In the second area, Chapters 11–13 describe surveys on the implementation of IFRS. IAS 1, *Presentation of Financial Statements*, requires that IFRS financial statements present fairly an entity's financial position, financial performance, and cash flows. All companies make this statement. Furthermore, IAS 1 requires an entity to depart from the requirements of an IFRS in extremely rare circumstances in which compliance with the requirement would be so misleading that it would conflict with the objective of financial statements set out in the IASB *Framework*. None of the companies used this fair presentation override. A discussion of fair value accounting follows in Chapters 14–16.

In the third area, Chapters 17–19 shed light on the transition to IFRS by banks, by insurance companies, and by extractive industries. Accounting by banks is highly influenced by IAS 32, *Financial Instruments: Presentation and Disclosure,* and by IAS 39, *Financial Instruments: Recognition and Measurement.* Industry-specific standards are applicable to insurance companies, i.e., IFRS 4, *Insurance Contracts*, and extractive industries, i.e., IFRS 6, *Exploration for and Evaluation of Mineral Resource.*

In the fourth area, Chapters 20–24 discuss surveys of five specific accounting issues in relation to specific regulations and standards. Service concessions are discussed in relation to the regulation of the International Financial Reporting Interpretation Committee (IFRIC) 12, *Service Concession Arrangements*, in Chapter 20. Next is the discussion of intangible assets. IAS 38, *Intangible Assets*, requires that intangible assets should be carried at cost or fair value less any amortization and any impairment losses. Then follows accounting for defined benefit pension plans falling within the scope of IAS 19, *Employee Benefits*, in Chapter 22. In Chapter 23, share-based payments and IFRS 2, *Share-based Payment,* are presented. In the final chapter, financial instruments and the implementation of IAS 32 and IAS 39 are reviewed. Five appendices complete the report.

In summary, this study provides a wealth of information about the implementation of IFRS and the Fair Value Directive in the EU. It is addressed to the EC. In my opinion it meets the requirements. I do not want to give a verdict as regards its usefulness to accounting students and accounting researchers. Some, e.g., accounting students who prepare a term paper, may find the overwhelming supply of facts useful. Chapter 6, *The Reaction of Securities Markets*, and Appendix 4, *Value Relevance of the International Financial Reporting Standards (IFRS): Investigations of the Transitional Documents for U.K., Spanish, French and Italian Companies*, are the parts most interesting to a wider public, e.g., students or researchers in the field of value relevance of standard setting. For regular (graduate) accounting courses, the information will, however, be too detailed.

Dick van Offeren
Leiden University
The Netherlands

BARRY ELLIOTT AND JAMIE ELLIOTT, *Financial Accounting, Reporting and Analysis: International Edition*, Second Edition (Harlow, U.K.: Pearson Education Limited, 2006, vi, 696 pp) (ISBN: 0-273-70253-x).

Financial Accounting, Reporting and Analysis: International Edition is an IFRS-based financial accounting textbook. The second edition of the text has been edited to omit chapters which prior reviewers of the text found less useful and to add a new chapter on financial reporting on the Internet. The text is copyrighted in 2006 but the majority of the writing in the text was completed in March 2005. Various authors have contributed certain chapters to the text, including the new chapter on XBRL. The authors note that the text is appropriate for second-year and final-year accounting courses at the undergraduate level, MBA courses, specialized Master of Science in accounting courses, and professional courses preparing students for professional accountancy examinations. The text is IFRS-focused, and as a result may not be sufficient as a stand-alone text for U.S. students preparing for the current U.S. CPA exam.

In addition to the text, certain instructor and student materials are available for download from the publisher's website. Instructor materials are specific to this particular text, but student materials are derived from the website of the authors' other financial-reporting text. Instructor materials include PowerPoint slides, instructor's manual, and solution manual. Student materials include extracts from the financial press, self-study test questions, and case studies with solutions.

