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CHAIRMAN'S
CORRESPONDENCE UNIT

March 5, 2009

Mary L. Schapiro, Chairman
US Securities and Exchange Commission
100 F Street, NE
Washington, DC.
20549
1 (202) 942-8088

RE: IFRS VS US GAAP

Dear Chairman Schapiro:

Please allow US Multinational Corporations who voluntarily wish to file their financial reports under IFRS in 2009 permission to do so.

These US Multinational companies need to be able to compete with Foreign Multinationals now permitted to use IFRS in the US filings of their SEC financial reports. US Multinational Corporations are so important to our US and global economy because of their global export activities.

By permitting US Multinationals to file their financial reports under IFRS in 2009, companies will be able for the most part to show a higher level of financial performance and be more competitive with Foreign Multinational Corporations. An equal playing field for the accumulation of capital by US Multinationals is vital to their economic vitality and competiveness as filers on the NYSE.

Recently, in January 2009, we were fortunate to have had an article published on "The Globalization of Accounting Standards: IFRS VS US GAAP" in the **Global Journal of Business Research.** This article was written to provide a level of understanding to the reader and give an overview of global accounting standards.

Furthermore in January 2009, we presented a study on Multinational Corporations financial reporting at a Global conference to an audience of international academics and financial reporting experts. A copy of our best in session award for the conference is included and copies of the articles are enclosed for your review.

What is our background?

Anne B. Fosbre, Ph d, CPA
Deloitte & Touche Alumni, Professor of Accounting, Former Professor Emeritus, Pace University, NY, Georgian Court University, professor of accounting over 30 years, former member NJ Board of Accountancy, NASBA member, former member Examination Review Board (CPA Exam)

Ellen M. Kraft, Ph d, Business Management
Richard Stockton College of New Jersey

Paul B. Fosbre, MBA, CPA
Adjunct Professor, Georgian Court University, New Jersey City University
Consultant IFRS
Accounting Policy Advisor, NY Federal Reserve Bank
Senior Accounting Policy Advisor Federal Reserve Board of Governors
Senior International Accounting Policy Advisor KPM Financial Services Consulting Group

We hope you may find our articles helpful in your future decisions. We wish you Success as Chairman of the SEC

Our Very Best Wishes

Anne, Ellen and Paul

Dr.Anne B Fosbre
Dr.Ellen M Kraft
Paul B Fosbre

Copyright material redacted. Author cites the following article: Anne B. Fosbre, Ellen M. Kraft, Paul B. Fosbre, "The Globalization of Accounting Standards: IFRS versus US GAAP," Global Jounal of Business Research, Vol. 3, No. 1 2009.

IFRS Versus US GAAP: The Globalization of Accounting Standards

Anne B. Fosbre, Ph.D., CPA
Georgian Cou rt University

Ellen M. Kraft, Ph.D .
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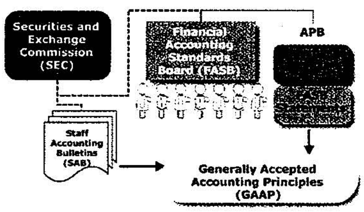
IFRS Versus US GAAP

IFRS
- International Financial Reporting Standards
- More broad and principle based as compared to US GAAP
- All European Union (EU) countries have been mandated to use IFRS reporting as of 2005
- Today IFRS is used in over 100 countries

US GAAP
- United States Generally Accepted Accounting Principles
- US standards contain underlying principles as well as strong regulatory and legal requirements

Relationship of SEC and FASB in Developing US GAAP



Source: http://www.bionicturtle.com/learn/article/introduction_to_financial_statement_analysis_part_1b_gaap/

