A Cost-Benefit Analysis of the Transition from GAAP to IFRS in the United States

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ABSTRACT

This research intends to determine the costs and benefits of the transition from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) in the United States. This study targets the costs and benefits of the transition in three areas of accounting: Academia, Corporate and Public. The transition could potentially have large implications on investment in the US and around the world, and therefore, this study aims to see if it is beneficial for the US to adopt IFRS.

To ascertain the costs and benefits of the transition, this research used an online survey to obtain knowledge and opinions of professionals from the three areas of accounting. Based on the results, this research shows that the benefits of the conversion far outweigh the costs and therefore the US should adopt IFRS. Transitioning to IFRS will allow the US to regain strength in the global investment market as financial statements will have greater comparability and hopefully this will benefit the economy as a whole. However, with the US being the last major economy to make the conversion, the longer the Securities and Exchange Commission (SEC) takes to agree to go forward with IFRS, the longer it will take for investment in the US to increase and for US investors to prosper in the global market.

INTRODUCTION

International Financial Reporting Standards (IFRS) are the most widely used set of accounting principles across the world. Over 12,000 companies in 113 countries have adopted IFRS in some degree, and more countries are continuing to adopt the standards each year with the hope of increased comparability of financial statements (AICPA, 2008a). This will allow investors from all over the world to invest in the best stocks, bonds, and other financial instruments anywhere across the globe and not just in their own country or region. With the United States currently debating the transition from US GAAP (Generally Accepted Accounting Principles) to IFRS, this research will attempt to show the costs and benefits of the potential conversion. First, this research will examine some of the main differences between GAAP and IFRS and how this will affect reporting in the US and comparability of financial statements across the globe. Next, with the recent changes in office in the US, this study will delve into some of the updates and changes on the topic of IFRS over the past six to eight months. Finally, we will turn to the main piece of this investigation and look at a survey that will explore the costs and benefits of the transition from GAAP to IFRS in the United States.

This study will focus on three main areas of accounting; education, public accounting, and private accounting, and attempt to show the costs and benefits of the transition to IFRS in these sectors. To determine the costs and benefits of the transition, this research will be supported by a survey which will provide responses from insightful professionals in these three areas of accounting. In the area of education, this survey is focused on retrieving insight about the transition from US GAAP to IFRS in terms of curriculum, hiring of staff/faculty, and textbooks. It is important that educational institutions alter their teachings to account for the foreseen transition and to prepare students as they enter the workforce whether it is in academia, public accounting, or corporate accounting. In the field of public accounting, auditors must learn IFRS so they are able to apply the standards during assurance projects. Updates in training and the hiring of new staff will be essential in public accounting, but this survey will mainly look at how the conversion in public accounting will affect corporate accounting in terms of rates charged, billable hours, tax planning, and time to complete the conversion. In terms of private accounting, this survey will focus on all of the administrative costs associated with the transition. Audit costs, non-audit costs, staffing, technology, time, and revenue effects will all be taken into account in this survey. The transition will be most valuable in the area of corporate accounting as it will allow companies to display themselves to potential investors from all around the world.

Respondents to this survey also provided benefits of the transition at the end of each of their respective sections of the survey to provide insight on some of the advantages of the transition. Lastly, this survey provides some general knowledge and opinions from the professionals who took this survey. Each respondent provided their thoughts on the transition, the possible affect on competition in the accounting market, and the potential effect on the US economy.

MAIN DIFFERENCES

When comparing US GAAP and IFRS we see that they have a lot of the same standards and concepts, but there are also some major differences. To start off, US GAAP has over 25,000 pages of rules and standards, while IFRS contains only 2,752 total pages (Brice, 2008). The main reason for this is the fact that IFRS is principles based while US GAAP is more rules based (Gill, 2007). This means that IFRS has broader, more basic standards whereas US GAAP is more focused on strict rules and industry regulations. This applies in the area of Revenue Recognition, which is one of the main reporting differences between GAAP and IFRS. IFRS have two main principles to follow when reporting revenue, but GAAP has many rules and regulations that are industry specific and must be followed step by step (Deloitte, 2008). The change will affect the revenues that companies report and ultimately their bottom line when reporting income to investors.

In terms of reporting, another major difference between IFRS and GAAP comes in the use of inventory. While US GAAP allows corporations to use either FIFO or LIFO in the distribution of inventory, IFRS prohibits the use of LIFO (Hughes & Sander, 2007). This in turn will cause expenses to be lower in periods of rising prices and stable or rising inventory levels and income to be higher, making companies more attractive on their Income

Statements. This will also cause Balance Sheets to be stronger in terms of assets as the value of the inventory will be higher, again making companies more attractive to outside investors.

Under US GAAP, Research and Development costs are always expensed when reporting, but under IFRS we see that Development costs must be capitalized now under certain situations if specific requirements are met (Deloitte, 2008). Capitalizing Development costs once again strengthens the Balance Sheet while lowering expenses to create more income on the Income Statement. This again creates a favorable portrayal of the company to outside investors.

Fair value accounting is used in both US GAAP and IFRS but can be displayed in different ways. Two examples of this are the reporting of Property, Plant, & Equipment (PP&E) and Intangible Assets. When looking at PP&E using GAAP, everything is reported at historical cost. On the other hand, under IFRS, PP&E can be re-measured to a revalued number which equals Fair Market Value (FMV) less Accumulated Depreciation (Deloitte, 2008). On a similar note, Intangible assets have somewhat of a similar structure when being reported under the two sets of standards. Under US GAAP, Intangible Assets have to be recorded at their original value and can only be written down. However, under IFRS, Intangible Assets can have an upward revaluation (but not above cost) in an active market (Hughes & Sander, 2007). Recording things at FMV usually bodes well for a company's Balance Sheet, making it stronger and giving investors more incentive to invest in the company.

Some other major differences, in a more general sense, between using US GAAP and IFRS are that using IFRS will allow US companies to be more competitive globally. It will also make US markets more attractive because investors from all around the world will be able to compare Financial Statements and see which companies are the best to invest in (McLennan, 2008). Although the transition will not make comparability of financial statements 100% accurate, it will increase the comparability and enhance the information provided to investors (AICPA, 2008b). At this point, so many countries are using IFRS that US GAAP has become the minority and a lot of investors cannot put much value on Financial Statements prepared with US GAAP. Having international standards will also allow the International Accounting Standards Board (IASB) to work as a sole entity unlike the Financial Accounting Standards Board (FASB) which is influenced by many special groups and politicians when it comes to decision making (McLennan, 2008). This does not mean that IASB will not subject to any external influences, but it will be much less and more controlled than the external influence on the FASB.

