Links: Most popular examples to use with your students
- Show the interactive PwC IFRS Worldmap
- Show an Interview with Sir David Tweedie
- Show how to get free access to the unaccompanied IFRS
- Illustrate the Relevance of IFRS with our IFRS Job Trends
- Provide a list of leading IFRS Resources: IASB.org, IFRS.com
- Provide reading assignments to your students
- Provide a list of IFRS Certification Programs
- Find high quality classroom and testing materials

Please send links that we have missed to: info@TeachingIFRS.com Thank you.
APPENDIX II: Indeed.com Search for IFRS Job Opportunities (Oct., 2012)

![Indeed.com search for IFRS jobs](image-url)

- **Director of Financial Reporting & Analysis**
  Capsule Tech, Inc. - Andover, MA
  - Skills: written and verbal, Strong Excel and Power Point skills, Exposure to IFRS accounting standards and foreign exchange rate accounting.
  - Indeed apply: Easily apply to this job

- **Product Control Accounting Assurance - Raleigh**
  Credit Suisse
  - Credit Suisse: 11 days ago

- **Gro & IFRS Accounting Supervisor – Decatur, IL**
  Archer Daniels Midland
  - Archer Daniels Midland: 9 days ago

- **SEC and IFRS Reporting Manager**
  Parker and Lynch - Northbrook, IL 60062
  - Responsibilities include, but are not limited to: Communicate and explain accounting issues to the management team....

- **Accounting Manager, IFRS**
  Mergis Group
  - Mergis Group: 11 days ago
Appendix III: IFRS Job Trend Graph from Indeed.com (Oct., 2012)

ifrs Job Trends

Indeed.com searches millions of jobs from thousands of job sites. This job trends graph shows the percentage of jobs we find that contain your search terms.