

SEC Unification of GAAP and IFRS Accounting Standards

On June 30, the Office of Advocacy (Advocacy) sent a letter to the Securities and Exchange Commission (SEC) regarding the Commission's plans to unify America's current generally accepted accounting principles (GAAP) with the International Financial Reporting Standards (IFRS). A complete copy of the Office of Advocacy's correspondence may be accessed at <http://www.sba.gov/advo/laws/comments/>.

- In 2007, the SEC issued guidance that permits American issuers the option of preparing financial statements using IFRS. This guidance also contemplated the appropriateness of requiring all issuers to prepare financial statements in accordance with IFRS in the future. Since the issuance of this guidance, SEC officials have indicated that the agency may require United States companies to use IFRS rather than GAAP.
- Small businesses contacted Advocacy and expressed concern that they would no longer be permitted to utilize the last in, first out (LIFO) inventory accounting method and that eliminating their ability to use LIFO would result in a tax increase that could ultimately force many small businesses to close.
- Prohibiting businesses from using LIFO would raise business taxes in two ways. First, a business would see higher future taxes because it would be unable to use LIFO to protect itself from rising inventory costs. Second, a business would be required to pay taxes on its existing "LIFO reserves."

For more information, view the full comment letter at <http://www.sba.gov/advo/laws/comments/> or contact Assistant Chief Counsel Dillon Taylor by email at dillon.taylor@sba.gov or by phone at (202) 401-9787.