Some negative differences because of the transition will be the lack of education about IFRS in this country and the increase in auditor judgments (Cabrera, 2008). This research will show the costs of transforming curriculum in the US to comply with IFRS, but at this point there is not enough commitment to teaching it even though the transition seems highly likely. With a principles basis, IFRS are basic and have a lot of room for interpretation. Furthermore, auditor judgments will be frequently put into play while using this set of standards. This means the government and the Securities and Exchange Commission (SEC) will have to keep "good faith" and trust auditor's opinions on public companies during assurance projects (Cabrera, 2008). This could be a risky system as we have seen in recent years an abundant number of scandals and fraudulent activity.

Below are a few other major differences between US GAAP and IFRS that either need minimal explanation or have explanations which are too detailed to cover in this research:

- Interest Income (Deloitte, 2008)
    - Under US GAAP, interest income must be reported as operating income.
    - Under IFRS, interest income can be reported as either operating or investment income.
- Depreciation (Deloitte, 2008)
    - Under US GAAP, component accounting is allowed but not required.
    - Under IFRS, component accounting is required which means parts assets with different depreciation patterns must be depreciated separately.
- Consolidations (Deloitte, 2008)
- Leases (Deloitte, 2008)
- EPS Disclosures (Deloitte, 2008)
- Any type of Hedging (Deloitte, 2008)

- Extraordinary Items (Deloitte, 2008)
  - Under US GAAP, these items are permitted.
  - Under IFRS, these items are prohibited.
- Deferred Taxes (Deloitte, 2008)
- All types of Impairment (Deloitte, 2008)
- Borrowing Costs (Gill, 2007)
  - Under US GAAP, borrowing costs must be capitalized for qualified assets.
  - Under IFRS, borrowing costs can be capitalized or expensed for qualified assets.

Overall, these are most of the major differences between US GAAP and IFRS, and they will have to be closely considered when or if the transition is made. Although some of the differences look like they will be beneficial to companies and the markets, they could also be dangerous in terms of the potential to overvalue a company's net worth. This will be taken into consideration when the Securities and Exchange Commission decides whether or not they want the US to adopt IFRS. Could these standards be a benefit, or could they end up being a cost to investors and the markets?

RECENT DEVELOPMENTS

Education

There have been recent efforts by companies around the world to educate people about IFRS including students, professionals, and investors. Since all types of people who will be affected by the transition need to be educated, in the US, "Big Four" accounting firms especially, have been promoting and providing educational techniques to schools and professionals. According to an article from allbusiness.com, "Climbing the learning curve from GAAP to IFRS: moving from U.S. GAAP to International Financial Reporting Standards," students need more exposure to the framework to be better prepared when they enter the workforce (Karr, 2008). The paper pointed out that Philip Reckers, a professor at Arizona State University, believes that students can be better prepared about the framework and how to apply it by using creative thinking, analysis, decision-making, and teamwork in the classroom. In addition, the article also showed part of the problem is that from 1993-2004, enrollment in accounting increased 12.3% while professors around the country only increased by 1.21%. This in turn has led to a lot more responsibility on professors to pick and choose which information is the most important to prepare students for the real world. Reckers says that accounting curricula has not been looked at on a national level since 1990 and with all the additions to accounting practices and principles since then (SOX, Forensics, Ethics, International Accounting Standards) it is hard for academics to decide which information is the most pertinent and beneficial to the future success of students. Reckers continues by saying we just keep adding material abundantly, where he thinks it should be integrated gradually into education so students can grasp and understand concepts more effectively (Karr, 2008). KPMG has also begun a program to help educate professors on IFRS. KPMG's "Faculty Forum webcasts" and seminars are tools that professors can use to gain knowledge about IFRS and transition issues to be considered in making changes to their current curriculum. The article by Karr (2008), also adds that all of the Big Four accounting firms have created web-based/internet learning programs for professionals and investors that they can use to obtain knowledge about how the transition will affect them and their companies. Deloitte similarly, participates in an "Annual Deloitte National Student Case Study Competition" where they bring real life cases into the classroom to help teach students real knowledge about the field. According to an article on globalnewswire.com, PricewaterhouseCoopers (PwC) recently awarded $700,000 in grants to educational institutions to help prepare for IFRS (Globe Newswire, 2009). The grants will help 26 colleges and universities across the country create a curriculum that involves the teaching of IFRS. Along with this, PwC has a web-based learning program (as mentioned before) called "IFRS Ready." The program is tailored towards both students and professors so they can effectively learn about and teach IFRS respectively (Globe Newswire, 2009). Another example of an organization we see as an advocate towards the education of IFRS is the American Accounting Association (AAA). According to Karr (2008), AAA is joining the effort to help support the education of IFRS by providing an online database that allows information sharing of the best IFRS practices. These efforts are all beneficial to the teaching and learning of IFRS, but it will help when the Securities and Exchange Commission (SEC) develops a clear timetable of the conversion so educational and professional institutions can begin devoting more time and resources to how they will go about educating students and professionals about IFRS and its effects on the world of accounting.

<u>Corporate/Pubic Accounting</u>

Christopher Cox, the former commissioner of the SEC, had a vision for the US to transition to IFRS in the near future. According to an article from the *Journal of Accountancy* "SEC Road Map for Transition to IFRS available", Cox and the SEC set forth a timeline for the transition back in November of 2008 (AICPA, 2008b), hoping that the timeline would be approved and companies could begin the conversion to IFRS in upcoming years. However, this has all changed over the past few months as the US administration has changed along with the commissioner of the SEC. Mary Shapiro the new commissioner, according to an article written by Johnson (2009b), has recently stated her doubts about the move and how she would like to slow the process of the transition down. Shapiro has delayed the timeline for the comment period on the issue from February 19th, 2009 to April 20th, 2009, as stated in update put out by WG&L Accounting, at the request of corporate issuers (WG&L, 2009b) and now has government agencies looking into alternative approaches to IFRS (WG&L, 2009a). With the recent changes the future of the conversion and when or if it will happen remains uncertain.

