IFRS Readiness Tracking Survey

May 2010
Survey Background

- **Semi-annual survey**
  - Conducted 4/20 through 5/7, 2010
  - 3588 responses – 3191 qualified (BI or Public Practice member)
    - 596 from US Public Companies
    - 739 from US Private Companies
    - 180 from Foreign Public Companies
    - 125 from Foreign Private Companies
    - 127 from Not for profit or educational institutions
    - 1414 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
May 2010

- **Familiarity with IFRS has increased since September 2009**
  - Members also expressed a need for more advanced IFRS knowledge
  - 27% said they need increased knowledge in the next year, an additional 37% said they need increased knowledge in the next 2 to 3 years

- **Companies have made some progress in moving toward adoption**
  - However, 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
Needed Familiarity with IFRS

All Members

- NA
- None
- Basic
- Some
- Advanced
- Expert

Oct 08 | Mar 09 | Sept 09 | May 10
---|---|---|---
0% | 0% | 0% | 0%
5% | 5% | 5% | 5%
10% | 10% | 10% | 10%
15% | 15% | 15% | 15%
20% | 20% | 20% | 20%
25% | 25% | 25% | 25%
30% | 30% | 30% | 30%
Familiarity with IFRS
Current vs Needed
All Members

<table>
<thead>
<tr>
<th>Level</th>
<th>Current</th>
<th>Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>None</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>Basic</td>
<td>45%</td>
<td>30%</td>
</tr>
<tr>
<td>Some</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Advanced</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Expert</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Familiarity with IFRS
US Public Co Members

> Members who work for US Public Co’s are more likely to need advanced or expert levels of familiarity but few have it.
> However overall familiarity of the members has not changed since October 08
> Expectations for Needed Familiarity are also fairly stable
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.

After the anomaly in the last survey, the number of respondents who think IFRS knowledge is not applicable has fallen back in line with previous surveys.

Members’ expectations for what they think they will need show a small increase in the level of knowledge required.
Like their US counterparts members who work for foreign companies generally have less familiarity with IFRS than they need. However, members who work for foreign countries are more familiar with IFRS than their US company counterparts. The same can be said for the change in what members' expectations are for what they think they will need.
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 continued to increase.
- Members expectations for what they think they will need have remained stable

**Current vs Needed**

- Current Familiarity
- Needed Familiarity

**Current Familiarity**

**Needed Familiarity**
Who Needs Advanced & Expert Knowledge of IFRS?
By type of organization

Percent that need Advanced or Expert Knowledge

- US Public Co
- US Private Co
- Public Practice
- Foreign Owned

Mar-09
Sep-09
10-May

0%
10%
20%
30%
40%
50%
60%
70%
When is IFRS knowledge Needed?
By type of organization

- Now: 
  - US Public Co: 0%
  - US Private Co: 0%
  - Public Practice: 0%
  - Foreign Owned: 0%
- Within the next year: 
  - US Public Co: 20%
  - US Private Co: 10%
  - Public Practice: 30%
  - Foreign Owned: 40%
- In the next 2 to 3 yrs: 
  - US Public Co: 50%
  - US Private Co: 60%
  - Public Practice: 30%
  - Foreign Owned: 30%
- In more than 3 yrs: 
  - US Public Co: 20%
  - US Private Co: 20%
  - Public Practice: 30%
  - Foreign Owned: 30%
- Not sure: 
  - US Public Co: 50%
  - US Private Co: 40%
  - Public Practice: 50%
  - Foreign Owned: 50%

American Institute of CPAs
Prepared to Adopt?
By type of organization

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

- NA -- No plans
- Still evaluating
- Adopting/Not Begun
- Preliminary Discussions
- Actively Preparing
- Ready

- US Public Co
- US Private Co
- Public Practice
- Foreign Owned
Prepared to Adopt/Support Adoption?

US Public Companies

- Most US Public companies have not changed their position
  - The exception is a small number moving into Active Adoption phase
- US Private Companies are still not planning to adopt or only in early stages
- Most public practice firms are still not prepared for IFRS adoption but there has been an increase in the number of respondent who indicate their firm is ready

US Private Companies

Public Practice
Stage of Transition?

Please select the stage of transition that best describes the status of your implementation. (Asked only of companies in the Preliminary Discussions or Actively Preparing phase)
What are the largest challenges that implementing IFRS has presented/will present to your firm/company? (Select all that apply)

- Updating auditing policies
- Managing transition
- Updating accounting policies
- Educating the Public/Managing public perception
- Updating/changing IT systems
- Educating clients
- Educating non-CPAs/non-financial staff
- Educating CPAs/financial staff
- Other

[Bar chart showing the percentage of All Members for each challenge]
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?
Would you consider adopting/would you advise your clients to consider adopting the IASB’s recently issued IFRS for Small and Medium-sized entities?

- Most respondents working for US entities are unsure about IFRS for SMEs.
- Respondents working for foreign companies are more certain but are about as equally likely to be positive as to be negative.
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?
Are you delaying IFRS preparations until the SEC announces that it will set a date certain for its adoption in the United States?
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 each major joint project described in their Memorandum of Understanding by June 2011?
Respondent Demographics
All Members

Respondents by Organization Type

- Multinational Company (B&I)?
  - Yes: 26%
  - No: 74%

- Multinational Firm (PA)?
  - Yes: 74%
  - No: 26%
Organization Size

US Public Companies
- $0 to under $10M: 2%
- $10M to under $50M: 4%
- $50M to under $100M: 29%
- $100M to under $500M: 10%
- $500M to under $1B: 11%
- $1B to under $5B: 29%
- $5B to under $10B: 4%
- over $10B: 2%

Foreign-owned Companies
- $0 to under $10M: 5%
- $10M to under $50M: 9%
- $50M to under $100M: 4%
- $100M to under $500M: 16%
- $500M to under $1B: 10%
- $1B to under $5B: 19%
- $5B to under $10B: 8%
- over $10B: 2%

US Private Companies
- $0 to under $10M: 2%
- $10M to under $50M: 9%
- $50M to under $100M: 20%
- $100M to under $500M: 13%
- $500M to under $1B: 28%
- $1B to under $5B: 6%
- $5B to under $10B: 2%
- over $10B: 2%

Public Practice
- Less than $3M: 37%
- $3M to under $6M: 12%
- $6M to under $10M: 8%
- $10M to under $20M: 10%
- $20M to under $40M: 7%
- $40M to under $10B: 5%
- over $10B: 5%
- Over $40M: 13%