

The Teaching of ‘International’ in the Accounting / MBA Curriculum

The Coming Reality:

U.S. company financial statements – US GAAP

**Foreign company financial statements (consolidated) –
IFRS (International Financial Reporting Standards)
or equivalent national accounting standards**

of publicly traded U.S. companies – about 13,000

of listed foreign companies – 10,000 to 20,000

- Canada, Japan and China have already ‘signed on’ to IFRS over a transitional period**

‘Country accounting cultures,’ a mainstay of ‘international accounting’ courses, are today of historical interest only.

Since 2002, the FASB and the IASB (International Accounting Standards Board) have been actively working to converge their standards and conceptual framework at a high level of quality. Therefore, IFRS will shape US GAAP. (See FAS 154 on accounting changes.) It is essential that students come to understand the phenomenon of IFRS and the work of the IASB.

Obstacles to convergence:

- **Differential politics (U.S. v. the rest of the world) – leasing, pensions, comprehensive income, financial instruments**
- **Differential regulation (SEC v. national regulators in the rest of the world) – regulators differ markedly in their authority, size of budget, thoroughness of process, and competence of staff – above all, the ‘regulatory culture’ differs from country to country**

Courses labeled ‘international’ or ‘global’ accounting may not attract large numbers of students, because the subject may strike students as of little interest to Americans.

Because students must be exposed to IFRS and the IASB before they graduate, the subject must be weaved into the courses in financial accounting, starting with the introductory course. This means that accounting teachers must become knowledgeable in the international area.

The treatment of IFRS and the IASB in U.S. financial accounting textbooks varies from no discussion at all to out-of-date or inadequate discussion, but in a few textbooks the discussion is quite good. In any event, the instructor must do more than just teach what the textbook says.

The teaching of ‘international’ offers the instructor an excellent opportunity to sharpen the critical faculty of students, by comparing and contrasting US GAAP with IFRS – trying to explain why they are different, and which is better.

Examples (US GAAP v. IFRS)

Historical cost v. periodic revaluation of property, plant and equipment – IAS 16

Historical cost v. annual fair valuing of biological assets (timber tracts, vineyards, livestock, etc.) – IAS 41

Historical cost v. annual fair valuing of investment property (shopping centers, office buildings held for rental) – IAS 40

Expensing all R & D v. capitalizing some of the D – IAS 38

Equity method v. proportional consolidation for corporate joint ventures – IAS 31

LIFO v. non-acceptance of LIFO – IAS 2

Prohibited reversal v. required reversal of impairment losses – IAS 36

Lessee accounting under FAS 13, with bright lines, v. IAS 17, with no bright lines

Briefing yourself and your students on IFRS and the IASB:

Deloitte's excellent web site: www.iasplus.com

Paul Pacter, 'What Exactly is Convergence?'

International Journal of Accounting, Auditing and Performance Evaluation, vol. 2, nos. 1/2 (2005) –
downloadable from www.iasplus.com

Similarities and Differences: A Comparison of IFRS and US GAAP, October 2005 edition

(PricewaterhouseCoopers UK)*

IFRS/US GAAP Comparison (Ernst & Young UK, 2005) –
revised edition to be published later in 2006

International GAAP 2005 (Ernst & Young UK 2004) –
revised edition to be published in October 2006

Insights into IFRS: KPMG's Practical Guide to IFRS,
2005/6 Edition (Thomson, 2005)

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