The SEC under Christopher Cox believed that the future was leading toward a single set of global accounting standards. Cox believed the transition would be the best thing for American corporations in the global market which initiated his push for the convergence in the latter part of his term as SEC commissioner. With better access to capital, more competition in the market, greater comparability of financial statements, and unlimited investment opportunities, Cox understood why the move to IFRS would be the best thing for not only corporations but for the US economy as a whole. With over 110 countries having already made the transition, this also made the decision much easier.

The SEC initially laid out three transition strategies on how the move to IFRS would occur. These strategies were (Cabrera, 2008):

1. A convergence between US GAAP and IFRS standards.

2. Have a staged adoption period where large accelerated converters would make the transition first as they have the resources and could benefit from the cost savings. After, smaller accelerated and non-accelerated converters could make the transition and learn from the experiences of the larger companies.

3. Choose a certain date and have all companies change from US GAAP to IFRS on that date.

At this time, it seems like strategies 1 and 2 above are at the forefront as US GAAP and IFRS have already begun to converge on certain standards and everyone seems to think that a staged adoption of IFRS will be the most beneficial. This will allow companies to transition at the optimal time and when the costs of doing so are reasonable as the transition could cost up to $32 million for larger companies as indicated by the SEC (AICPA, 2008b).

On November 16th, 2008, the SEC set out guidelines of a timeline that they would follow for the transition. In this road map, the SEC would decide by 2011 whether or not to require US companies to report using IFRS. The SEC also laid out seven milestones that would influence their decision on whether or not to follow through with the decision (AICPA, 2008b). The seven milestones listed were:

1. Improvements in accounting standards
2. The accountability and funding of the International Accounting Standards Committee Foundation
3. Improvement in the ability to use interactive data for IFRS reporting
4. Education and Training in the US relating to IFRS
5. Limited early use of IFRS, beginning with filings in 2010, where this would enhance comparability for US investors. Eligibility would be based on both the prevalence of the use of IFRS and the significance of the issuer in a given industry. The SEC estimates that a minimum of 110 companies could be eligible.
6. The anticipated timing of future rulemaking by the Commission
7. Implementation of the mandatory use of IFRS, including considerations relating to whether any mandatory use of IFRS should be staged or sequenced among groups of companies based on their market capitalization.

(AICPA, 2008b)

If the SEC approves the transition by 2011, companies would most likely begin a staged transition starting in 2014, as stated in an article by the AICPA in the *Journal of Accountancy* (AICPA, 2008b). This will allow all companies the time to develop a transition plan that they can carry out while also allowing them to minimize costs. Under a staged transition, accelerated filers would begin publishing financial statements in 2014 but would also be required to file financial statements for the years 2013 and 2012 as three years of comparability are required. The next group of accelerated filers would be required to file beginning with the year of 2015 along with comparable IFRS financial statements for the years of 2014 and 2013. Finally, non-accelerated filers would begin filing in the year 2016 and would also be required to provide comparable financial statements for the years of 2015 and 2014. By the end of 2016, all public US companies would be required to file using IFRS (AICPA, 2008b). The staged transition would allow for timely planning (unlike when companies were forced to conform to Sarbanes-Oxley immediately) and allow companies to make the transition at a time when it makes the most sense economically and operationally. But with the new Commissioner, Mary Shapiro, it is now unclear when or if the conversion will be made.

As stated before, Mary Shapiro was appointed the new commissioner of the SEC and she was chosen by President Obama. She began in January 2009 after Christopher Cox resigned from the position. Since her arrival, the steady pace towards the adoption of IFRS in the US had been slowed. Shapiro has called for a deceleration of the transition to IFRS due to her lack of certainty about the standards and if they are an improvement from the standards the US already has in place (Johnson, 2009). Her first move, as stated before, was a postponement of the end of the comment period until April 20th, 2009. This was requested by many corporate issuers and will allow for more review of the timeline (WG&L, 2009b). Along with her doubts about IFRS, Shapiro is also concerned with the Independence of IASB and if it can be trusted to oversee IFRS around the world (WG&L, 2009a).

According to one source, the SEC has also called for a research project on mark-to-market accounting (WG&L, 2009b). With the recent struggle in the Financial Services sector, many people have come to blame Fair Value accounting for the recent problems in this area of the economy. Under Fair Value accounting, financial instruments are listed at their current value in the market. During this recent recession however, this has produced distressed sales which has caused companies to sell off assets at prices below market value (WG&L, 2009d). This in turn has caused financial institutions to suffer as assets are not worth as much as was thought under mark-to-market/fair value accounting. However, on April 3rd, according to the article "US Moves to Ease 'Fair Value' Accounting Rules" from reportonbusiness.com, the FASB, with pressure from congress, decided to loosen up on fair value accounting rules. Under this new ruling, banks are not required to mark down financial assets in accordance to what is happening in the market. This will prevent financial institutions from having to report the effects of a distressed market unless a sale is actually made. Only time will tell what effect this rule change will have on the financial market, but as of now there are some skeptics and critics. Many people believe the change is just the FASB giving into political pressure and that the new rules will not allow investors to correctly assess the well-being of banks. Again, only time will tell what effect this change will have on the financial market and what potential effects it could have on the transition to IFRS (Stewart, 2009).

Shapiro has publically admitted that she does not have much knowledge in the area of Fair Value accounting and is therefore in the process of obtaining the necessary knowledge to make an informed decision (Johnson, 2009). With the current market crisis all alternatives are being looked at to help the economy overall. While many think IFRS can help companies, investors, and the economy, Shapiro and the SEC are still unsure and therefore taking their time moving forward (WG&L, 2009a). With these recent updates, it is difficult to determine when and if the conversion to IFRS will happen. For now, we will just have to wait until the comment period ends on April 20th, 2009 and see what issuers and the SEC decide.

EMPIRICAL METHODOLOGY

For this study, a survey was used to obtain information about the costs and benefits of the transitions from US GAAP to IFRS. The survey aimed to evaluate the costs and benefits it three areas of accounting: academia, corporate, and public. The response rate of this survey was about 7-8%. It was a web-based survey created through www.surveymonkey.com, and contained 5 sections: Academic, Corporate Accounting, Public Accounting, Corporate/Public Accounting, and General Knowledge.