FASB

- Created in 1973, FASB (Financial Accounting Standards Board) is represented by seven full time members compared to 18-21 part time voluntary members of the APB
- Supported financially by the Financial Accounting Foundation (FAF)
  - The FAF is responsible for selecting FASB members who must leave their present employment and work only for FASB
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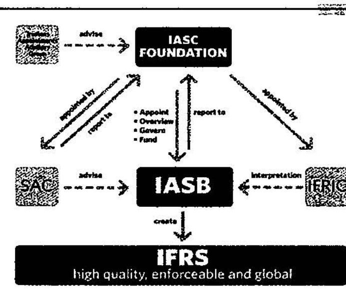
- 1934 Securities and Exchange Act created the Securities and Exchange Commission (SEC)
- Congress gave the SEC the power and responsibility for setting accounting and reporting standards for companies whose securities are publicly traded on either organized stock exchanges or over the counter markets
- SEC has delegated the responsibility, but not the authority to set standards
- Power thus lies with the SEC to disagree or change standards issued by the private sector which it has done

IASB Structure



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The Standards Advisory Council (SAC)

- The Standards Advisory Council (SAC) of the International Accounting Standards Board (IASB) provides a forum where the IASB consults individuals, and representatives of organizations affected by its work, that are committed to the development of high quality International Financial Reporting Standards (IFRSs)

Source: http://www.iasb.org/About+Us/About+SAC/About+SAC.htm

IASB Structure

IASC Foundation

- Independent organization having two main bodies, the Trustees and the IASB, a Standards Advisory Council, and the International Financial Reporting Interpretations Committee.

IASC Foundation Trustees

- Appoints the IASB members, exercises oversight and raise the funds needed, but the IASB has sole responsibility for setting accounting standards.

International Financial Reporting Interpretations Committee (IFRIC).

- The IFRIC reviews, on a timely basis within the context of current International Financial Reporting Standards (IFRSs) and the IASB Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment.

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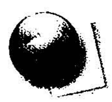
Reasons For Move Towards Globalization of Accounting Standards

- Movement of business toward a global economy
- Advances in technology, the internet, lower trade barriers have expanded the marketplace worldwide
- Many multinational US companies now are earning more revenue from sales abroad than from US sales revenue



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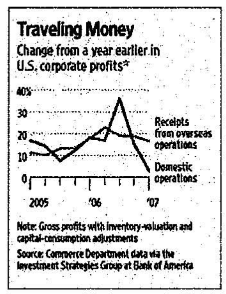

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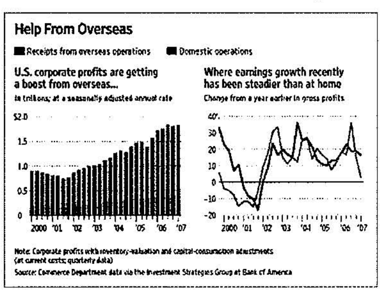

US Multinational Corporations with over 50% of Revenues from Overseas

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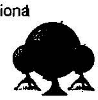
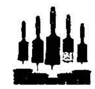


Convergence of Accounting Standards

- In 1994 the move toward convergence of accounting standards began with the Financial Accounting Standards Board (FASB) and International Accounting Standards Commission (IASC) jointly working on the issuance of new standards for the computation of earnings per share (EPS).
- In 2002 FASB and IASB signed the Norwalk Agreement formalizing a joint agreement to convergence of US GAAP and IFRS. The boards agreed to resolve existing differences between their standards.
- As of 2005 all listed companies in the European Union (EU) must prepare consolidated financial statements using IFRS.



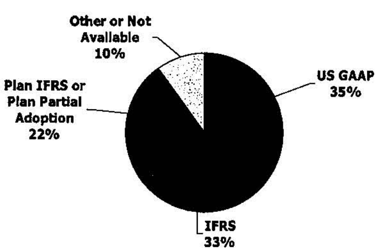
Adoption of IFRS

- On November 15, 2007 the Securities and Exchange Commission (SEC) exempted foreign firms using IFRS from filing a reconciliation of IFRS to US GAAP.
- This move by the Securities and Exchange Commission (SEC) to allow IFRS in financial reporting by foreign companies on US stock exchanges without the requirement of a reconciliation to US GAAP has created a mandate to converge IFRS and US GAAP and financial statement requirements.

