

First-Time Adoption of International Financial Reporting Standards

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First-time adoption of IFRS

Today's topics will include:

- Background and perspective on accounting and presentation requirements
- Impact on an organization
- Strategies to consider for getting started

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Background of IFRS

Where we are today and PwC's viewpoint

Significant accounting and presentation requirements

Challenges that need to be addressed by companies in preparing for IFRS

Lessons learned from European adopters of IFRS

Strategies to consider for getting started

Background on International Financial Reporting Standards (IFRS)

Standard setter—International Accounting Standards Board (IASB) founded in 2001 and based in London:

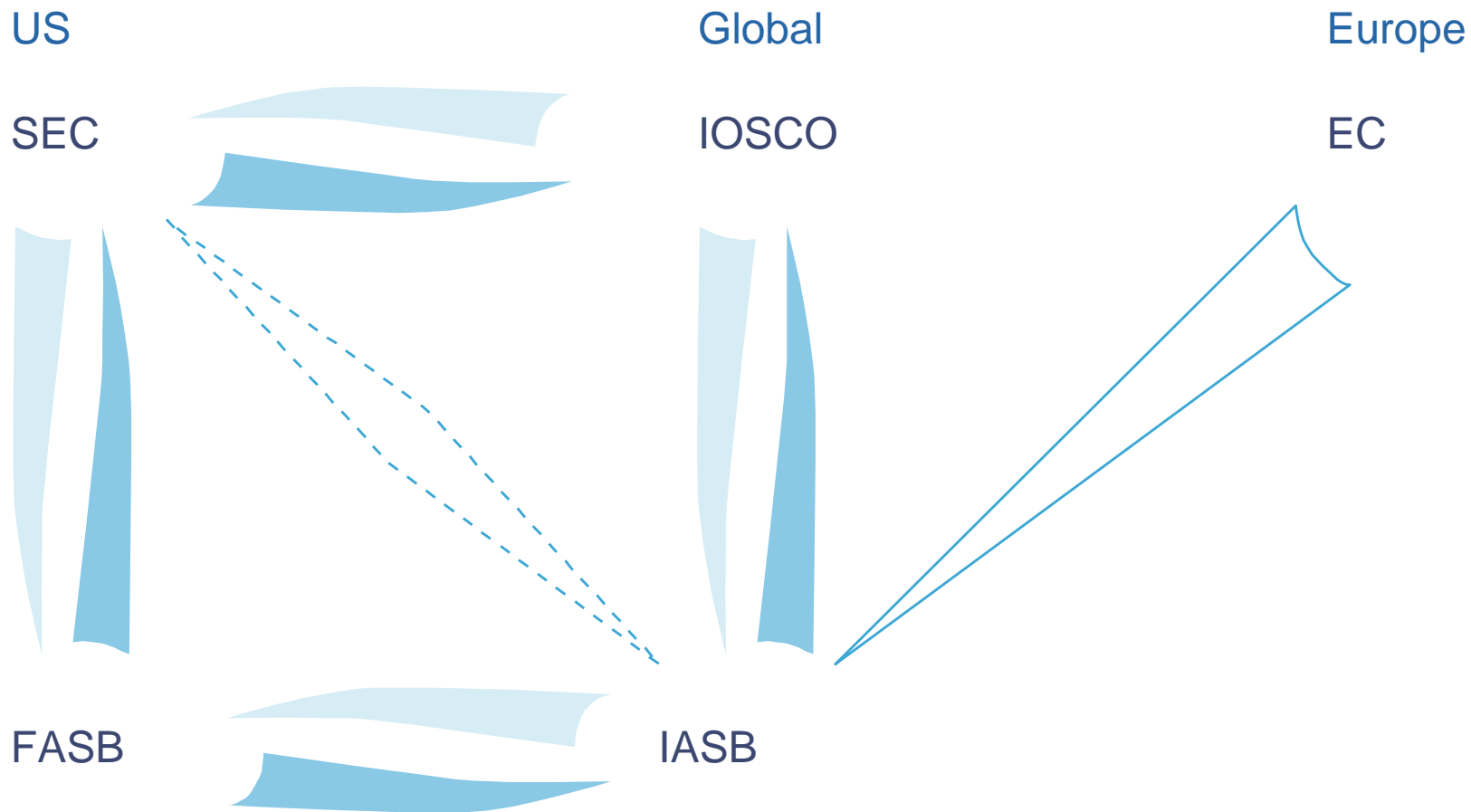
- Predecessor organization was International Accounting Standards Committee (IASC) founded in 1973

