

# EU FINANCIAL REPORTING

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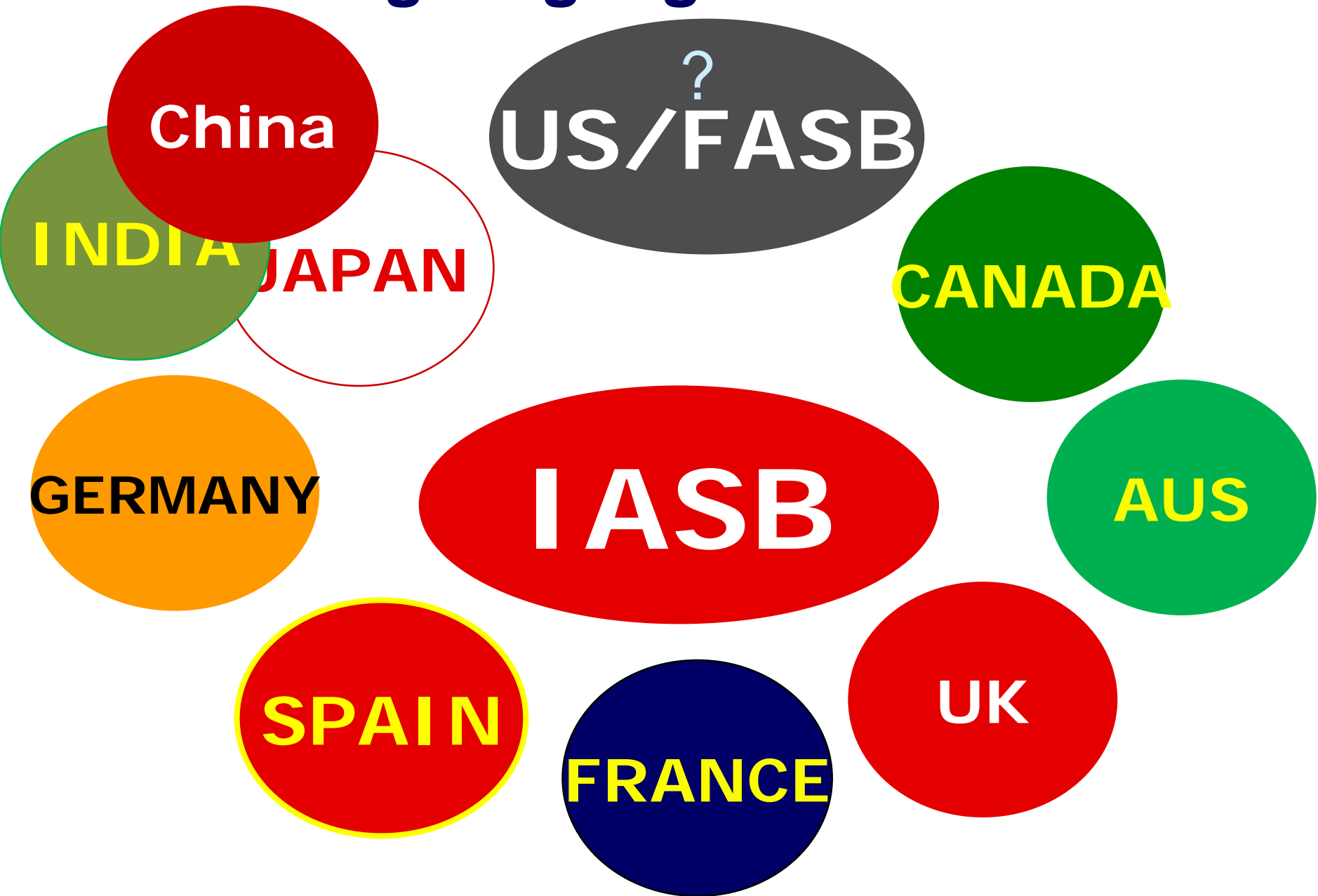
**Stig Enevoldsen**