Implications of IFRS for Investors

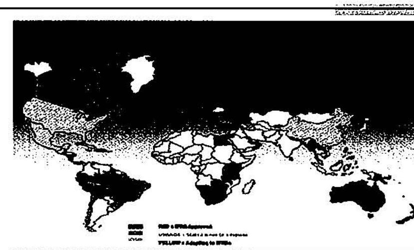
- Companies with many overseas locations may benefit from using IFRS standards in financial reporting because they may be able to be more flexible in meeting statutory filing requirements in the various locals.
- Foreign companies will be reporting higher revenues than a comparable US Multinational corporation following US GAAP

World Market Capitalization by Accounting Standard



Source: Financial Times

IFRS AROUND THE WORLD



Red- IFRS Approv ed
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Source: International Accounting Standard Board
Retrieved on May 14, 2008 from http://archive.iasb.org.uk/about/ifrsworld.asp

Convergence of standard
Three options

1. Opt to follow a FASB rule (US GAAP)
2. Opt to follow an IFRS rule
3. Comprise and jointly develop a new rule.

Example Case #1
Opt to follow a FASB rule (US GAAP)

- After reviewing FASB #144 Accounting for Impairment or Disposal of Long Lived Assets and IAS #35 Discontinuing Operations the standard setters decided that FASB #144 was the preferable standard.
- As a result, IASB issued IAS #5 Noncurrent Assets Held For Sale and Discontinued Operations which generally converged with FASB #144.

Example Case #2
Opt to follow an IFRS rule

- The standard setters decided that IFRS #8 Accounting Policies and Changes in Accounting Estimates and Errors was superior to past US GAAP APB #20.
- In June 2005 FASB issued Statement #154 Accounting Changes and Error Corrections to converge with the provisions of IAS #8.

Example #3
Comprise and jointly develop a new rule.

- FASB and IFRS standard setters have been unable to converge on the handling of extraordinary items, a part of the calculation of Earnings Per Share EPS standard. (Herman, 2006)

Forces contributing to the acceleration of convergence of IFRS and US GAAP

1. Capital is increasingly global
2. Integration of the worlds financial reporting will reduce the costs of complying and may also reduce the cost of capital
3. Maintaining two sets of books IFRS and US GAAP by multinational companies not cost efficient
4. Revenue Recognition factor
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Conclusions

- Many US Multinational companies have reached a level where foreign sales revenues exceed domestic revenues earned in the United States
- Investors will be better equipped to make investment decisions based on financial information that comes from a single set of Global Accounting Standards that will converge multinational corporations, currencies, and international borders to give investors a true sense of investment risk
- Mr. Herz, is Chairman of the Financial Accounting Standards Board (FASB), has predicted a minimum of five years for the convergence of IFRS and US GAAP standards to occur. (Journal of Accountancy, 2008)
- It is both timely and necessary to converge and harmonize IFRS and US GAAP into a single set of Global Accounting Standards to lead to a more stabilized and prosperous world economy to resolve many of the world's financial reporting problems.

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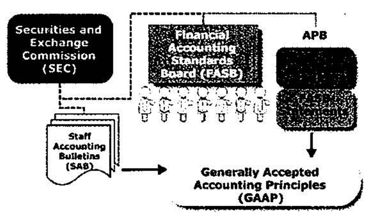

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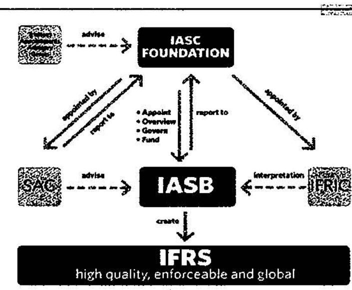

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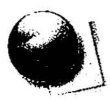

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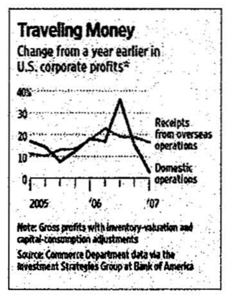