IASC Foundation:

- Appoint IASB members
- Exercise oversight
- Raise funds
- Similar to Financial Accounting Foundation (FAF)

About IFRS

Key players in the IASB standard-setting process



About IFRS

A more principled set of standards

IFRS:

- Standards:
 - IFRS: 8
 - IAS: 29
- Interpretations:
 - IFRIC: 8
 - SIC: 11
- Framework

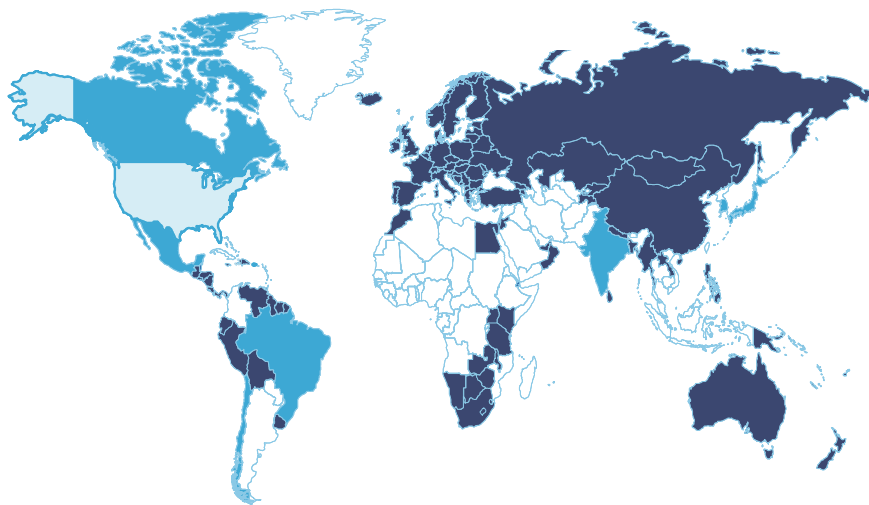
US GAAP:

- Standards:
 - SFAS: 106
 - APB: 16
 - ARB: 4
- Interpretations:
 - FSP: 49
 - EITF: 108
 - FIN: 27
- Concepts Statements: 6
- Other:
 - FTB: 32
 - AICPA Interpretations: 6
 - SOP: 51
 - AICPA Industry Audit and Accounting Guides, SABs, DIGs...