The text has 27 chapters and is divided into five parts: (1) "Regulatory Framework" (four chapters), (2) "Balance Sheet" (ten chapters), (3) "Consolidated Accounts" (five chapters), (4) "Interpretation" (five chapters), and (5) "Accountability" (three chapters). Each chapter includes review questions and exercises for student learning.

Part 1 addresses the historical context of the evolution of international accounting standards, the IFRS conceptual framework, requirements of published accounts, and steps to prepare published accounts. Unfortunately, the text does not mention either the current conceptual framework project or the current financial statement presentation project.

Part 2 addresses specific topics on the balance sheet, including share capital, off balance sheet finance, financial instruments, employee benefits, taxation, property, plant and equipment, leasing, research and development, intangibles, inventories, and construction contracts. Several of the chapters in this part focus on "real world" activities including share buybacks, creditor protection issues such as capital maintenance rules, various off balance sheet financing schemes, impacts of various accounting policy choices on gearing and debt service coverage, valuation issues, risk, impact of impairment assessment, issues related to intellectual capital (knowledge management), creative accounting related to inventory, public private partnerships, and concession arrangements. Certain chapters in this part include analytical materials and exercises, while other chapters provide more of an introduction and overview of the topic.

Part 3 addresses consolidated accounts, including accounting for groups at both acquisition and post-acquisition, preparation of the income statement, accounting for associates, and accounting for the effects of changes in foreign exchange rates. Part 4 is called "Interpretation" and includes chapters on earnings per share, cash flow statements, ratio analysis, trend and multivariate analysis, and XBRL. Finally, Part 5 addresses corporate governance, environmental and social reporting, and ethics.

The text is not organized like a "traditional" U.S.-based intermediate accounting or advanced financial accounting text and would not be appropriate as the primary text in either course. Rather, the organization and depth of technical accounting coverage is more akin to that of a financial statement analysis text. As a result, the text would be more appropriate either as a supplement to an intermediate or advanced text, or possibly as the primary text in an international accounting course, or even an international financial statement analysis course. Unfortunately, financial analysis is not consistently emphasized throughout the text as certain analytics are introduced early in Part 2 and others are addressed more on a stand-alone basis in Part 4.

In my opinion, several of the chapters include discussions and end-of-chapter exercises that could provide valuable critical thinking projects for upper level undergraduate or graduate students. For example, one exercise in Chapter 4 requires the student to create a balance sheet from a beginning balance sheet and a list of transactions. Chapters 5, 6, 13, and 14 include thought-provoking exercises on topics not normally addressed in "traditional" U.S. accounting textbooks, such as share buybacks, distributable profits, gearing (leverage), debt service coverage, creative inventory accounting techniques, and public-private partnerships.

Since the writing of this text in 2005, several significant new accounting developments have occurred, and as a result certain materials in the text are either outdated or incomplete. The authors might want to consider providing authoritative literature updates on the text's website so that instructors and students could impound the most recent accounting literature into their studies.

Further, the text would be enhanced by the inclusion of "real world" cases, particularly in the areas of off balance sheet finance, financial instruments, employee benefits, business combinations (and related goodwill), and overall financial statement analysis.

In summary, the text is appealing because of its IFRS orientation. Recent U.S. SEC activities related to IFRS and the active U.S. GAAP-IFRS convergence project underscore the importance of IFRS knowledge for the U.S. accounting professional. While the text provides a good foundation in IFRS, instructors who choose to use this text would need to supplement and update it for their classes, as is often done with textbooks of this nature. As a result of the U.S. SEC's recent acceptance of IFRS for foreign filers, accounting instructors in the U.S. will find texts with an IFRS orientation to be increasingly valuable as pedagogical and technical resources. This text, particularly if the authors choose to provide web updates for it, could be a very useful addition to the U.S. accounting instructor's resources.

Sara York Kenny
Principal Accounting Policy Advisor
International Finance Corporation (a member of the World Bank Group)