IFRS Readiness Tracking Survey

October 2010
Survey Background

- **Semi-annual survey**
  - Conducted 9/7 through 9/27, 2010
  - 1620 responses – 1412 qualified (BI or Public Practice member)
    - 193 from US Public Companies
    - 225 from US Private Companies
    - 36 from Foreign Public Companies
    - 125 from Foreign Private Companies
    - 37 from Not for profit or educational institutions
    - 877 from Public Practice

- In addition to tracking questions, contains a number of questions unique to this survey

- Measures members readiness to implement IFRS

- Provides information on their views surrounding other issues related to IFRS adoption
Key Messages from IFRS Readiness Survey
October 2010

- **Movement toward IFRS has been on hold since May 2010**
  - Familiarity with IFRS has remained stable since May 2010
  - The number of companies and firms preparing for adoption or ready for adoption remained about the same.

- **Respondents indicated they are delaying implementation while waiting for SEC action**

- **Members support adoption of IFRS, although more convergence is desired first**
  - Members believe a 2015-2016 adoption date would allow enough time for implementation, if the SEC decides in 2011 to require IFRS

- **Only about half of respondents were aware of IFRS for SMEs**
  - In addition, 47% said they were unsure if they would consider adopting IFRS for SMEs

- **Members are about even spread between those who think that the pace of change for convergence is too fast, about right or are unsure. Few think it is too slow.**
Key Messages from IFRS Readiness Survey
October 2010 (cont’d)

- Half of members will wait for final standards on revenue recognition and leases to be issued before studying the implications for their companies or clients.

- Large majority (83%) believe standard setters should allow for extended mandatory effective dates for major convergence projects
  - 43% say at least 2 years will be needed
  - 36% say more than 2 years will be needed
Current Familiarity with IFRS
All Members

percentages may not sum to 100 due to rounding error
### Needed Familiarity with IFRS

**All Members**

<table>
<thead>
<tr>
<th></th>
<th>NA</th>
<th>None</th>
<th>Basic</th>
<th>Some</th>
<th>Advanced</th>
<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 08</td>
<td>8%</td>
<td>14%</td>
<td>21%</td>
<td>26%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>Mar 09</td>
<td>7%</td>
<td>11%</td>
<td>21%</td>
<td>24%</td>
<td>28%</td>
<td>8%</td>
</tr>
<tr>
<td>Sept 09</td>
<td>16%</td>
<td>14%</td>
<td>22%</td>
<td>24%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>May 10</td>
<td>9%</td>
<td>11%</td>
<td>23%</td>
<td>26%</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Sep 10</td>
<td>12%</td>
<td>10%</td>
<td>24%</td>
<td>25%</td>
<td>22%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Percentages may not sum to 100 due to rounding error.
Familiarity with IFRS
Current vs Needed
All Members

<table>
<thead>
<tr>
<th></th>
<th>NA</th>
<th>None</th>
<th>Basic</th>
<th>Some</th>
<th>Advanced</th>
<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td>5%</td>
<td>16%</td>
<td>47%</td>
<td>25%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Needed</strong></td>
<td>9%</td>
<td>11%</td>
<td>23%</td>
<td>26%</td>
<td>24%</td>
<td>8%</td>
</tr>
</tbody>
</table>

percentages may not sum to 100 due to rounding error
Familiarity with IFRS
US Public Co Members

Current vs Needed

- A fairly large gap still exists between the level of familiarity public company respondents have and what they believe they need.
- However, overall familiarity of the members has remained fairly stable.
- Expectations for Needed Familiarity are also fairly stable.