IFRS overview—Globalization of IFRS

More than 100 countries require, permit or are converging to IFRS

All major capital markets have or are moving toward IFRS



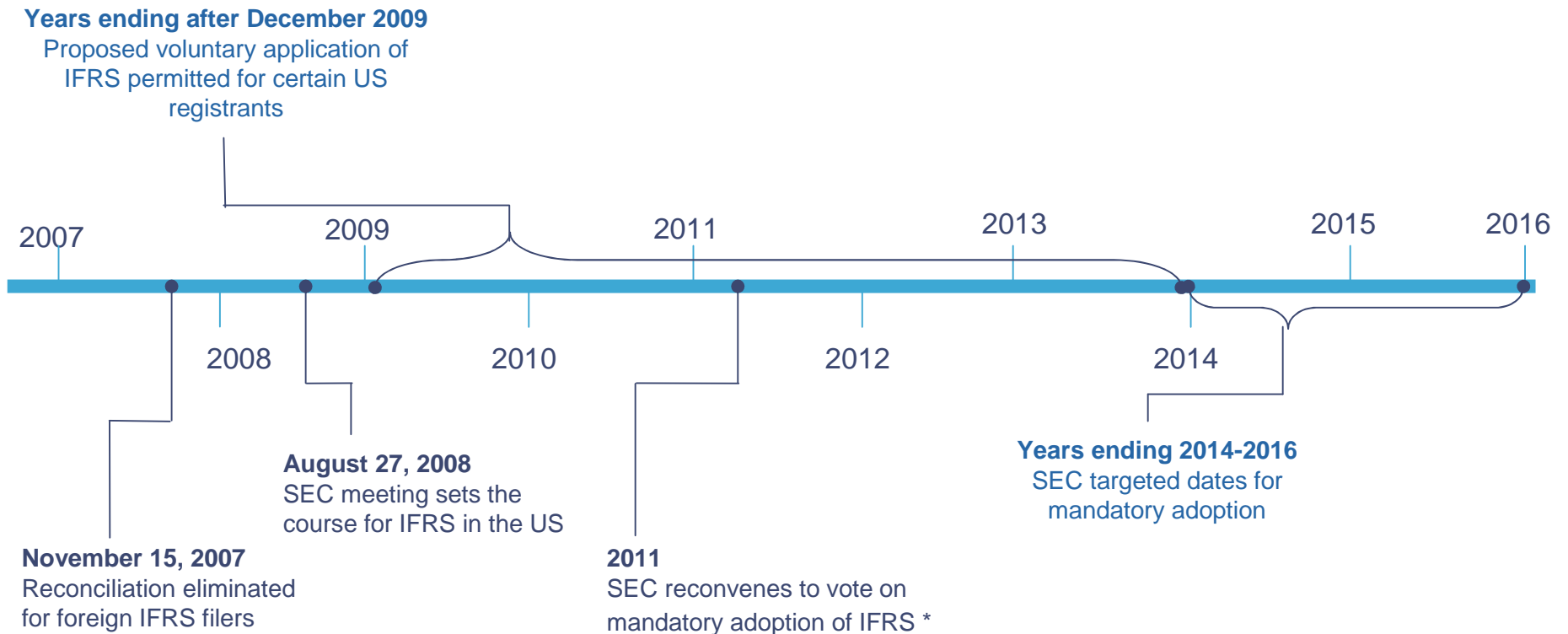
- Countries converging to IFRS with the goal of adoption
- Countries that require or permit IFRS
- Countries with no current plan to adopt

Source: Economist Intelligence Unit

Top 10 Global Capital Markets		
Country	Standard	Market Cap. (\$ in trillions)
US	US GAAP	17.0
Japan	Converging to IFRS	4.7
UK	IFRS	3.1
France	IFRS	1.7
Canada (2011)	Changing to IFRS	1.5
Germany	IFRS	1.2
Hong Kong	IFRS	1.0
Spain	IFRS	1.0
Switzerland	IFRS or US GAAP	0.9
Australia	IFRS	0.8

When might the US transition to IFRS occur?

SEC roadmap released for comment November 2008 proposed a voluntary and mandatory adoption timeline



PwC's views regarding IFRS in the US

A single set of global accounting standards is best for investors

We support the SEC's overall direction

However...

- A definitive mandatory adoption date should be set as soon as possible
- Milestone based on IFRS improvements should be flexible
- FASB should focus less on US standards; more on IFRS improvements
- Limitations will prevent some companies from adopting IFRS
- Early adoption should be expanded to a wider range of companies
- Ongoing US GAAP reconciliation should not be required
- Current form of rule may discourage early adoption

The move to IFRS—Challenges experienced in Europe and Asia

Policy-setting and control challenges due to less detail in IFRS

Application of judgment within a principles-based framework

Many more differences than expected

Increased data requirements resulting from increased disclosures

Insufficient systems capabilities

Insufficient trained resources

Lack of communication beyond finance functions

Underestimation of time involved

Not enough focus on business impacts (e.g., Agreements, Contracts, Tax related issues)