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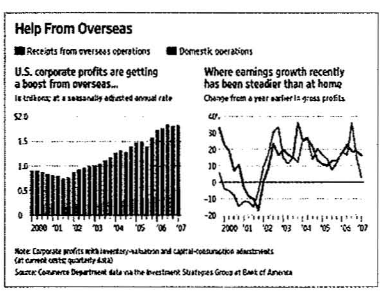

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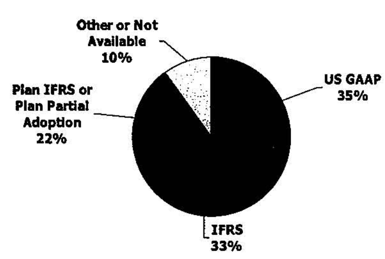

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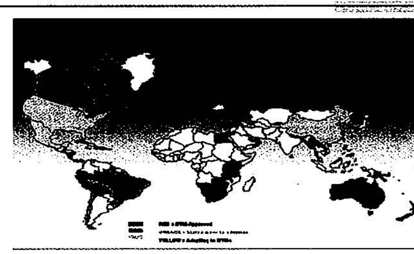

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THE IMPACT OF GLOBAL ACCOUNTING STANDARDS ON FOREIGN AND UNITED STATES MULTINATIONAL CORPORATIONS

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The movement of business toward a global economy has accelerated the need to move toward global accounting standards. Two recent decisions and a "roadmap proposal for the US to adopt International Financial Reporting Standards, IFRS rules, have been issued by the United States Securities and Exchange Commission. These decisions and the "roadmap" proposal have had a major impact on the issue of converging United States Generally Accepted Accounting Principles and IFRS. The "roadmap" would allow 110 of the largest publicly held companies equal to 14% of US market capitalization to begin using IFRS voluntarily for their 2009 financial statements. Speed of acceptance in world capital markets of one standard of accounting namely. IFRS is rapidly occurring and may motivate companies voluntarily to change. This paper will examine a selection of foreign and US multinational corporations currently using US GAAP financial reporting to examine the benefits or disadvantage of change for the companies reviewed.

United States and Japan are the only countries in the G8 group of nations that have not adopted IFRS for financial reporting. (Gray 2008). Sony Corporation and Matsushita Electric Industrial Company (most recently changed to Panasonic Corporation) are the companies to be reviewed for the Japanese companies studied. The US multinational companies to be reviewed in this study are Proctor and Gamble and Johnson and Johnson companies.

JAPANESE COMPANIES

Japan has agreed to IFRS convergence by 2011. The Accounting Standards Board of Japan ASBJ met with the International Accounting Standards Board, IASB, in 2007 and agreed to eliminate by 2008 major differences between Japanese and IFRS GAAP. The remaining differences were to be removed on or before June 30, 2011 at which time Japan would switch to IFRS. (Accountancy Age, 2008). As of the present time Japan has not adopted IFRS (Kagawa 2008).

SONY CORPORATION

Sony operates on a fiscal year calendar with year end occurring March 31. For 2008, revenue was $89.6 billion compared to Matsushita Electric that had revenue of $90.7 billion (Hoovers 2008). Sony does business in many countries. It is a true global player having 23% of its business in Japan, 26% in Europe, 25% in the US, and 26% in other regions (Sony 2007). Its major revenues are from foreign sales 49% while revenues from the US are 25%.

Research and Development Expenses

Research and development expenses for 2008 were $521 million. Under US GAAP R&D expenses are for the most part expensed. IFRS requirements are to capitalize R&D expenses and add them to asset accounts in most cases. To follow IFRS would allow Sony to decrease expenses and increase net income dramatically.

