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IFRS and convergence in China and the USA

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Abstract

Purpose – The purpose of this paper is to perform a brief examination of International Financial Reporting Standards (IFRS) and the progress towards IFRS convergence in the accounting environments of China and the USA, providing useful information on the current status and future of IFRS convergence in these countries.

Design/methodology/approach – A range of IFRS-related literature from 1993 to 2013 was analyzed to provide the current status of IFRS and to determine the past, present and future of IFRS convergence in the country examinations.

Findings – IFRS convergence and adoption has occurred on a global scale due to the call for a single set of standards. China's most significant obstacles include training accounting professionals and becoming more involved in the International Accounting Standards Board (IASB) standard setting process. The USA's most significant obstacle is completing the Securities and Exchange Commission roadmap milestones, which will progressively move the accounting industry towards IFRS convergence.

Research limitations/implications – These findings have been limited to an overview of IFRS convergence and adoption within China and the USA. Additional research opportunities exist by examining how successful countries have been in protecting individual economic interests by working with the IASB in the standard setting process for the IFRS, as opposed to being passive in the process. One economic indicator that should be examined is foreign direct investment, which has major impacts on country development and can be influenced by financial standards such as IFRS.

Practical implications – China and the USA both have milestones identified in this paper that will need to be reached before benefits may be reaped from the converging to IFRS.

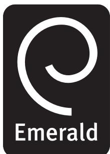
Originality/value – These findings show that IFRS standards are being implemented globally in many nations, providing a common set of reporting tools to businesses and investors. Through these standards, China and the USA are working to be even more competitive forces in financial markets.

Keywords China, USA, Adoption, IFRS, Accounting, International business, Convergence, GAAP

Paper type Literature review

Introduction

Theorists around the world have argued for a common set of accounting reporting standards for companies, which would allow for a greater level of financial reporting transparency that would increase investor confidence, increase the ability for companies to raise capital and lower the cost of capital for individual companies. As such, one of the principal objectives of the IFRS Foundation is "to develop a single set of high quality, understandable, enforceable and globally accepted International Financial Reporting Standards (IFRSs) through its standard-setting body, the International Accounting Standards Board (IASB)" (IFRS, 2013a, para. 3). The IASB has made great strides towards this single set of standards with nearly every major economy, including China,



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outside the USA, using or committing to use IFRS (Bunting and Frank, 2008). Due to this progress, it is important that all stakeholders are aware of the changes and how IFRS could affect their country and business operations.

This paper will examine the IASB organization and IFRS standards and then perform an examination of the accounting environments within China and the USA. Specifically, the paper will look at each country's accounting standards, its progress towards full IFRS adoption or conversion[1] and the impact IFRS has had upon the financial markets. These two countries were chosen due to the unique status they have in the IFRS adoption process. China represents a market that has relatively recently restructured their Chinese generally accepted accounting principles (GAAP) to adopt the majority of IFRS standards (Pacter, 2007). The USA represents a market that is working towards convergence with IFRS from US GAAP standards (Bunting and Frank, 2008).

IFRS overview

History

Prior to the IASB that exists today, the International Accounting Standards Committee (IASC) existed in an effort to move the global community towards a single set of standards (Thomas, 2009). The IASC was formed in 1973 from a study group consisting of members from Canada, the UK, and the USA (Outa, 2013). The goal of the IASC was to, "issue international standards of reference that would guide the convergence of national standards over time" (Outa, 2013, p. 36). The IASC functioned for many years issuing 41 International Accounting Standards, although some have been withdrawn (Outa, 2013).

Progress towards harmonization, as it was called at the time when the IASC was formed, was slow at first. The IASC was still a young organization and spent the 1970s and 1980s taking root (Financial Accounting Standards Board (FASB), 2013a). In time many stakeholders joined the IASC including the World Bank, the United Nations (UN) and the Organization for Economic Cooperation and Development (Outa, 2013). By the 1990s momentum had built up for the IASC and the standard setting bodies of the USA. Including the FASB, Securities and Exchange Commission (SEC) and the USA Congress all had become involved in the issue of an international accounting standard (FASB, 2013a).