**Chairman of EFRAG**

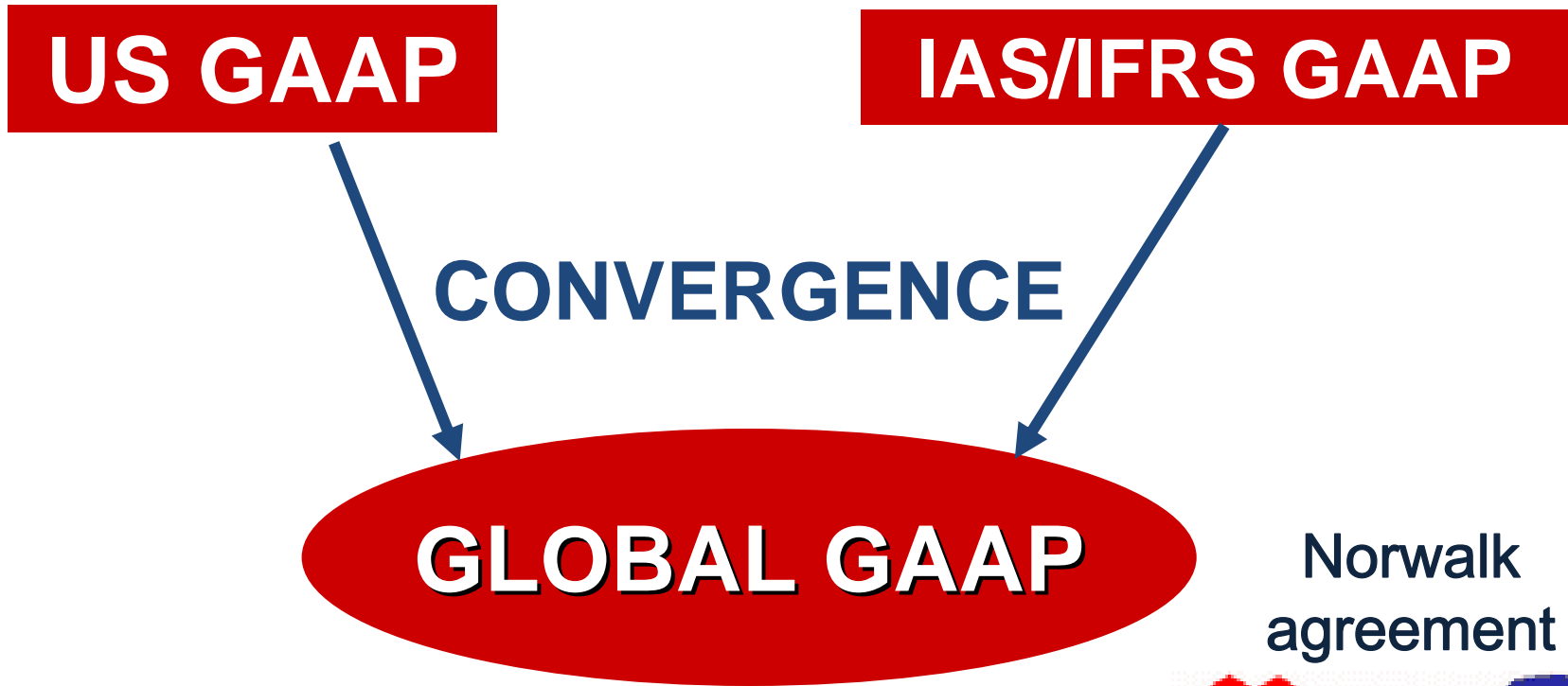
**Bruxelles – 9 December 2008**

# Convergence

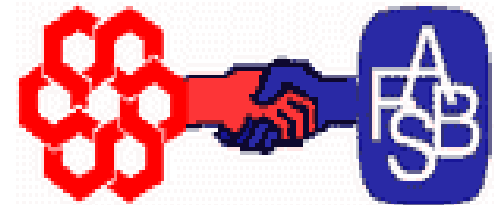
# Accounting languages



# Convergence



Norwalk  
agreement



# Convergence – Norwalk Agree

## **SHORT TERM:**

Adjusted existing standards

## **LONG TERM:**

Joint projects

Same solutions

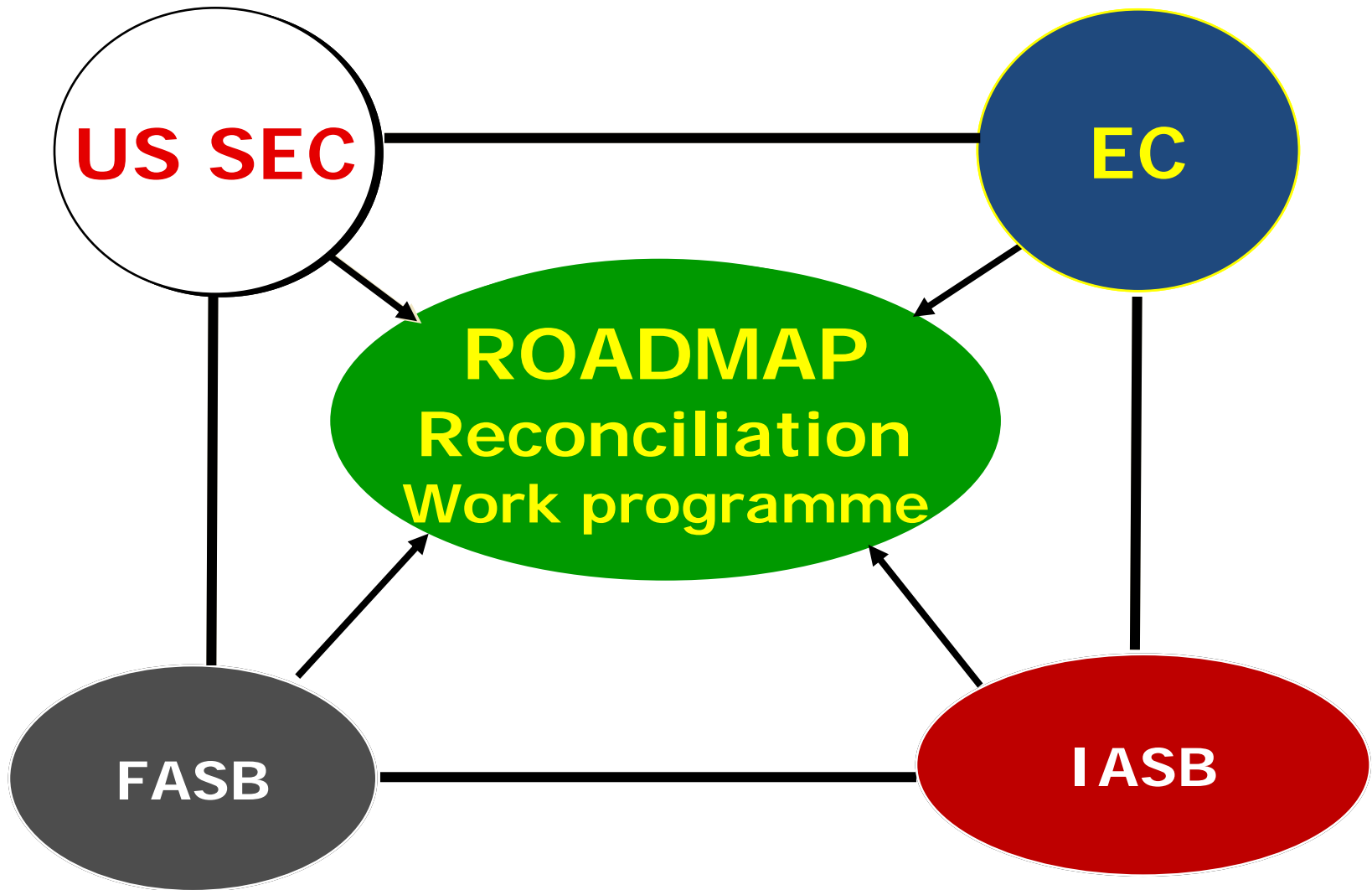
One accounting solution

# Convergence

## TOKYO AGREEMENT

ASBJ AND IASB

# CONVERGENCE



**Reconciliation requirement removed  
in 2007**

A large, horizontal red oval with a thin black outline is centered in the lower half of the slide. It contains the text 'Real achievement' in white, bold, sans-serif capital letters.

**Real achievement**



**Concepts Release** issued in 2007 on whether to allow US companies to use IFRS

**US SEC** - Has just issued a **proposal** release whether to allow or require US companies to use IFRS

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**Robert Herz** chairman of FASB