Goodwill and Other Intangible Assets
Sony has goodwill of $30.4 million for 2008. Goodwill and other intangible assets that are determined to have an indefinite life are not amortized and deducted as expenses on the income statement. But under US GAAP they are tested on a two step process for impairment (Financial Accounting Standards #142) An impairment loss is recognized if the carrying value of the asset exceeds the current fair value and must be expensed. Under IFRS goodwill impairment is limited to a one step review. The use of significant estimates and assumptions as required in the second step process is dropped. The elimination of this process may lead to a reduction of impairment expense under IFRS and result in an increase in net income. The above discussion of two factors that might affect Sony Corporation financials indicate an increase in figures reported under IFRS reporting if Japan should adopt IFRS reporting.

MATSUSHITA ELECTRIC INDUSTRIAL COMPANY

This company has changed its name to Panasonic Corporation as of October 1, 2008 (Panasonic 2008). Its founder Konosoke Matsushita is hailed as the patriarch of the Japanese consumer electronics industry. It uses a fiscal calendar year and year end is March 31. The revenue for 2008 was $90.7 billion. In 2008 50% of sales revenue was in Japan, 13% in Europe, 23% in Asia, 14% in North and South America. Thus, most of the revenues are foreign sales.

Research and Development Expenses
Panasonic has $449.0 million expenses in 2008. If Panasonic converted to IFRS, R&D expenses would be for the most part capitalized and added to an asset account. This would reduce expenses, increase net income, and add asset values to the balance sheet.

Goodwill and Other Intangible Assets
Panasonic has goodwill of $4.29 billion for 2008. Goodwill and other intangible assets determined to have an indefinite life are not amortized, they are required to be tested on a two step process under FAS #142 US GAAP. Any impairment is then expensed. Under IFRS goodwill impairment is limited to a one step test and may result in net income. The two factors reviewed may change Panasonic Corporation's financial statements to report higher figures under IFRS reporting.

US COMPANIES

The roadmap created by the SEC would allow 110 of the largest publicly held companies equal to 14% of the US market capitalization to begin using IFRS voluntarily for their 2009 financial statements. (Journal of Accountancy, 2008) While the US is not adopting IFRS on an all-at-once mandatory basis the allowance of major companies to report on an IFRS basis will permit initial data for analysis. The US multinational companies reviewed in this study are Proctor and Gamble and Johnson and Johnson companies.

PROCTOR AND GAMBLE

Proctor and Gamble operates on a fiscal year calendar for financial reporting with a year end of June 30. Its revenues for 2007 were $31.9 billion for the United States and $44.5 billion for international revenues. Over 50% of revenue was from foreign sales.

Revenue Recognition - LIFO Inventory

Revenue recognition is simpler under IFRS compared to US GAAP. Revenue recognition under IFRS will probably increase because restrictions in US GAAP will be removed. For example, LIFO inventory is not recognized or allowed under IFRS. Revenue will probably increase because the restrictions on revenue recognition under US GAAP using will be removed. LIFO is popular in US GAAP reporting because it usually reduces taxable income. As a result US companies pay lower taxes. If LIFO is used for tax purposes in the US it must also be used in financial reporting. Proctor and Gamble uses LIFO for certain cosmetics and commodities, but foreign subsidiaries use FIFO inventory reporting. With the elimination of LIFO taxes may Increase but in general the recognition of increased revenue reporting may occur.

Goodwill

Acquired goodwill and other intangible assets with indefinite useful lives are not amortized and are subject to a two step for impairment test under US GAAP. For IFRS only a one step test for impairment is used. The ongoing market turmoil has created problems for every company following US GAAP two step impairment test requirement. Companies will need to pay greater attention to goodwill impairment as required by Financial Accounting Standard FAS 142. Companies may find that goodwill impairment has occurred. In addition the creation of the new Financial Accounting Standard FAS 157 Fair Market Accounting is now mandatory as of this year 2008. FAS 157 defines fair value as an exit price or how much could be obtained upon the sale of the asset. The second impairment test now requires companies to compare fair value of each units carrying value including goodwill. Goodwill is not impaired as long as the fair value of the entire reporting unit is greater than its carrying vale. If the fair market values less than the book value a goodwill impairment loss is recognized and profits fall. In this market a severe loss is likely to occur. Thus a switch to IFRS with one step testing is likely to benefit most companies. This may lead to a decline of impairment loss recognized and as a result a higher net income under IFRS. Total goodwill for Proctor & Gamble, at June 30, 2008 is $57.73 billion. The effect on Proctor and Gamble financials with a change to IFRS reporting would most likely result in higher income and an increase in the valuation of assets on the balance sheet. The foregoing analysis of some factors that may help Proctor and Gamble to report higher figures on IFRS reporting. It would also reduce the costs of converting IFRS subsidiaries to US GAAP for US reporting.