Despite these successes, the IASC was still "marred by its failure to agree on a conceptual framework that met user needs" (Outa, 2013, p. 36). This failure was further aggravated by poor governance and political pressures, which prevented the IASC from responding efficiently to issues (Outa, 2013). One solution was the formation of the Standing Interpretations Committee (SIC) in 1997 to act as an interpretive body for the IASC for areas where the IAS were unclear or lacked coverage (Gornik-Tomaszewski and Showerman, 2010). While the SIC did issue interpretations referred to as SICs, there were still concerns. To overcome these challenges, the IASC evolved into the IASB and was incorporated in Delaware, the USA in 2001 (Thomas, 2009).

The new IASB organization was fully independent, funded privately and worked full-time on setting standards, which solved many of the governance and political concerns of independence (Gornik-Tomaszewski and Showerman, 2010). At the same time, the International Financial Reporting Interpretations Committee (IFRIC) was formed to replace the SIC (Gornik-Tomaszewski and Showerman, 2010). For continuity, during the first meeting the IASB adopted the existing IAS and SIC standards (Gornik-Tomaszewski and Showerman, 2010). Since 2001, the IASB has redefined and revised the previously issued IAS with 13 new standards that are referred to as IFRS (Outa, 2013).

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The new IFRS standards were implemented at a principles-based structure that was necessary to provide sufficient flexibility to be applied on a global level (Carmona and Trombetta, 2008). The principles-based structure is essentially a generic set of accounting standards that involves a degree of ambiguity and incorporates professional judgment (Carmona and Trombetta, 2008). This is in sharp contrast with the rules-based structures such as US GAAP, which instead provide rules that attempt to cover many scenarios including industry specific practices (Carmona and Trombetta, 2008)[2]. Such rules are often called "bright-lines" due to exact guides that are provided for accountants to follow (Gornik-Tomaszewski and Showerman, 2010, p. 60).

The change over to the IASB using the IFRS saw major advances in adoption and convergence worldwide. This includes the Norwalk Agreement between the FASB and the IASB in 2002, which aims to reduce the differences between US GAAP and IFRS (Thomas, 2009). An even larger advancement came with the European Union (EU) requiring all listed and traded companies to use IFRS by 2005 (Outa, 2013). Another significant advancement came when the SEC release No. 33-8879 was issued, stating that after November 15, 2007, foreign private issuers, using IFRS, as issued by the IASB, were no longer required to reconcile to US GAAP to be listed and traded in the USA (Chunhui and O'Farrell, 2011). Furthermore, the ruling indicated that the SEC recognized IFRS, as "robust enough to provide investors with reliable and relevant financial data" (Gornik-Tomaszewski and Showerman, 2010, p. 62).

Adoption and convergence continued to progress, and as of 2010, more than 12,000 public companies in over 100 countries have adopted IFRS with Canada and India set to switch in 2011 (Gornik-Tomaszewski and Showerman, 2010). Three years later, the number of countries requiring or permitting IFRS has grown to more than 120, showing the rapid propagation of the standards (IFRS, 2013c).

Supporting viewpoints of IFRS

IFRS is the source of much debate with a great deal of evidence supporting the standards while others present evidence against the standards. The primary reason cited for IFRS adoption is that the long-term benefits of a single set of accounting standards will overshadow the cost of implementation (Outa, 2013). The theory is based on the evidence showing it is costly for companies to prepare financial statements multiple times to cover multiple standards (Edwards, 1993). While the one-time cost of switching to the IFRS standards would likely be a significant expense, it would be a one-time cost as opposed to the recurring cost of preparing financial statements under multiple accounting standards (Outa, 2013).

Moreover, the use of different standards can confuse investors because significantly different results maybe reported for the same company in a given year (Edwards, 1993). For example, in 1993, Daimler Benz AG, the parent company of Mercedes Benz, reported a net income of 615 million Deutschmarks (DM) that became a loss of 1,839 million DM under US GAAP when reported to the SEC (Carmona and Trombetta, 2008). Such extreme differences in reported values due to the accounting standard used are becoming more unlikely because of efforts since 1993 to align accounting standards.

Further benefits of moving to IFRS are appearing in a growing amount of academic literature. For example, it was found increased market liquidity occurred when IFRS is adopted (Daske *et al.*, 2008). A study, performed by Daske *et al.* (2008), also finds that firms that adopt IFRS prior to officially required dates see a decrease in the firm's cost

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of capital and increase in equity valuations as long as the firms have incentives to be transparent and where legal enforcement is strong. Other research shows similar results, with post-adoption increases in foreign equity investments occurring as long as the country in question has high or improving governance quality (Beneish *et al.*, 2012).