Current Familiarity

Needed Familiarity

- Oct 08
- Mar 09
- Sept 09
- May 10
- Sep 10

NA None Basic Some Advanced Expert
Members who work for US Private Cos generally have less familiarity with IFRS than they need. However, familiarity has been growing consistently since October 08. Members’ expectations for what they think they will need show a small increase in the level of advanced knowledge required.
Familiarity with IFRS
Foreign Owned Co Members

Like their US counterparts members who work for Foreign companies generally have less familiarity with IFRS than they need but the gaps are smaller.
However current familiarity has remained fairly stable since Oct 08.
Responses on familiarity needed have also remained fairly stable.
Familiarity with IFRS
Public Practice Members

- Members who work for Public Practice continue to have less familiarity with IFRS than they need.
- The percentage of members with at least basic familiarity has stabilized.
- Members' expectations for what they think they will need have remained stable.
Who Needs Advanced & Expert Knowledge of IFRS?
By type of organization

Percent that need Advanced or Expert Knowledge

<table>
<thead>
<tr>
<th></th>
<th>April 09</th>
<th>May 09</th>
<th>June 09</th>
<th>July 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Public Co</td>
<td>59%</td>
<td>21%</td>
<td>30%</td>
<td>65%</td>
</tr>
<tr>
<td>US Private Co</td>
<td>47%</td>
<td>14%</td>
<td>21%</td>
<td>48%</td>
</tr>
<tr>
<td>Public Practice</td>
<td>48%</td>
<td>20%</td>
<td>27%</td>
<td>57%</td>
</tr>
<tr>
<td>Foreign Owned</td>
<td>44%</td>
<td>22%</td>
<td>26%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Percentages may not sum to 100 due to rounding error.
When is IFRS knowledge Needed?
By type of organization

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Now</th>
<th>Within the next year</th>
<th>In the next 2 to 3 yrs</th>
<th>In more than 3 yrs</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Public Co</td>
<td>5%</td>
<td>20%</td>
<td>48%</td>
<td>5%</td>
<td>22%</td>
</tr>
<tr>
<td>US Private Co</td>
<td>5%</td>
<td>19%</td>
<td>35%</td>
<td>9%</td>
<td>32%</td>
</tr>
<tr>
<td>Public Practice</td>
<td>9%</td>
<td>17%</td>
<td>34%</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>Foreign Owned</td>
<td>34%</td>
<td>29%</td>
<td>22%</td>
<td>1%</td>
<td>14%</td>
</tr>
</tbody>
</table>

percentages may not sum to 100 due to rounding error
### Prepared to Adopt?

By type of organization

Please rate the extent to which your company (firm) is prepared for IFRS adoption

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>NA -- No plans</th>
<th>Still evaluating</th>
<th>Adopting/Not Begun</th>
<th>Preliminary Discussions</th>
<th>Actively Preparing</th>
<th>Ready</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Public Co</td>
<td>13%</td>
<td>22%</td>
<td>20%</td>
<td>36%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>US Private Co</td>
<td>45%</td>
<td>36%</td>
<td>9%</td>
<td>8%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Public Practice</td>
<td>23%</td>
<td>25%</td>
<td>19%</td>
<td>12%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Foreign Owned</td>
<td>6%</td>
<td>21%</td>
<td>13%</td>
<td>6%</td>
<td>18%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Percentages may not sum to 100 due to rounding error.
Prepared to Adopt/Support Adoption?

**US Public Companies**
- US Companies have been moving slowly out of the evaluation phase.
- Most public practice firms are still not prepared for IFRS adoption but there has been an increase in the number of respondents who indicate their firm is ready.