JOHNSON AND JOHNSON CORPORATION

Johnson and Johnson operates in over 55 countries. It operates on a fiscal year basis with a year of December 30. In the second quarter of 2008 International sales grew to $8.24 billion compared to US sales revenues of $8.21 billion. International sales were higher than US sales revenues. Proctor and Gamble with sales of $76 billion in 2007 is currently leading the industry. Johnson and Johnson is a close second with $61 billion in 2007.

Revenue Recognition

The Revenue Recognition process for IFRS is not equal to US GAAP they are compatible. Differences related to software revenues and the sale of real estate as reported under US GAAP should not have a major impact on Johnson and Johnson's financials. (Ernst & Young, 2008)

LIFO & FIFO Inventory

Johnson and Johnson use FIFO for their inventory valuation. (Johnson & Johnson Annual Report, 2008) Johnson and Johnson can easily convert any differences in their FIFO inventory as it is acceptable under IFRS reporting. (Ernst & Young, 2008) Conversion to IFRS would help Johnson and Johnson access capital markets globally without having to produce separate sets of financial reports for international and domestic investors. (AICPA Backgrounder, 2008)

SUMMARY

Benefits of IFRS

The competiveness of US markets would be improved by the elimination of many barriers to entry in foreign markets. (Morris, 2008) The elimination of the cost of converting IFRS reporting subsidiaries to US GAAP reporting will occur. Investors will find it easier to compare foreign companies with an American rival company creating a better understanding of financial information (Economist, 2008).

Challenges in Moving to IFRS

Transitioning to IFRS is costly but of great benefit to cross border operations of large Companies. Small companies without cross border business conversion would be costly and without benefit for some. Conversion from GAAP to IFRS will raise tax related issues. Any in Securitized transactions with millions of dollars are allowed to stay off the books under US GAAP, IFRS requires most of the assets and liabilities to be reported on the balance sheets. Conversion to IFRS from US GAAP will impact many industries differently. The implications will vary also. However, in the long run the benefits will outweigh the problems.

Timeline

Throughout the world most markets have moved to IFRS and require an immediate mandatory conversion for domestic companies listed. Canadian GAAP moves to IFRS for all publicly accountable enterprises on January 1, 2011. ASBJ of Japan has agreed to converge Japanese GAAP to IFRS in 2011. They have not as yet adopted IFRS.

CONCLUSION

Although many multinational companies following US GAAP have internally made plans and efforts to move toward IFRS reporting, the world economic downturn has slowed the momentum. Many companies now have to focus on remaining profitable as a first consideration. However, eventually conversion to IFRS will become a major priority and US GAAP will become less significant.

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The Impact of Global Accounting Standards on Foreign and United States Multinational Corporations

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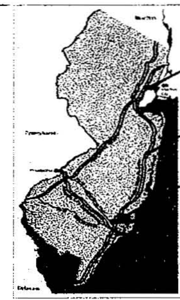
Where We are Located



Purpose

- Review the effects of the 2 recent key decisions by the SEC and the SEC "roadmap" proposal on the issue of converging United States GAAP to IFRS
- Examine a selection of United States and Japanese multinational corporations currently using US GAAP to determine the advantages and disadvantages of using IFRS for financial reporting

What is IFRS?