In the Academic section, in Table 1, 131 professors were surveyed from colleges and universities all over the country to gain their insight and knowledge on the effect of the transition to IFRS. In the survey, questions focused on a few main areas: hiring of staff and faculty, changes to curriculum, and the benefits of the transition in the world of academia. Looking at changes to staff/faculty and curriculum will help to show us the costs in terms of time and money it will take to provide students with a curriculum that educates them about IFRS instead of US GAAP.

In the Corporate section of Table 1, 31 corporate accountants were surveyed from all types of corporations. Of the 31 accountants surveyed, 17 provided personal information that offers some insight into what types of companies answered this survey. In this section of the survey, questions were aimed to obtain information regarding effects on reporting, auditing costs, other project costs, revenue, and determining the benefits of the transition. Since pubic companies will be affected the most by the transition to IFRS, this section will help us to understand the impact on public companies and how this will influence investors around the world.

Academia	
Professors	**131**
Total	**131**
Corporate Accounting	
Multi-National Corporations	**8**
Regional/National Corporations	**2**
Small Corporations	**3**
Non-Profit/Other Organizations	**4**
Unknown	**14**
Total	**31**
Public Accounting	
Big Four Firms	**29**
Regional Firms	**14**
Small Firms	**2**
Unknown	**11**
Total	**56**
Total Respondents	**218**

Table 1 – Survey Statistics

In the Public Accounting Section of Table 1 above, 56 accountants provided insight on how the transition to IFRS would affect their business relationship with clients. Of the 56 accountants who completed the survey, 45 provided personal information which shows the types and sizes of firms that responded to this survey. In this section of the survey, questions were directed to find information concerning rates charged to clients, billable hours charged to clients, and the benefits of the transition. This information will help show some of the additional costs corporations will bear due to the transition and how this could affect potential investors.

In the Corporate/Public Accounting section of the survey, 64 respondents provided feedback on questions that pertained to both of these areas of accounting. The questions asked in this part of the survey searched for answers on how the transition to IFRS would affect tax planning, staffing, and how long the transition would take to complete. From this we will learn what adjustments companies need to make in terms of staffing and tax planning and what the costs of these adjustments will be. We will also obtain a general understanding for how long the transition will take for companies to complete.

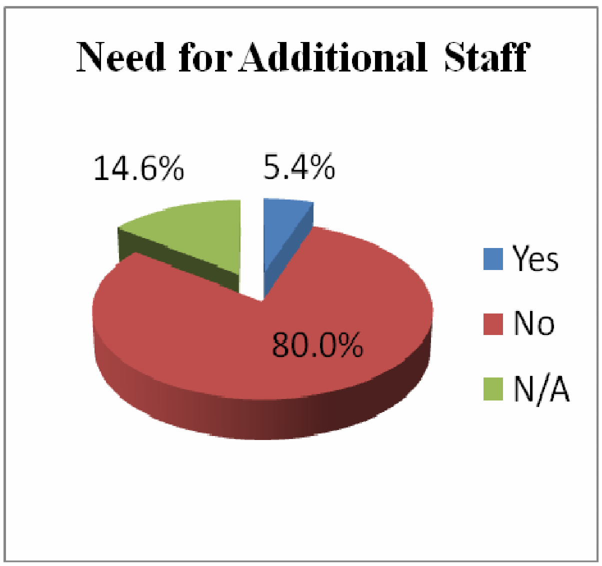
The last section of this survey is General knowledge. This section was designed to obtain personal opinions of professionals on the transition from GAAP to IFRS. Overall, 175 of the respondents provided feedback on these questions. The questions in this section intended to gain an understanding of what professionals think about the transition, what the transitions affects will have on the accounting market, and what effect the conversion will have on the US economy as a whole. This section wraps up the survey and provides the perceptions of accounting professionals on the transition from US GAAP to IFRS.

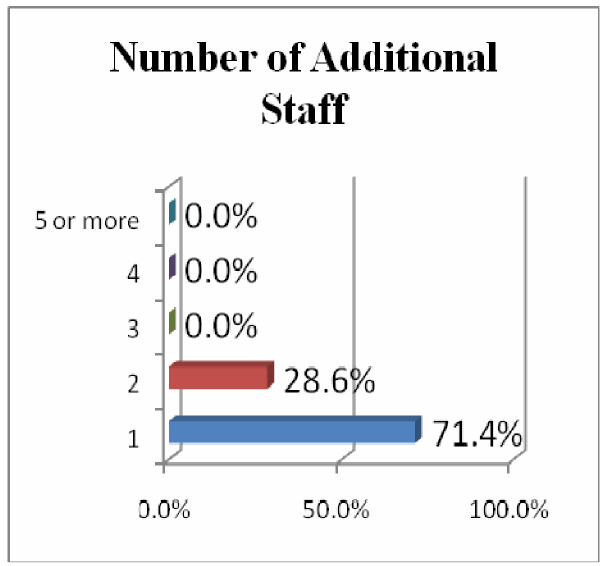
Overall, this survey is an overview and skims the surface of the potential costs and benefits of the transition from US GAAP to IFRS. The survey's results will provide a basic knowledge and understanding of the effects of the transition. With more knowledge on the transition and whether or not it will occur, this research, with more time and information, could provide companies and investors with a quality review of the transition and the effects it will have on the US and global markets in the future. This study is preliminary research and a brief introduction of this topic to generate a greater understanding of the transition and the effects it will have on not only our accounting principles and economy, but the effects it will have on education, companies, and investors around the world.

EMPIRICAL RESULTS

Academic

In the area of Academia, this survey focused on the hiring of staff and faculty, changes to curriculum and classes, and the benefits of the transition from US GAAP to IFRS. In terms of hiring staff, Figure 1 reveals that 80% of the professors who responded said that they would not need to hire any new staff.