Additional positive impacts to financial markets were documented in 2007, which showed foreign mutual fund ownership is significantly higher among IFRS adopters (Covrig *et al.*, 2007). In the same study, it was found that IFRS "adopters in poorer information environments with lower visibility have higher levels of foreign investment" (Covrig *et al.*, 2007, p. 41). These findings are consistent with the notion that firms utilizing IFRS will provide more information in a more useful form for foreign investors (Covrig *et al.*, 2007). The study concludes that together, these findings support the view that voluntary IFRS adoption will reduce home bias among foreign investors, leading to improved capital allocation efficiency (Covrig *et al.*, 2007).

Financial reporting using US GAAP has also raised concerns that it may eventually become too complex in its rules-based approach (Outa, 2013). To illustrate how truly complex accounting standards are, the IFRS documentation represents approximately 2,500 pages. While significant, the US GAAP documentation represents approximately 25,000 pages (Gornik-Tomaszewski and Showerman, 2010). The significant difference comes from the IFRS's principle-based view, which provides a more flexible framework. An added benefit of the principle-based view comes with a reduction in exceptions and loopholes (Thomas, 2009).

Opposing viewpoints of IFRS

One of the more common arguments against IFRS states IFRS is still a global accounting experiment. Veron (2007) describes IFRS adoption as the global accounting experiment since most cause and effects of adoption have not been validated. These thoughts are also mirrored by Sunder (2009) who also questions the wisdom of the tedious adoption process.

Although the IFRS are an international standard, many countries employ the right to modify IFRS[3] standards to what is called regional-IFRS, a version of IFRS with various modifications to meet the needs of the country. regional-IFRS are heavily influenced by local markets and political forces that may not meet the international levels (Ball, 2006). Chunhui and O'Farrell (2011) found when comparing a company's reported net income under regional-IFRS and US GAAP, there was a greater than plus or minus 5 percent difference. Concerns over these differences are further validated since IFRS standards were not found to be materially different from US GAAP (Chunhui and O'Farrell, 2011). These findings suggest that regional-IFRS and IFRS could be different; therefore, regional-IFRS could provide questionable and misleading information in their financial reports (Chunhui and O'Farrell, 2011).

Another objection to full implementation IFRS comes from Sunder (2009, p. 101) who states it "may discourage the discovery of an evolution toward better methods of financial reporting". Sunder (2009, p. 106) goes on to state it could make it difficult to perform comparative studies between different methods of accounting if there is a "monopoly regulator," which is the danger of moving to an IFRS only system.

Country examinations

China

Accounting standards history in China. The Chinese accounting standards known as Chinese GAAP evolved a great deal in recent years to meet the needs of economic

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system changes. Starting in the late 1980s, the Chinese economy experienced a revolutionary shift from a socialist-planned economy to a socialist-market economy (Graham and Li, 1997). By the early 1990s, the Chinese "Government introduced non-governmental ownership in state-owned enterprises and organized stock exchanges" in Shanghai and Shenzhen (Peng and van der Laan Smith, 2010, p. 17). Chinese GAAP at the time was designed "to assist in the implementation of state economic policy and to maintain state control over the means of production" (Adhikari and Wang, 1995, para. 4). As opposed to the typical financial reporting focus on providing investors information, Chinese GAAP was focused on providing information to the Chinese Government to assist with economic planning and reporting on quantitative production targets rather than profits (Peng and van der Laan Smith, 2010; Adhikari and Wang, 1995). The reporting format at the time reflected the emphasis of state owned enterprises on goals such as social welfare and full employment (Stan *et al.*, 2013).

Chinese GAAP and its financial reporting system made it difficult for foreign investors to interpret and reconcile the statements to more common "Western terms" (Winkle *et al.*, 1994, p. 50). It was clear that a shift in the socialist accounting model within Chinese GAAP to a market-oriented model was needed to accommodate and attract foreign investors to the Chinese exchanges (Peng and van der Laan Smith, 2010). To initiate is revolutionary change, the sources of Chinese GAAP moved together to organize a shift in 2007 (Outa, 2013).