The move to IFRS—Benefits gained in Europe and Asia

Less complex to apply

More efficient access to and reduced cost of capital

Improved comparability across borders and global industries

Reduced cost of compliance

Enhanced management reporting effectiveness

Streamlined merger and acquisition activity

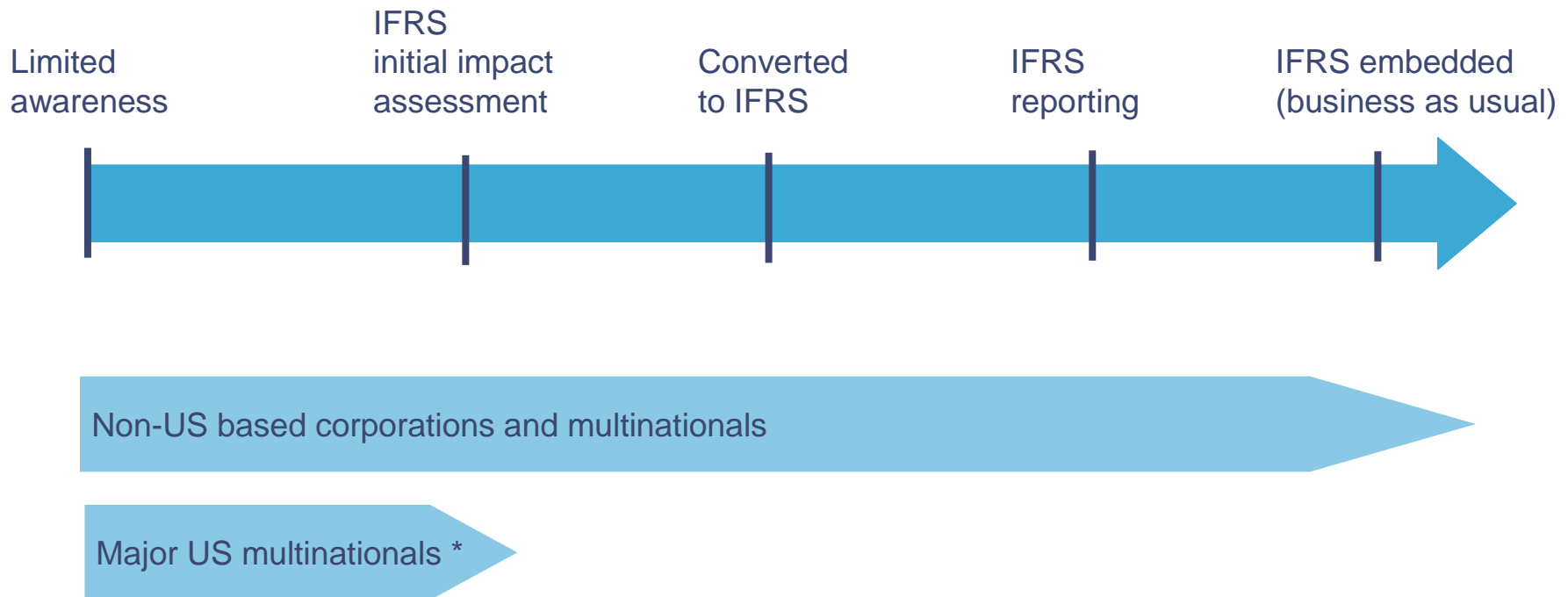
Opportunity to reassess accounting policies and business strategies

Potential to better reflect the underlying economics of a transaction

Strategies to consider for getting started

Movement towards IFRS

IFRS awareness and readiness—what are other multinational companies doing?



* Inclusive of evaluating statutory requirements throughout the world and initial conversion efforts for territories that will adopt IFRS prior to the US

IFRS—why start now?