- International Financial Reporting Standards
- More broad and principle based as compared to US GAAP
- All European Union (EU) countries have been mandated to use IFRS reporting as of 2005
- Today IFRS is used in over 100 countries

IFRS

Reasons For Move Towards Globalization of Accounting Standards

- Movement of business toward a global economy
- Advances in technology, the internet, lower trade barriers have expanded the marketplace worldwide
- Many multinational US companies now are earning more revenue from sales abroad than from US sales revenue

Role of SEC in Accounting Standards

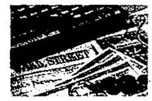
- 1934 Securities and Exchange Act created the Securities and Exchange Commission (SEC)
- Congress gave the SEC the power and responsibility for setting accounting and reporting standards for companies whose securities are publicly traded on either organized stock exchanges or over the counter markets
- SEC has delegated the responsibility to Financial Accounting Standards Board (FASB), but not the authority to set accounting standards
- Authority thus lies with the SEC to disagree or change standards issued by the FASB which it has sometimes done

First Key Decision By SEC

- On November 15, 2007 the Securities and Exchange Commission (SEC) exempted foreign firms using IFRS from filing a reconciliation to US GAAP as previously required
- This move by the Securities and Exchange Commission (SEC) to allow IFRS in financial reporting by foreign companies on US stock exchanges without the requirement of a reconciliation to US GAAP has created a mandate to converge IFRS and US GAAP and financial statement requirements

Implications of SEC Decision for Investors

- Companies with many overseas locations may benefit from using IFRS standards in financial reporting because they may be able to be more flexible in meeting tax and statutory filing requirements in the various locals
- Foreign companies will be reporting higher revenues than a comparable US Multinational corporation following US GAAP versus IFRS



Second Key Decision by SEC

- On June 18, 2008 the SEC issued a press release stating that the world's securities regulators are uniting to increase their oversight of international accounting standards
- The European Commission, the Japan Financial Services Agency, the International Organization of Securities Commission, IOSC, are to be included in the International Accounting Standards Committee Foundation
- IASCF is an accounting standards oversight group that monitors the International Accounting Standards Board (IASB)

Implications of Second SEC Decision

- By definition the SEC regulates the world's largest capital market the New York Stock Exchange and Euronext
- The threat of expanded global power of the SEC has become one of the largest points of contention in the convergence of US and international accounting standards
- The SEC has stated that the IASCF monitoring group will provide an organized interaction between national authorities responsible for the adoption or recognition of accounting standards for listed companies

SEC Roadmap Proposal

- On August 27, 2008 the SEC voted to issue a roadmap proposal
- The roadmap created by the SEC would allow 110 of the largest publicly held companies equal to 14% of the US market capitalization to begin using IFRS voluntarily for their 2009 financial statements. (Journal of Accountancy, 2008)

Companies Reviewed

- Japanese companies
  - Sony Corporation — SONY
  - Panasonic Corporation — Panasonic
- United States
  - Procter and Gamble — P&G
  - Johnson and Johnson — Johnson & Johnson

Accounting Issues Examined

- **Revenue Recognition**
- **Research and Development Expenses**
  - Under US GAAP most R&D was charged to expense
  - IFRS requirements are to capitalize R&D expenses and add them to asset accounts in most cases
- **Goodwill and Other Intangible Assets**
  - One step test under IFRS will lead to a decline of impairment loss recognized and higher net income
  - The two step method under US GAAP following SAFS 157 Fair Market Value Accounting will result in greater impairment losses for goodwill and other intangible assets
- **LIFO and FIFO Inventory**
  - LIFO inventory is not recognized or allowed under IFRS
  - LIFO reduces taxable income and income taxes under US GAAP

Japan's Convergence to IFRS

- Japan has agreed to IFRS convergence by 2011
- The Accounting Standards Board of Japan (ASBJ) met with the International Accounting Standards Board (IASB) in 2007 and agreed to eliminate by 2008 major differences between Japanese and IFRS GAAP
- The remaining differences were to be removed on or before June 30, 2011 at which time Japan would switch to IFRS. (Accountancy Age, 2008)