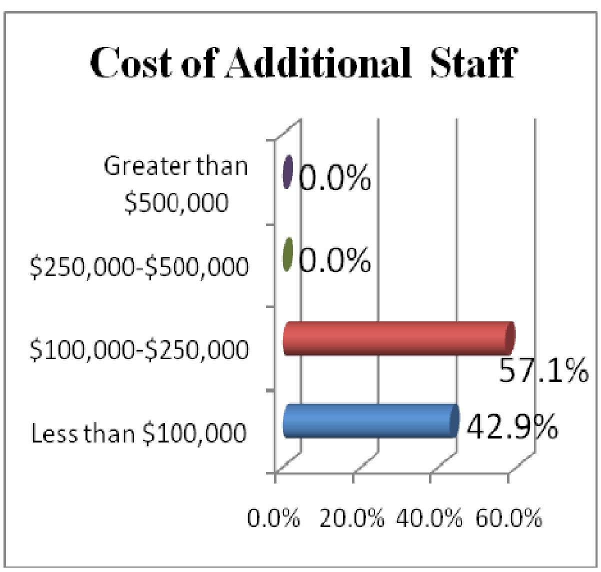
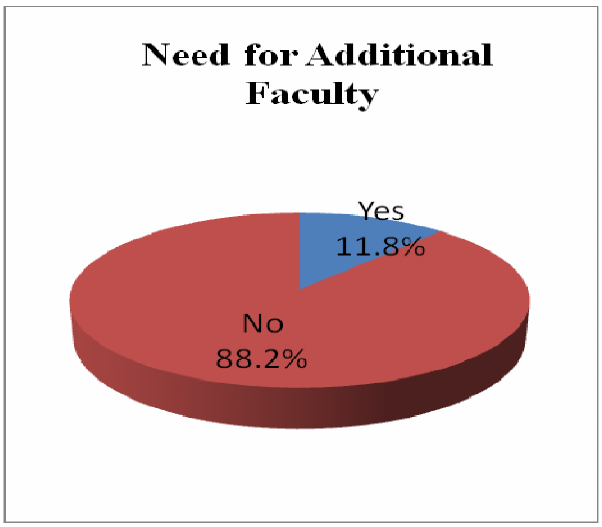
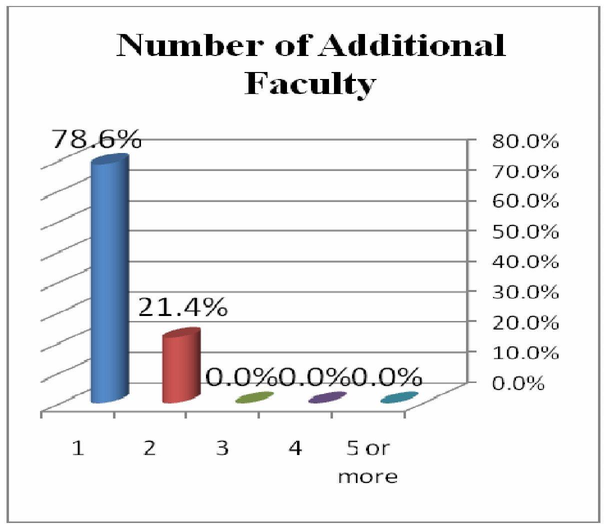


Figure 1 – Staffing Issues due to the Transition

Of the professors who replied that extra staff would be essential, 71.4% stated that only one staff member would have to be hired. The remaining 28.6% stated they would need to hire only two extra staff members. The reason for the hiring of staff that most professors provided was staff members could help assist professors in the development of changes to curriculum along with changes to class structures.

When it came to the hiring of new faculty, Figure 2 shows that the majority of professors again answered no. 88.2% of professors answered that there is no need to hire new faculty and their main reason was that current faculty will teach the new rules by updating themselves or receiving extra training.





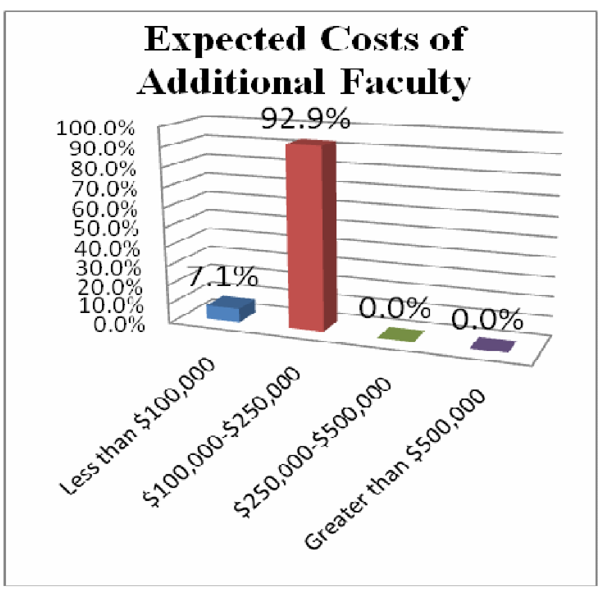


Figure 2 – Impact on Faculty due to the Transition

Some professors also said that their schools do not have enough resources to hire any new, specialized professors, while others stated that they have already begun integrating IFRS material into their current lectures. Of the professors who did answer yes, all of them stated that their institution would only need to hire one or two new faculty and 92.9% of these professors believed that the cost associated with obtaining extra professors would be between $100,000 and $250,000.

The next question asked in this survey focused on the textbook that colleges/universities are using in their accounting curriculum. Referring to Figure 3, we see that 51.7% of professors use or plan to adopt textbooks that cover IFRS material while 48.3% said they have no plans to use IFRS textbooks.