Adoption of IFRS in China. The sources of Chinese GAAP are The Account Law adopted by the National People's Congress and Chinese Accounting Standards and Systems developed by the Ministry of Finance (MOF), which have the force of law (Pacter, 2007). The major change in 2007 was the result of a completely new set of Chinese Accounting Standards (CAS) being issued in 2006, including a basic standard (conceptual framework) and 38 specific CAS that covered most topics of the IFRS (Pacter, 2007). The major changes to the Chinese GAAP made significant strides in aligning the Chinese standards with IFRS since Chinese accountants were allowed to use some degree of judgment in their work (Outa, 2013). Another key benefit of the changes to Chinese GAAP was the new focus on providing investor-creditor reporting, which is needed for capital markets (Pacter, 2007). The IASB also recognized that the accounting system changes allowed the Chinese GAAP to "substantially" be in line with IFRS guidelines (IFRS, 2013b, p. 1).

While following the IFRS guidelines, there were still a host differences after the realignment of Chinese GAAP with IFRS. The differences included the model for PP&E[4] and intangibles, land use rights, reversal of impairment losses, related parties transactions, defined-benefit pensions, agricultural assets, combinations of entities under common control, and presenting operating cash flows in cash flow statement (Pacter, 2007).

The cause for many of these differences between Chinese GAAP and IFRS were traced by Hongman and Xianfeng (2010) to economic, social and legal differences between China and the Western world. First, China's socialist economy is based on public ownership, which is profoundly different from most Western economies where the IFRS standard was developed. Second, in China the MOF regulations directly have the force of law that restricts the actions of accountants. As opposed to most Western countries, such as the UK and the USA, which follow case law that "rely more of professional judgment of accountants in the comparison and interpretation of legal rules" (Hongman and Xianfeng, 2010, p. 201). Finally, the cultural environment in China is fundamentally very conservative, which means they are "ready to accept

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conservative and safe accounting principles and cautions about accounting calculation and information disclosure" (Hongman and Xianfeng, 2010, p. 201). This is in great contrast with the Western countries where accounting standards such as IFRS only indicate principles and leave a great deal of power in applying those principles to the individual accountants (Hongman and Xianfeng, 2010). These differences will be at the root of many discrepancies between IFRS and Chinese GAAP, which will be key points to be addressed in continued IFRS convergence.

Future of IFRS in China. Moving forward, there are several areas that will significantly affect China's ability to transition Chinese GAAP closer to IFRS integration. High among these is the extreme shortage of accountants within China. As of 2008, China only had 70,000 accountants when an estimated 3 million were required (Outa, 2013). The source of the problem was that the accounting profession was effectively disbanded from 1949 until the late 1990s (Chipman, 2007).

In addition to the shortage of accountants, China lacks personnel with familiarity in IFRS. This issue stems from the recent changes in accounting standards in Chinese GAAP, the fact that the Chinese accountants have not had a chance to absorb these changes and become proficient in the Chinese GAAP and IFRS rules (Hongman and Xianfeng, 2010).

An area that could prove significantly beneficial for China is become more involved with IASB and the standards that are being issued. Previously China has had relatively minor influence in the IASB when compared to other countries (Hongman and Xianfeng, 2010). More involvement for China would ultimately make its convergence more of a two-way process allowing the Chinese both the ability to communicate and to influence the direction of accounting standards (Carmona and Trombetta, 2008).

USA

Accounting standards history in the USA (writing center stopping point). The beginnings of USA accounting standards can be traced to the USA stock market crash of 1929 (SEC, 2013). In the aftermath of the stock market crash, Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934, creating the SEC (2013). The creation of the new USA accounting reporting standards, referred to as GAAP[5], was legally in the hands of the SEC. The SEC voted to allow the private sector to establish GAAP in 1938, while retaining authority and the power to override the private sector (Zeff, 2005a).

While the SEC has remained in existence since 1929, the original private sector authority the American Institute of Accountants (AIA) and their Committee on Accounting Procedure (CAP) became the American Institute of Certified Public Accounts (AICPA) and the Accounting Principles Board (APB) by the late 1950s (Zeff, 2005a). In the early 1970s, the SEC began to criticize the part-time ARB for being slow to promote comparability and threatened to establish accounting principles itself (Zeff, 2005a). The "leaders of the accounting profession were united in the view that this process should remain in the private sector," and worked to avoid direct SEC intervention (Zeff, 2005a, para. 51). In response to criticism, in 1973 a dedicated full-time standard-setting body called the FASB was formed, overseen by the Financial Accounting Foundation (FAF). The FASB was empowered with significant resources compared to the ARB, including a large research staff, sizable budget and an elaborate due process (Zeff, 2005a, b). The new FASB was financed by donations to the FAF and the sale of publications (Zeff, 2005a, b)[6]. This marked the last major change in standard setting bodies of the US GAAP.