A conversion is a business transformation and encompasses changed processes and systems, as well as numbers

Changing numbers

Addition of another GAAP and/or change in primary GAAP:

- Accounting policies determination; chart of accounts review, opening balance sheet...

Changing people (a new business language)

- Communication:
 - Internal
 - External
- Training:
 - At different levels
 - Not only finance people

Changing processes

- Existing processes to be enhanced:
 - Not adequate with volume
 - As alternative to system change
- New processes created
- Budgeting and forecasting
- Internal controls revisited

Changing systems

- Data availability and system requirements
- New systems components: data warehouse, calculation engine
- Re-alignment of management information systems
- Multi-GAAP solutions
- Primary GAAP changeover

Changing business

Performance management to be embedded across:

- Performance measure/KPIs
- Management accounts
- Remunerations/bonuses
- Budgeting/forecasting
- Financial and business impact analysis: debt covenants
- Different valuations

IT challenges that may arise with transitioning to IFRS

Establishing Multi-GAAP ERP and Consolidation systems to effectively produce financial reports without compromising accuracy and completeness. However, Multi-GAAP reporting is **not new** to most IT environments and may get simplified once IFRS is adopted

Coordination with regulatory reporting

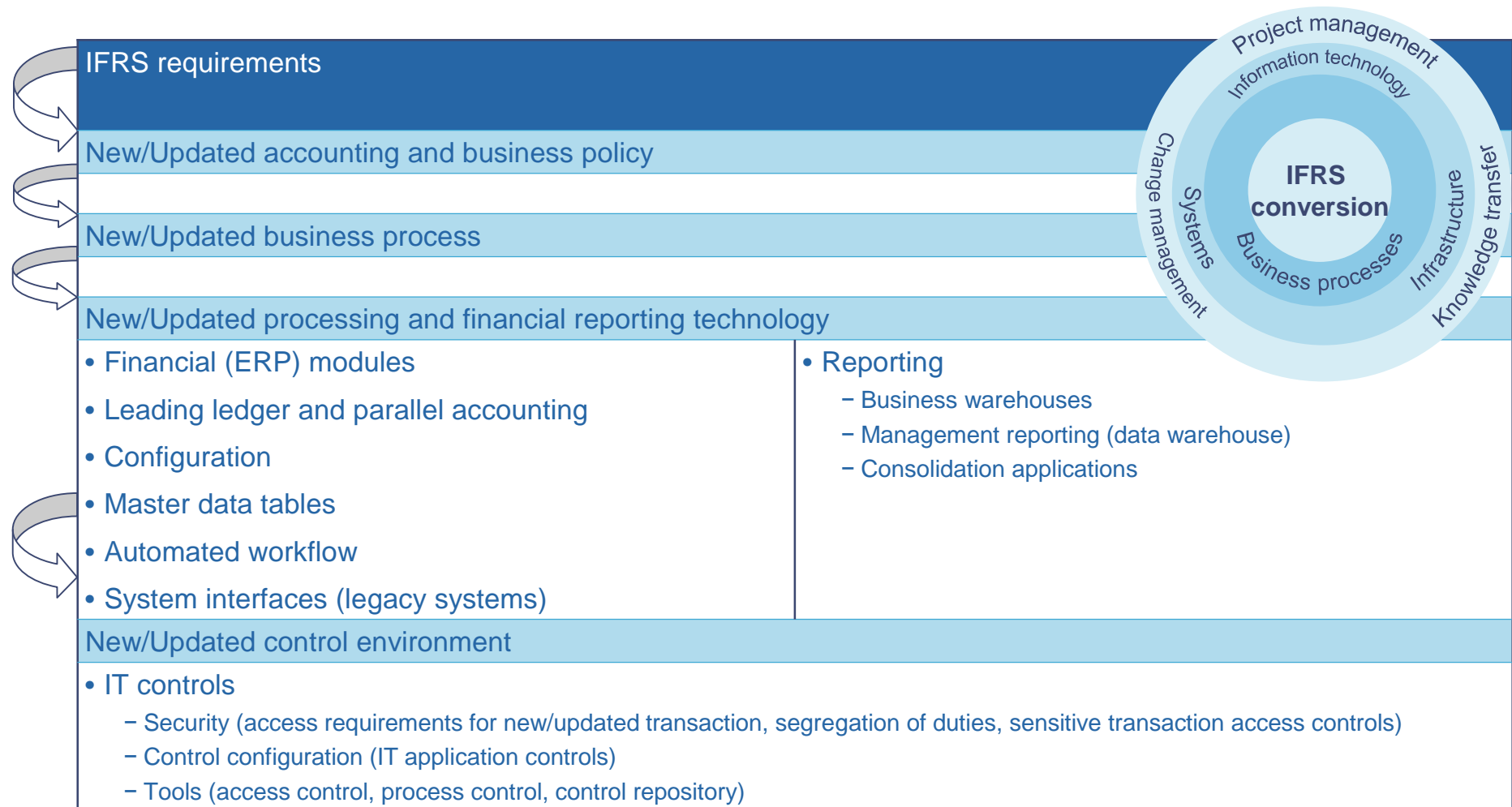
Both IFRS and local statutory GAAPs continue to evolve

