



SEC's Recent Guidance on GAAP/IFRS Convergence Timeline

On February 24, 2010, the Security Exchange Commission ("Commission") issued a statement reaffirming its support of establishing a "single set of high-quality global accounting standards."¹ The Commission continues to encourage convergence of U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and International Financial Reporting Standards ("IFRS") as an effective means of achieving this goal. To this end, the Commission authorized the creation of the "Work Plan" to serve as a guide to assist the Commission in its evaluation of the impact of using IFRS on U.S. companies.

Specifically, the Work Plan focuses on:

- Analyzing IFRS in its current format and how it will function after the completion of a number of convergence projects between U.S. and international accounting standards-setters.
- Determining if IFRS is sufficiently developed and consistent as a method for use as the single set of accounting standards in the U.S. reporting system.
- Ensuring standards are set by independent standard-setters and for the benefit of investors.
- Investor understanding/education of IFRS and how it differs from U.S. GAAP.
- Understanding whether U.S. laws and regulations (tax, regulatory reporting) will be impacted.
- Understanding the impact on companies and their accounting systems.
- Determining if people that prepare and audit financial statements are sufficiently prepared to make the conversion.

Based on progress achieved by the Work Plan analysis, the Commission expects to make a decision by 2011 as to whether to incorporate the IFRS into the U.S. financial reporting system. Leading up to the 2011 decision time frame, the Commission will provide status reports beginning in October 2010, followed by frequent updates.

If the Commission determines IFRS convergence is appropriate in 2011, the Commission's February 24, 2010 statement lists 2015 as the earliest for potential compliance by U.S. companies. The Commission will continue to evaluate this timeline throughout the Work Plan analysis and update appropriately.

¹ "SEC Approves Statement on Global Accounting Standards," 2010-27, <http://www.sec.gov/news/press/2010/2010-27.htm>.

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