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IFRS convergence in the USA. While the FASB was being formed, representatives from the USA were also involved with establishing the IASC in 1973. The USA was unable to advance towards the IFRS, however, since additional government regulation, approvals, and involvement would be involved outside the power of the USA representatives at the IASC (Thomas, 2009). It was not until the Norwalk Agreement in 2002, when the FASB and IASB established a clear goal of reducing the differences between US GAAP and IFRS, that clear progress towards IFRS was made in the USA (FASB, 2013a). Since the agreement:

> [. . .] the boards and their staff have been researching existing differences between US GAAP and IFRS, monitoring and coordinating each others' agenda and working on a series of long-term and short-term convergence projects (Gornik-Tomaszewski and Showerman, 2010, p. 61).

Such convergence projects makeup the basis of convergence efforts in the USA.

The next major USA IFRS convergence event occurred in February 2006, when the FASB and IASB issued the Memorandum of Understanding (MoU) to reiterate their shared goal of developing high quality standards for implementation in the global capital markets (FASB, 2006). As part of the MoU, a joint FASB-IASB work program with relative priorities was created between the boards with an ambitious target completion date of 2008 (Gornik-Tomaszewski and Showerman, 2010). The FASB and IASB also decided to change their original convergence strategy of eliminating differences between the IFRS and US GAAP on a case-by-case basis to a strategy of replacing existing standards with jointly developed new standards (Gornik-Tomaszewski and Showerman, 2010).

The SEC release No. 33-8879, in 2007 represented a profound shift by allowing foreign issuers using IFRS, as issued by the IASB, the ability to file their financial reports without requiring reconciliation to US GAAP with form 20-F (Chunhui and O'Farrell, 2011). Interestingly, most regional-IFRS adopters at the time immediately switched to IFRS to avoid the reconciliation process as well (Chunhui and O'Farrell, 2011).

Two years later at the 2008 joint meeting, the IASB and FASB reevaluated their priorities since the earlier goals were missed. At the meeting, new milestones were set on major joint projects to be completed by 2011 in the updated MoU (Gornik-Tomaszewski and Showerman, 2010).

Also in 2008, the SEC submitted a roadmap for the possible adoption of IFRS by USA publically traded companies, in response to the widespread support of the SEC-issued concept release on allowing US issuers to prepare financial statements in accordance with IFRS (FASB, 2008; Gornik-Tomaszewski and Showerman, 2010). The proposed 2008 roadmap for the adoption of IFRS was conditional upon reaching several milestones which include: monitoring improvements in accounting standards by the FASB and IASB, ensuring stable funding and autonomy of the IASC Foundation (IASCF)[7], and monitoring education and training to evaluate the state of IFRS in the USA (SEC, 2008).

Along with these milestones, the SEC proposed a phased-in mandatory use of IFRS (SEC, 2008; Gornik-Tomaszewski and Showerman, 2010). The SEC (2008, p. 35) noted the lead-time provided to each filer was critical to:

> [. . .] allow the filer to begin its books and records and internal accounting controls with respect to IFRS reporting for all three years of audited financial statements that would be required in its first year of IFRS reporting (e.g. 2012 to 2014 for large accelerated filers, 2013 to 2015 for accelerated filers, and 2014 to 2016 for non-accelerated filers).

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While gradual, the proposal would require a dramatic shift for companies, which is likely why mandatory use of IFRS has still not been implemented in the USA.

In light of the Norwalk Agreement, MoU, and the SEC roadmap, USA companies have been slow to respond to IFRS conversion costs. Based on a 2009 survey by Delloite and Touche, less than one-third of affected companies have budgeted for conversion (Outa, 2013). The response of USA companies is likely a reflection of the slowdown in recent years after the 2008 global economic downturn and the significant investment costs (Outa, 2013). The current SEC Chairman, Mary Schapiro will likely respond slowly as well since she does not seem to express the same enthusiasm as her predecessor about IFRS (Outa, 2013, p. 40).

While estimates vary based on several factors, Gornik-Tomaszewski and Showerman (2010) estimate the cost of conversion per entity to be approximately 1 percent of revenues. Another estimate from SEC (2008) quotes the cost at $32 million each for early adopters. Yet another estimate by from Reilly (2011) shows most companies would incur a cost of one-half to one full percent of annual revenues, equating to $40-$60 billion for S&P 500 companies.