**US Private Companies**
- US Private Companies are still not planning to adopt or only in early stages.

**Public Practice**
- Most private companies are still not planning to adopt or only in early stages.
### IFRS Implementation Challenges

**All Members**

What are the largest challenges that implementing IFRS has presented/will present to your firm/company? (Select all that apply)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Public Practice</th>
<th>B&amp;I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing transition</td>
<td>34%</td>
<td>53%</td>
</tr>
<tr>
<td>Updating auditing policies</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Updating accounting policies</td>
<td>42%</td>
<td>54%</td>
</tr>
<tr>
<td>Educating the Public/Managing public perception</td>
<td>27%</td>
<td>54%</td>
</tr>
<tr>
<td>Updating/changing IT systems</td>
<td>0%</td>
<td>47%</td>
</tr>
<tr>
<td>Educating clients</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Educating non-CPAs/non-financial staff</td>
<td>20%</td>
<td>39%</td>
</tr>
<tr>
<td>Educating CPAs/financial staff</td>
<td>70%</td>
<td></td>
</tr>
</tbody>
</table>

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**Notes:**
- **Public Practice**
- **B&I** (Behavioral and Intellectual)
Are you aware that the IASB issued an International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), which is a simplified, self-contained set of accounting standards designed to meet the financial reporting needs of constituents of private entities?

- **US Public Companies**
  - Yes: 48%
  - No: 52%

- **Foreign-owned Companies**
  - Yes: 30%
  - No: 69%

- **US Private Companies**
  - Yes: 50%
  - No: 50%

- **Public Practice**
  - Yes: 43%
  - No: 57%

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Adopt IFRS for SMEs?

Would you consider adopting/would you advise your clients to consider adopting the IASB’s recently issued IFRS for Small and Medium-sized entities?

- Over one third of respondents working for US private companies would consider IFRS for SME’s but 22% would not and another 38% are unsure
- Less than one third of public practice respondents would recommend IFRS for SME’s but almost half are unsure
- Respondents working for foreign companies are about evenly spread between those already using IFRS, those that would consider it, those who wouldn’t and those who would consider it.
Convergence

Are you aware that the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have reaffirmed their commitment of achieving accounting convergence and have agreed to intensify their efforts to complete major joint projects described in their Memorandum of Understanding by 2011?

By the end of 2011, FASB and IASB plan to complete major convergence projects outlined in their Memorandum of Understanding and issue several new accounting standards codification updates and IFRS amendments. What is your opinion about the pace of change?

Commitment of Achieving Convergence

- Yes: 70%
- No: 20%
- Unsure: 9%
- Other: 1%

Pace of Change

- Too fast: 37%
- About right: 33%
- Too slow: 25%
- Unsure: 5%

percentages may not sum to 100 due to rounding error
SEC Decision on IFRS

If the SEC makes a decision in 2011 to require or permit use of IFRS for public companies, it believes the first time U.S. companies would report under the system would be 2015 or 2016. Do you believe this timeline will allow enough time for implementation?

Are you delaying IFRS preparations until the SEC announces that it will set a date certain for its adoption in the United States?

Timeline

Length of time needed

percentages may not sum to 100 due to rounding error
**Time for convergence**

Given the fact that the FASB and IASB plan to complete their major convergence projects in 2011, do you believe the boards should allow for extended mandatory effective dates to allow sufficient time to implement the standards?

**Extended mandatory effective dates?**

- Yes: 83%
- No: 12%
- Unsure: 6%

**Implementation period length**

- 1 year: 43%
- 2 years: 36%
- More than 2 years: 14%
- Unsure: 7%

percentages may not sum to 100 due to rounding error
Exposure drafts

On June 24, 2010 the U.S. FASB and IASB issued an exposure draft for a proposed standard on Revenue Recognition: Revenue from Contracts with Customers. Have you or do you plan to read the proposals outlined in the exposure draft?

On August 17, 2010, the U.S. FASB and IASB issued an exposure draft for a proposed accounting standard to improve the financial reporting of lease contracts. Have you or do you plan to read the proposals outlined in the exposure draft?

- Yes, and will investigate implications: 22%
- Yes, but won’t study implications: 20%
- No, wait for final standard: 30%
- Not aware standard issued: 15%
- Unsure: 5%
- Other: 2%

Percentages may not sum to 100 due to rounding error.
SEC Decision on IFRS?