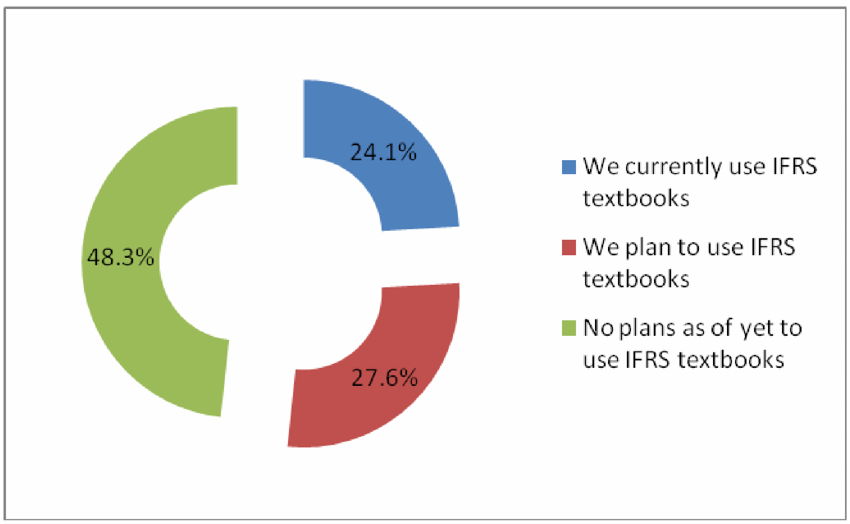


Figure 3 – Transition Influence on Textbooks

This question is somewhat vague as it does not specify if the books are focused separately on IFRS or if they are books which contain IFRS material. This confused some respondents as the majority of them stated that a lot of textbooks already include IFRS material which would give them no reason to use separate textbooks that focus solely on IFRS. A few professors also mentioned that until some textbooks become more up to date, they are using outside material from the "Big Four" accounting firms to bring IFRS into the classroom. From this it seems the majority of professors are using textbooks that contain IFRS material in them which is beneficial for the students, but most professors will not use specialized textbooks that focus solely on IFRS unless it is for an International accounting class.

The next focus of this part of the survey was curriculum and class changes. Based on the responses, 92.5% of professors believe that curriculum will change due to the transition. The majority of the professors were unsure of some of the changes that will take place due to the transition, but most of the professors believed that they will integrate IFRS material into the current curriculum, or there will be an added IFRS/International Accounting class or elective.

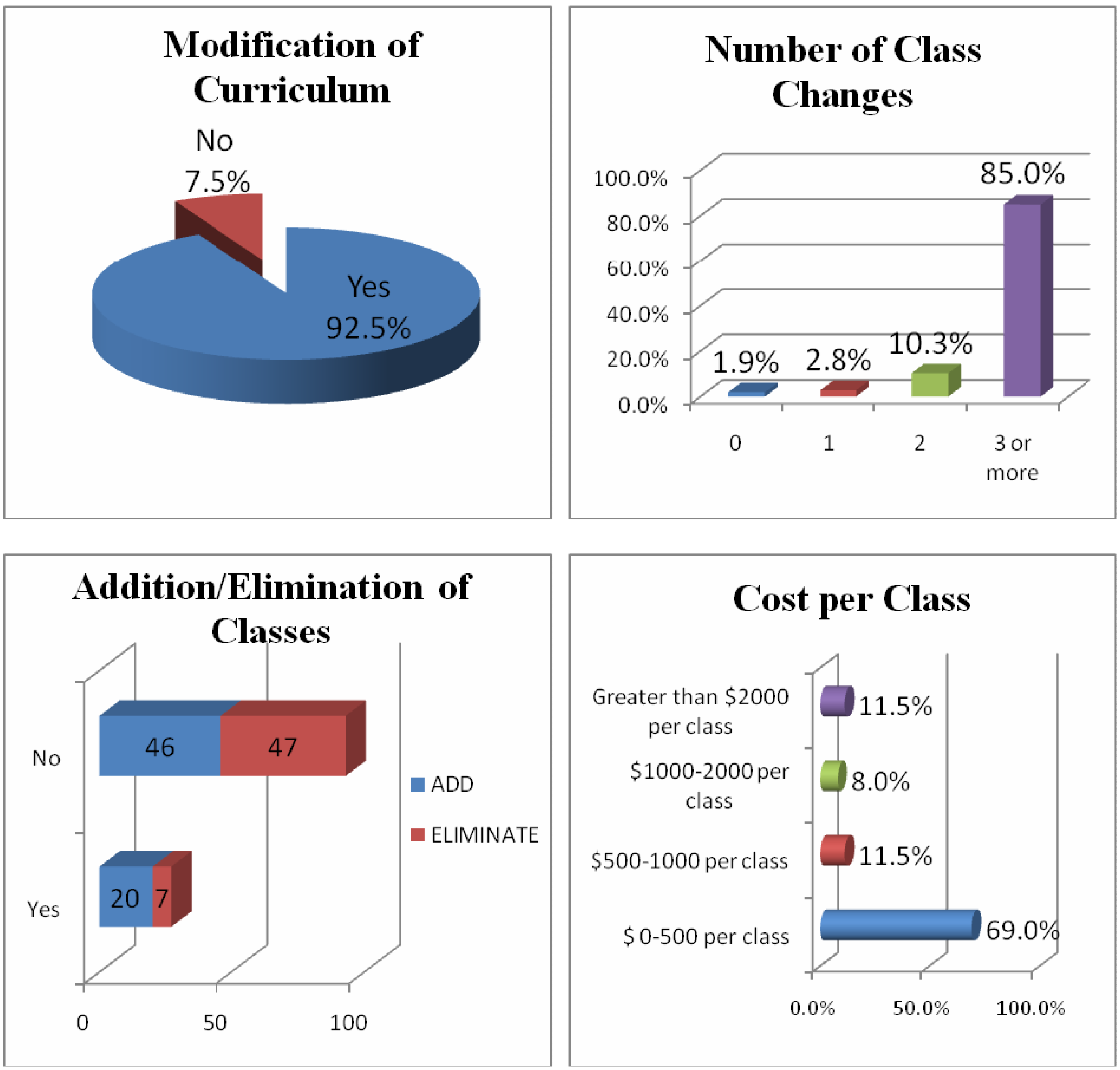


Figure 4 – Impact of the Transition on Curriculum

85% of the professors also believed that the curriculum will change in three or more of the accounting classes offered. Many believed the accounting classes that will change are principles, financial/intermediate, and auditing classes. There will need to be updates and modifications to these classes so they can comply with IFRS regulations. The survey also aimed to see if any classes would be added to or eliminated from the curriculum. In Figure 4, most professors believed either no classes would be added to or eliminated from the curriculum at their institution or they just do not know as of yet what the changes will be. However, of the professors whom responded yes, the majority of them stated that an international accounting elective would be added to the curriculum. In terms of eliminating classes, professors believed one of two things: either an intermediate/financial course would be eliminated for international requirement, or current international courses could be eliminated and integrated into and intermediate/financial course. This is all dependent on the preference of the school and what they think will be best for their students.

