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Response to Allowing IFRS in US Reporting

As the SEC brings to the table the issue of allowing US companies the option to use International Financial Accounting Standards, some other issues have also arisen. Would the adoption of IFRS lead the US to a dead end on the road to convergence of IFRS and US GAAP? How quickly would American companies, auditors, and investors be expected to understand and implement IFRS? And is it possible that US GAAP could be completely booted out? (Johnson)

While these issues are inevitable, it is important to focus on the main issue at hand. The goal of creating international standards is to harmonize the world's best accounting standards into one body. "As the trend of globalization continues to accelerate, it is critical that we establish one common language for reporting financial results to investors." (Schumer) Mr. Schumer also made comments that IFRS is becoming the new language for the rest of the accounting world.

The SEC has previously proposed to allow foreign companies traded and listed in the US to use IFRS instead of reconciling to US GAAP. For comparability sake, it is important that US companies, too, have the opportunity to report using IFRS. To best avoid decision usefulness impairment, the SEC should strive to have as many listed companies using the same standards. As an accountant, one should desire and strive to provide the most useful financial information as possible. If non-US companies are allowed to use IFRS but US companies are required to use US GAAP, the users' decisions could be negatively impacted. A common set of standards should allow investors to gain a better understanding of the investment opportunities that they have.

Johnson, Sarah. "What if IFRS replaced GAAP?" August 9, 2007. Date Accessed: November 4, 2007. www.cfo.com/article.cfm/9634508?f=related.

Schumer, Charles E. "Subcommittee on Securities, Insurance, and Investment. International Accounting Standards: Opportunities, Challenges, and Global Convergence Issues." October 24, 2007. Date Accessed: November 6, 2007. banking.senate.gov/_files/schumer.pdf