On February 24, 2010 the SEC outlined a work plan for the continued consideration of whether and how to incorporate IFRS into the U.S. financial reporting for U.S. issuers. The work plan contemplates a 2011 decision on whether to require or permit IFRS. Do you believe ultimately the SEC should require adoption of IFRS for U.S. public companies?

- Yes: 40%
- No: 21%
- Yes, but only after more convergence: 17%
- No, but IFRS should be an option: 15%
- Unsure: 8%
- Not applicable: 23%

percentages may not sum to 100 due to rounding error

Are you delaying IFRS preparations until the SEC announces that it will set a date certain for its adoption in the United States?

- Yes: 28%
- No: 63%
- Unsure: 10%

Do you believe this timeline will allow enough time for implementation?

- Yes: 28%
- No: 39%
- Unsure: 10%

Implementation Timeline Allow Enough time

Delaying IFRS Preparations?

- Yes: 42%
- No: 39%
- Not applicable: 19%

Should IFRS be Required?

- Yes: 15%
- Yes, but only after more convergence: 17%
- No, but IFRS should be an option: 15%
- No, IFRS should not be mandated or allowed: 8%
- Unsure: 21%
- Not applicable: 23%
Should the SEC Require Adoption of IFRS?

On February 24, 2010, the SEC outlined a work plan for the continued consideration of whether and how to incorporate IFRS into the U.S. issuers. The work plan contemplates a 2011 decision on whether to require or permit IFRS. Do you believe ultimately the SEC should require adoption of IFRS for U.S. public companies?
Does timeline allow enough time for implementation?

If the SEC makes a decision in 2011 to require or permit use of IFRS for public companies, it believes the first time U.S. companies would report under the system would be 2015 or 2016. Do you believe this timeline will allow enough time for implementation?

- **US Public Companies**
  - Unsure: 22% (Sep 10), 30% (May 10)
  - No: 15% (Sep 10), 13% (May 10)
  - Yes: 56% (Sep 10), 63% (May 10)

- **Foreign-owned Companies**
  - Unsure: 15% (Sep 10), 19% (May 10)
  - No: 3% (Sep 10), 11% (May 10)
  - Yes: 74% (Sep 10), 77% (May 10)

- **Private Companies**
  - Unsure: 29% (Sep 10), 32% (May 10)
  - No: 10% (Sep 10), 10% (May 10)
  - Yes: 62% (Sep 10), 58% (May 10)

- **Public Practice**
  - Unsure: 31% (Sep 10), 30% (May 10)
  - No: 8% (Sep 10), 10% (May 10)
  - Yes: 61% (Sep 10), 60% (May 10)

Percentages may not sum to 100 due to rounding error.
Are you delaying IFRS preparations until the SEC announces that it will set a date certain for its adoption in the United States?

**US Public Companies**
- **Sep 09**: 62%, 28%, 9%
- **May 10**: 59%, 26%, 15%
- **Sep 10**: 60%, 23%, 17%

**Foreign-owned Companies**
- **Sep 09**: 12%, 38%, 46%
- **May 10**: 14%, 45%, 50%
- **Sep 10**: 12%, 40%, 38%

**US Private Companies**
- **Sep 09**: 40%, 13%, 29%
- **May 10**: 35%, 15%, 21%
- **Sep 10**: 46%, 9%, 9%

**Public Practice**
- **Sep 09**: 33%, 41%, 37%
- **May 10**: 41%, 23%, 19%
- **Sep 10**: 45%, 38%, 43%

**Note:** Percentages may not sum to 100 due to rounding error.
Respondent Demographics
All Members

Respondents by Organization Type

Multinational Company (B&I)?

- Yes: 56%
- No: 44%

Multinational Firm (PA)?

- Yes: 82%
- No: 18%

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Public Practice
US Owned Public Co
US Owned Private Co
Foreign Owned Public Co
Foreign Owned Private Co
Other

14%
16%
2%
3%
3%
0%
62%