Incorporating new requirements into the chart of accounts and general ledgers

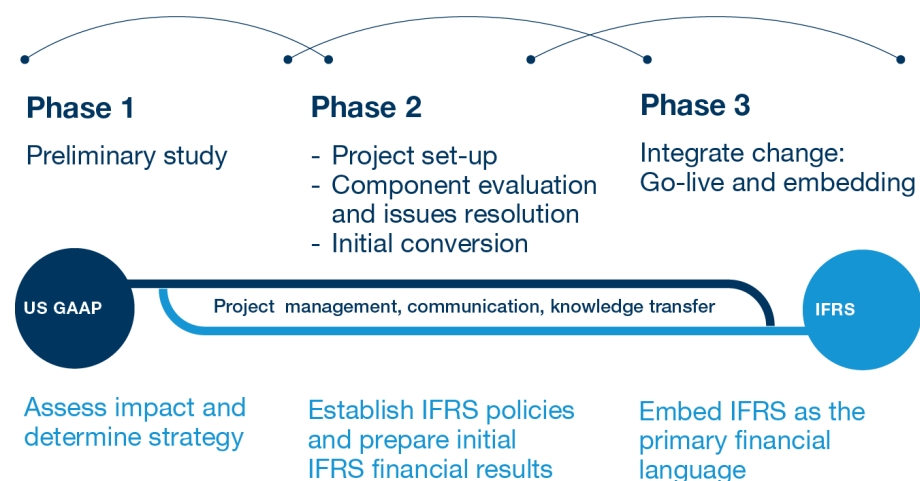
Data migration/conversion complexities

SOX effectiveness testing following process and systems changes

Key processing and technology related considerations



A reasoned approach—Overview of IFRS transition methodology



Establishes clear objectives in the planning stage:

- Considers the broader impact on the business—accounting policies, people, financial reporting, tax and other business processes and systems, stakeholder management, statutory reporting and communications
- Is scalable and responsive to the unique complexities of many businesses
- Is a framework that is sustained by deep business process and technical accounting and systems skills

Benefits of conversion to IFRS

What our clients are saying:

- Harmonization and standardization of accounting:
 - A set of global IFRS accounting policies to be used for domestic IFRS implementation
 - Influence on future accounting policies and procedures
 - Reduction of differences between statutory and group reporting and consistency in application of accounting policies—opportunities for standardization
- Better processes and systems:
 - Head start on IFRS implications for the whole organization, more time to implement
 - Input and synergies with other projects (e.g., IFRS requirements for IT projects)
 - Efficiency gains for the information and communication process
 - Improved sharing of best practices and opportunities for shared service centers
- Improvements for our people:
 - Operating under a worldwide IFRS training framework
 - Improve cross-border mobility and better leveraging of resources

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