Sony Corporation

Research and Development

- Research and development expenses for 2008 were $521 million
- Under US GAAP R&D expenses are for the most part expensed. IFRS requirements are to capitalize R&D expenses and add them to asset accounts in most cases
- By capitalizing R&D expenses under IFRS, assets and profits both increase and Sony is more attractive to investors

Sony Corporation

Goodwill and Other Intangible Assets

- Sony has goodwill of $30.4 million for 2008
- Goodwill and other intangible assets that are determined to have an indefinite life are not amortized, but rather are tested for impairment under US GAAP
- Under IFRS goodwill impairment is limited to a one step review. In US GAAP a two step process is required, and the use of significant estimates and assumptions are used

Panasonic Corporation

- **Research and Development**
  - Panasonic has $449.0 million expenses in 2008
  - If Panasonic converted to IFRS, R&D expenses would be for the most part capitalized and added to an asset account
  - This would reduce expenses, increase net income, and add asset values to the balance sheet
- **Goodwill and Other Intangible Assets**
  - Panasonic has goodwill of $4.29 billion for 2008
  - Under IFRS goodwill impairment is limited to a one step test and may result in higher net income

Procter and Gamble Corporation

- Revenues for 2007 were $31.9 billion for the United States and $44.5 billion for international revenues
- Over 50% of revenue was from foreign sales

Procter and Gamble Corporation

LIFO and FIFO Inventory

- Revenue recognition under IFRS will probably increase because restrictions in US GAAP will be removed
- If LIFO is used for tax purposes in the US it must also be used in financial reporting. Procter and Gamble uses LIFO for certain cosmetics and commodities, but foreign subsidiaries use FIFO inventory reporting.
- With the elimination of LIFO, taxes may increase but in general the recognition of increased revenue reporting will occur under IFRS

Procter and Gamble

Goodwill

- Total goodwill for Procter & Gamble, at June 30, 2008 is $57.73 billion
- The ongoing market turmoil has created problems for every company following US GAAP two step impairment test requirement
- Goodwill is not impaired as long as the fair value of the entire reporting unit is greater than its carrying value. If the fair market value as under SFAS 157 Fair Market Value Accounting is less than the book value a goodwill impairment loss is recognized and profits fall
- In this market a severe loss is likely to occur. Thus a switch to IFRS with one step testing is likely to benefit most companies
- The effect on Procter and Gamble financials with a change to IFRS reporting would most likely result in higher income and an increase in the valuation of assets on the balance sheet

Johnson & Johnson

Revenue Recognition

- The Revenue Recognition process for IFRS is not equal to US GAAP they are compatible
- Differences related to software revenues and the sale of real estate as reported under US GAAP should not have a major impact on Johnson and Johnson's financials (Ernst & Young, 2008)

Johnson & Johnson

LIFO and FIFO Inventory

- Johnson and Johnson use FIFO for their inventory valuation. (Johnson & Johnson Annual Report, 2008)
- Johnson and Johnson can easily convert any differences in their FIFO inventory as it is acceptable under IFRS reporting. (Ernst & Young, 2008)
- Conversion to IFRS would help Johnson and Johnson access capital markets globally without having to produce separate sets of financial reports for international and domestic investors. (AICPA Backgrounder, 2008)

Conclusions

- By adopting IFRS as a global reporting standard multinational companies will be able to save labor cost and time associated with preparing financial statements for various locals
- Having one set of statements will simplify investor's decisions as they will be able to compare companies using a uniform financial statements
- By adopting IFRS, the accounting profession will be required to become educated about the new IFRS accounting standards
- Small companies without cross border business IFRS conversion would be costly and without benefit

Conclusions

- Conversion from GAAP to IFRS will raise tax related issues.
- Conversion to IFRS from US GAAP will impact many industries differently. The implications will vary also.
- However, in the long run the benefits may outweigh the problems.

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January, 2009