Education standards have been a key milestone on the SEC roadmap since it was issued in 2008 (FASB, 2008). Specifically, the SEC would like colleges to teach future accountants more about IFRS and the FASB programs to help train existing accountants on IFRS. The need to reach this milestone is further shown by a 2008 survey addressing concerns whether "the US legal culture and auditors can handle principle-based accounting language, training staff, and integrate IASB" (Outa, 2013, p. 40). The survey was conducted by KPMG in cooperation with the American Accounting Association (AAA) on IFRS education. The survey found that only 5 percent of the 535 professors surveyed expected the Class of 2009 to have substantial knowledge of IFRS and the first class to have a substantial amount of IFRS knowledge would be the class of 2011 (KPMG-AAA, 2008). The same survey found that "62 percent said that they (professors) have not taken any significant action steps" to incorporate IFRS into their curriculum (KPMG-AAA, 2008, p. 1). While progress no doubt has been made since this survey was performed, the education standard still remains on the SEC roadmap today.

At present, the FASB and IFSB continue to work towards a parallel set of financial standards. These projects include revenue recognition, insurance contracts, accounting for financial instruments, and leases (FASB, 2013b). The accounting for financial instruments is further broken down into classification and measurement, impairment, and hedging (FASB, 2013b). By mid-2014, final documents should be available for revenue recognition, classification and measurement, and impairment (FASB, 2013b).

Future of IFRS in the USA. The continued convergence to IFRS by the USA is unique compared to many countries due to the active roles the FASB and IASB play in developing new standards simultaneously. While slow, this process will ultimately lead to a similar, if not identical, set of standards with the added benefit of slowly educating the existing professionals in IFRS over time by gradually introducing the new standards into the US GAAP (SEC, 2008). At the same time, IFRS should be aggressively added to college curriculum to provide more exposure training to college graduates.

Perhaps, the most critical step for IFRS convergence in the USA is budgeting for conversion costs. These costs include key areas such as staff training, accounting and legal fees, and staff costs to maintain two accounting systems at one time during implementation (Outa, 2013).

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Conclusion

IFRS convergence on a global scale is possibly inevitable with so many countries already using IFRS (Gornik-Tomaszewski and Showerman, 2010). The global adoption and convergence comes in spite of various experts questioning the long-term benefits of such a costly endeavor. This drive towards IFRS is likely due to the attractive benefit of increased financial market competitiveness that countries gain when their financial statements begin to follow a single global standard (Daske *et al.*, 2008).

China's restructuring of Chinese GAAP represented a bold move that has helped China compete better in the global financial markets. While the IASB recognized this significant move, large differences still exist, some cultural. For China to continue to be competitive, it is necessary for China to work much closer with the IASB to ensure Chinese interests are represented. Additionally, China will need to address staff shortages and training gaps in their accountant workforce.

IFRS convergence in the USA has come a long way but still has many hurdles to overcome before it is attained. Principal among these hurdles is the formal acceptance of IFRS by the SEC with implementation deadlines. Other smaller hurdles that will lead up to the formal acceptance include filling in knowledge gaps for professionals; increased IFRS presence in college curricula; and company budgeting to properly prepare for convergence (Outa, 2013).

The outcome of what Veron (2007, p. 3) calls "the global accounting experiment" still remains to be seen and will be tested fully with time. Perhaps, the best policy for businesses and accountants in the interim comes from a Pasteur (1854, para. 2) quote, "chance favors the prepared mind," suggesting that it is better to strategically plan for IFRS changes rather than responding to edicts as they are made.

Notes

1. To clarify, the adoption of IFRS is a direct switch or jump from a local or regional set of accounting standards to IFRS. Meanwhile, convergence is a progressive change over time from a local or regional set of GAAP moving towards IFRS and eventually mirroring IFRS standards entirely.
2. While there are further differences between US GAAP and IFRS, these will be examined later in this paper during the examination of the USA standards.
3. Unless otherwise noted, IFRS will refer to international or IASB-IFRS.
4. Plant, property and equipment.
5. This would later become known as US GAAP.
6. For a more detailed account, follow the reference to Zeff's two-part article on "the evolution of US GAAP: the political forces behind professional standards".
7. The IASCF is the parent entity of the IASC.

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