International Accounting – Quo Vadis?
AIS 302/702, Professor Cheng

Background

Accounting is going global, led by the FASB and the IASB, who are working on an ambitious convergence project to result in one set of high quality accounting standards. Presently, it looks like these convergence efforts will culminate in the SEC – within 3-5 years -- allowing/requiring public U.S. companies to prepare financial statements in accordance with international accounting standards (referred to hereafter as iGAAP). Similar to the FASB Codification, now is the time for you to become familiar with iGAAP. This assignment is designed to build your awareness of iGAAP and to help you develop the ability to find out the relevant accounting treatments under iGAAP.

Required

1. Read the following materials to gain familiarity with the international accounting environment and iGAAP:
   a. Appendix 24B, “International Accounting Standards”. Be sure to read the Update version.
   b. “Convergence Corners,” (CCs) which explain iGAAP for topics in Intermediate Accounting. You should read all of them – there are 9 one-page discussions – but you are required to read only one of the CCs for this assignment. The topics you can select are: (1) Stockholders’ equity, (2) Securities and Earnings Per Share, (3) Investments, (4) Revenue Recognition, (5) Deferred Taxes, (6) Pensions, and (7) Lease Accounting.

   Each group can choose its own topic, but no topic should be covered by more than 2 groups. In case of conflicts, first come firm serve. Email me your choice of topics as soon as you can. You will be informed if the topic has been chosen twice.
   c. One article from The Wall Street Journal. This article provides a general background discussion of the issue of adopting the international accounting standards in the U.S.

   All of the above materials are posted on the course webpage under “Case 2 - International Accounting”

2. Identify a company that uses iGAAP for your selected topic (see 1.b.). Find a company in the same industry that uses U.S. GAAP for the same item. Use your web research skills to identify iGAAP users – one place to start is at the SEC site (www.sec.gov – and look for foreign private issuer). Or try out the web-site http://www.iasplus.com/index.htm. You can find U.S. companies by industry on Yahoo finance -- http://biz.yahoo.com/ic/.

   Also, no groups across the three sections should cover the same companies. In case of conflicts, first come firm serve. Email me your choices of companies as soon as you can. You will be informed if the companies have been chosen.

3. Prepare a report (no longer than 2 pages, typed, double spaced with 1-in. margins, 11 pt Times Roman font) that provides:
   a. Brief summary of the main insights from Appendix 24B.
b. Provide an excerpt from the identified iGAAP company and use it to describe one similarity and one difference between U.S. GAAP and iGAAP for your topic, based on the selected companies.

This report is due May 5th in class and it counts as 15 points: 10 points for accounting content and 5 points for writing.

4. Attend the presentation by KPMG on international accounting convergence. Time and location: TBD.