Next, the goal was to see if there would be any costs associated with changing curriculum, adding, or eliminating classes. From Figure 4, we see that most professors believe that the marginal costs per class will only be about $0-500. Most professors actually indicated that costs would be minimal, if any, due to the fact that most professors will be teaching the material themselves and just need to spend more time and effort updating themselves on the transition and regulations of IFRSs. Some professors also indicated a sense of uncertainty on what the expected additional costs, if any, would be from the transition. The professors who did believe there would be a significant additional cost as a result of the transition to IFRS stated that the cost would be due to the extra training for current faculty or the hire of new faculty members. Overall, it seems the majority of educational institutions will not incur additional costs to curriculum resulting from the transition, and if they do the costs will be minimal (less than $500).

Lastly, this survey aimed to figure out what the benefits (if any) would be in the area of education due to the conversion from US GAAP to IFRS. Based on the information we see in Figure 5, the only benefit that professors saw in the choices provided was their ability to be able to teach Financial/Intermediate accounting classes at any educational institution in the world. However there were many mixed reactions on the benefits as a result of the conversion. Many people believed that there are no benefits as the move does not have a large effect on the academic world. Many professors also believed due to the fact that IFRS are conceptual and involve critical thinking, they are more difficult to teach and harder for students to be able to follow. On the other hand, professors believe that there are some benefits that will come from the transition: (1) opportunities for faculty to learn more/more research, (2) seeing students gain knowledge and being prepared for the accounting industry, and (3) the fact that students will be able to work in other countries.

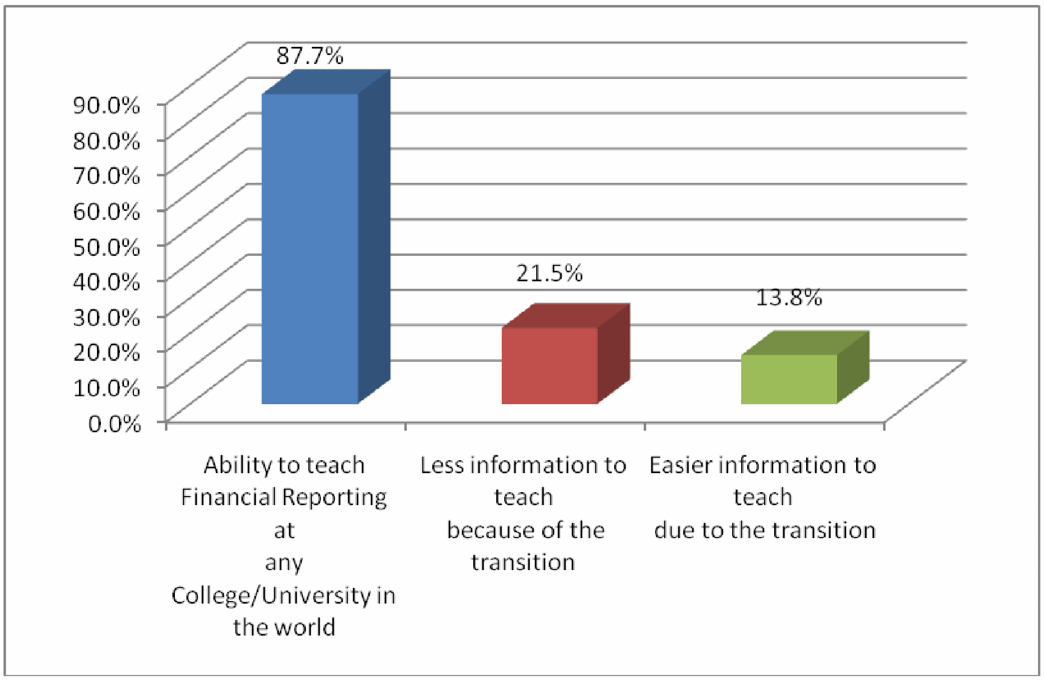


Figure 5 – Benefits of the Transition to Academia

<u>Cost-Benefit Analysis - Academia</u>

When we look at the overall results of the survey, we can draw a reasonable idea of what the general costs and benefits will be for the three areas of accounting. Looking at Academia, there seems to be minimal costs involved but the benefits seem to outweigh the sacrifices made. Based on the results, most professors stated a change in curriculum must occur which involves time, effort, and money. The benefit though is that this will not cost the school much as the costs per class to change curriculum will be negligible, if any, and most of the work will fall on professors to update the information they use in their classes. Most professors surveyed also stated that their institutions will not have to eliminate/add any classes. If they do, schools will most likely add a class which is not a large cost to the college/university.

In terms of course material, from the results we see most professors believe that the teaching of accounting material will become difficult. The fact that IFRS is principles based will cause students to have to think critically and conceptually which makes professors believe the material will be harder for students to understand and apply. A benefit in terms of course material however is the fact that most textbooks are starting to integrate IFRS information into their contents. This makes it easier and cheaper for schools as they do not have to buy separate IFRS textbooks and professors do not need to spend excess time searching for outside materials that will allow them to teach students about IFRS.

Staffing and the hiring of new faculty would seem to be another cost of the transition to IFRS. However, based on the results of the survey most professors believe these issues will not be a problem. Most professors seem to believe their college or university will not have to hire any new staff or faculty due to the fact that professors can change curriculum on their own while educating themselves on IFRS. This in turn will save their school the time and money of hiring a new staff or faculty member. In the event a school needed to hire new personnel, the marginal costs would be fairly minimal, as they would only need to hire one additional staff or faculty member.

Additional benefits foreseen by professors that will be generated by the transition are students will be able to apply for jobs anywhere in the world, professors will have the ability to teach anywhere in the world, and faculty will be provided with more research and learning opportunities. Based on the results of the survey, the benefits outweigh the costs in the area of academia.

<u>Corporate Accounting</u>

Corporate/Private is the sector of accounting that will be affected most by the transition from US GAAP to IFRS. Since public companies are entities that must file financial statements through the SEC, the financial reporting of these corporations will be affected greatly by the transition. This in turn will affect investors and their decisions on which companies to invest their money in. This part of the survey will look at some of the costs and benefits that corporations will incur from the conversion to IFRS.