**Christopher Cox** chairman of SEC

**Sir David Tweedie** chairman of IASB

### International Financial Reporting Standards timeline

**1973:** International Accounting Standards Committee starts. Based on volunteers who meet three times a year

**2000:** Restructured into the International Accounting Standards Board

**2002:** European Union announces plans to adopt IFRS for all EU companies

**2003:** Australia, New Zealand and Hong Kong commit to adopting IFRS

**2005:** European Union companies go 'live' with IFRS

**2006:** China adopts standards broadly in line with IFRS. IASB and FASB lay out plans to converge IFRS and US GAAP

**2007:** Canada, India, Japan and South Korea agree plans to adopt or converge with IFRS standards

**2007:** US SEC allows foreign users of IFRS to stop reconciling their accounts to US GAAP

...specific to them. In some US companies face another happy with the switch

# US AND IFRS

**Will US go to IFRS??**

**It is a proposal, but it is NOT sure yet**

**There are conditions to be met**

**There will probably be opposition**

# US AND IFRS

**Will US go to IFRS??**

**Will it be accepted in the US?**

**Major change**

**(rules versus principles)**

**Will IFRS work in a very litigious environment?**

**Will the lawyers accept it?**

# US AND IFRS

**Will US go to IFRS??**

**Is it good for Europe?**

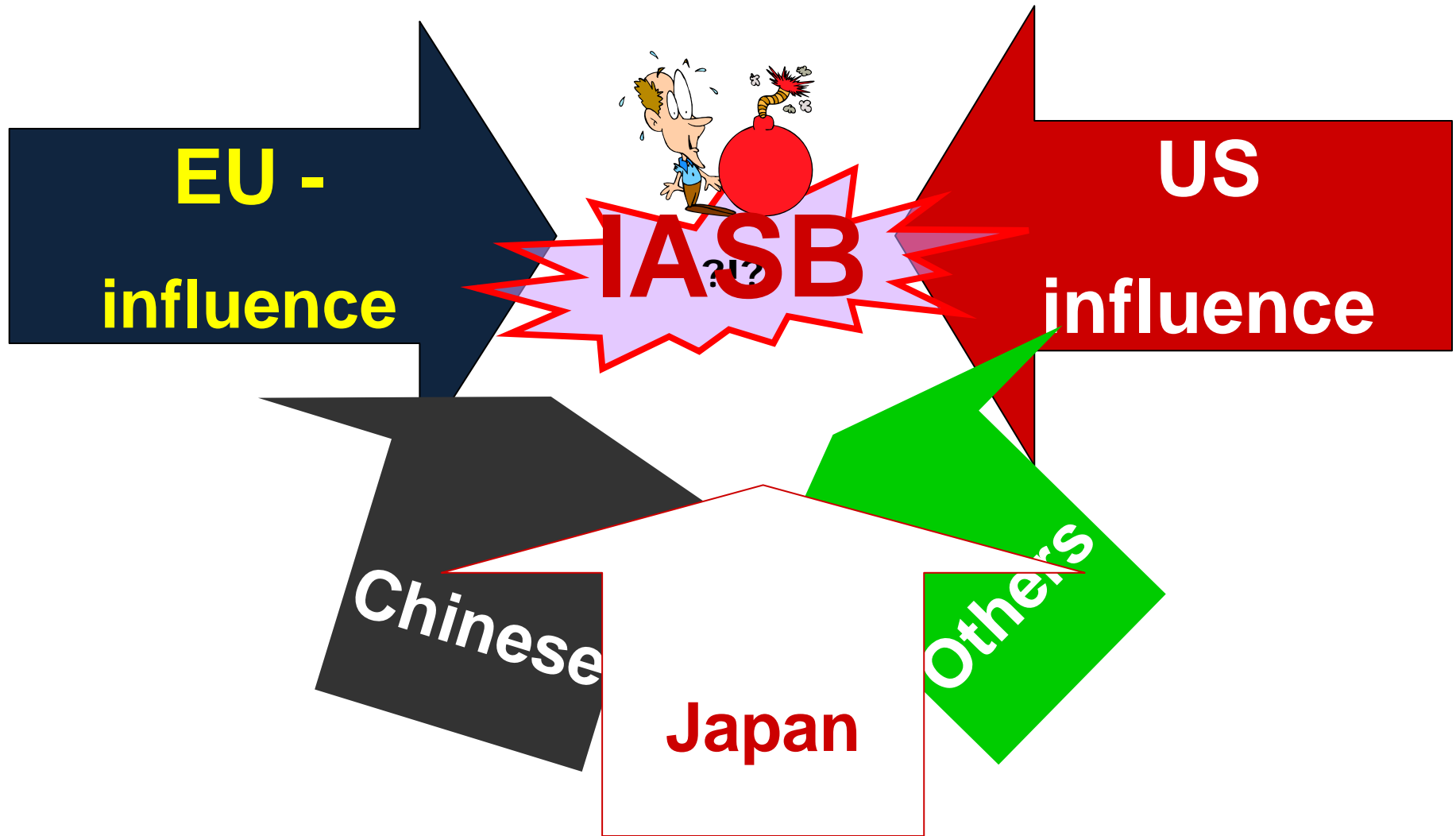
**How will US (potential) adoption  
affect the global architecture??**

# Convergence

## IASB governance

**How much influence should each part of the world have??**

# Global Accounting



**It is expected that Japan will issue a roadmap with a proposal to go to IFRS**



## New MoU issued 11 September

- Focused agenda linked to the possible US implementation of IFRS
  - Common, principles-based standards, subject to the required due process
- 
- Is that the right focus?

## **EFRAG comments to draft MoU**

- **Keep focus on the agenda important to those regions (EU) already using IFRS, i.e insurance**
- **Not only focus on the needs of the US**
- **Cross-cutting issues (only deal with subjects once)**

## US REACTIONS

- How much will the FASB change their standards if the are on the way to IFRS
- Can they keep up the momentum in local US standard setting

# Convergence

## During the crisis:

**We have seen request for same accounting rules to avoid competitive disadvantages**

# Convergence

## Questions

## Will convergence undermine EUROPEAN INFLUENCE??

- We do not sit at the table
- Europe is split in our input
- Many players try to influence the IASB
- IASB is working closely with FASB

**We have a global standard setter**

**IFRS is law for consolidated financial statements in the EU**

**What EU control mechanisms and checks and balances do we need?**

- Can we achieve full convergence/harmonisation?
- How can we take the next steps?
- What steps?
- Is convergence a concept (an idea) rather than reality?