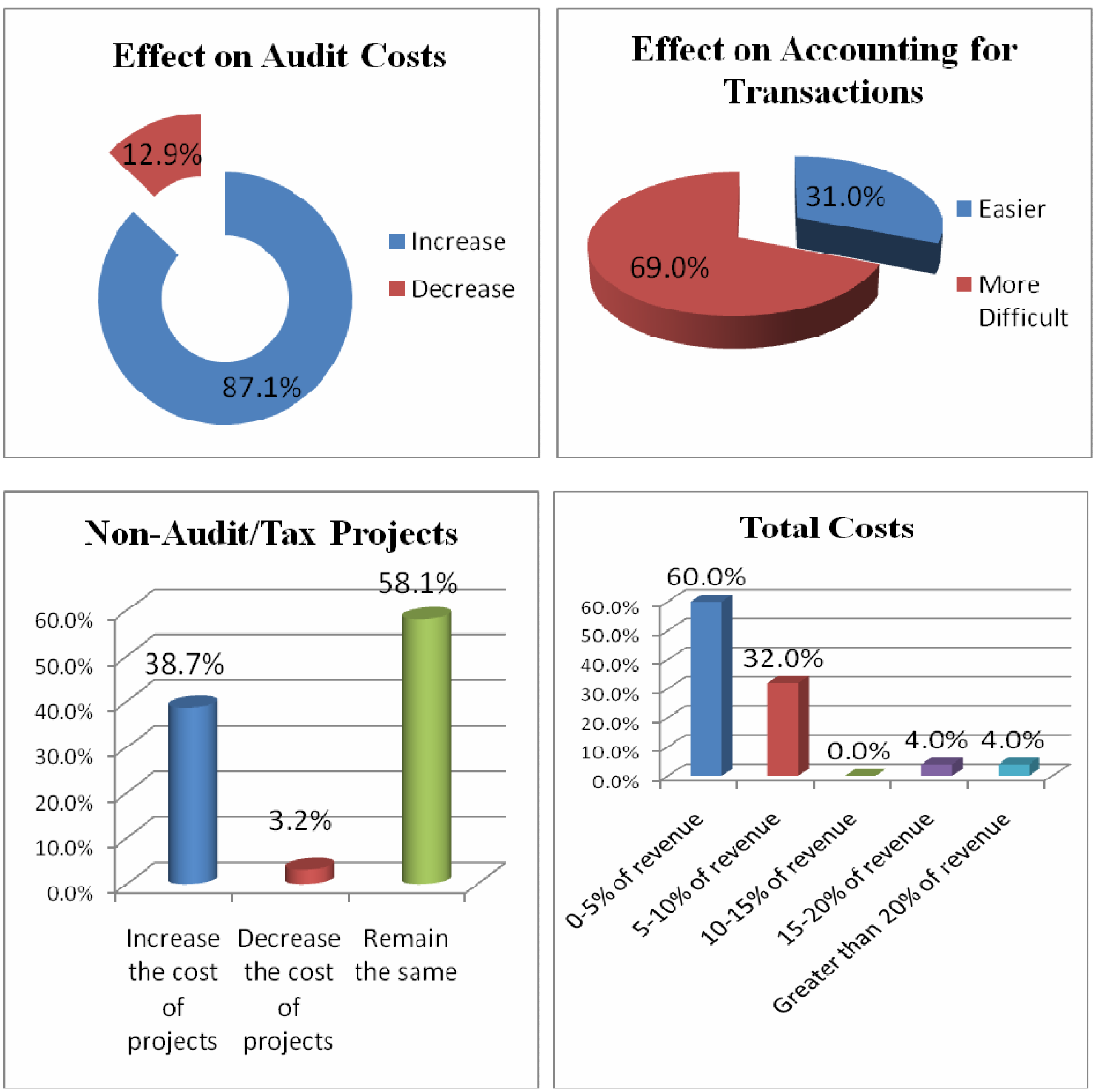


Figure 6 – Costs of the Transition on Corporate Accounting

In Figure 6, we looked at how audit costs would be affected by the transition. The results showed that most of the respondents felt auditing costs would increase due to the conversion. Most professional corporate accountants believe the cost of auditing work will increase at first as there will be a learning curve, and in the future costs will decrease. Many professionals also believe the costs for audits will grow due to the fact that IFRS require more judgments and important decisions which insinuate higher-level executives in accounting firms will need to make these decisions which will increase the costs of audits.

The second question focused on how the new standards would affect corporations when accounting for transactions. As we see from Figure 6, transactions will be harder to account for and the reasons provided for this are there will be an initial struggle for companies to learn and apply the new standards along with the fact that companies will now be able to manipulate the standards to up sell themselves to investors over their competitors. This is due to the principles-based standards of IFRS that do not provide strict reporting rules for companies to follow. In the long run, companies expect costs to fall as employees in the accounting department become more familiar with the regulations of IFRS.

In terms of overall costs of the transition, most companies say it is hard to predict/do not know what costs the transition to IFRS will bring upon their companies. However, according to the survey results presented in Figure 6, most companies (60%) believe the transition will cost them about 1-5% of their revenue, while 92% of professionals believe the transition will cost them no more than 10% of their yearly income. In reality however, the cost of the transition should be much less (Johnson, 2009a). In this article, Johnson states that most companies, depending on their size, estimate they will spend between 0.1% and 0.7% of their annual revenue on the transition. These numbers however, are higher than those estimated by the SEC which were 0.125% to 0.13% of revenue, and lower than those estimated by accounting/auditing firms (0.5% to 1.0% of annual revenue) (Johnson, 2009a). This shows that the costs of the transition are a guessing game but we can surmise that the expense of the conversion should be no greater than a few percent of annual revenue for a couple of years.

In this next section, we would like to find out when companies intend to make the transition from GAAP to IFRS. Since the SEC has not made the official decision, we would like to examine whether or not companies have started planning for the foreseen conversion. Based on the survey results presented in Figure 7, most companies plan to start preparing for the transition in the next 1-3 years. Some large accelerated filers (Now) have already begun to make the transition, while smaller accelerated filers (1-3 years) are already thinking about it. Non-accelerated filers (3-5 years) are smaller, national companies who do not have to worry about the transition yet, but will need to start planning for it over the next couple of years.

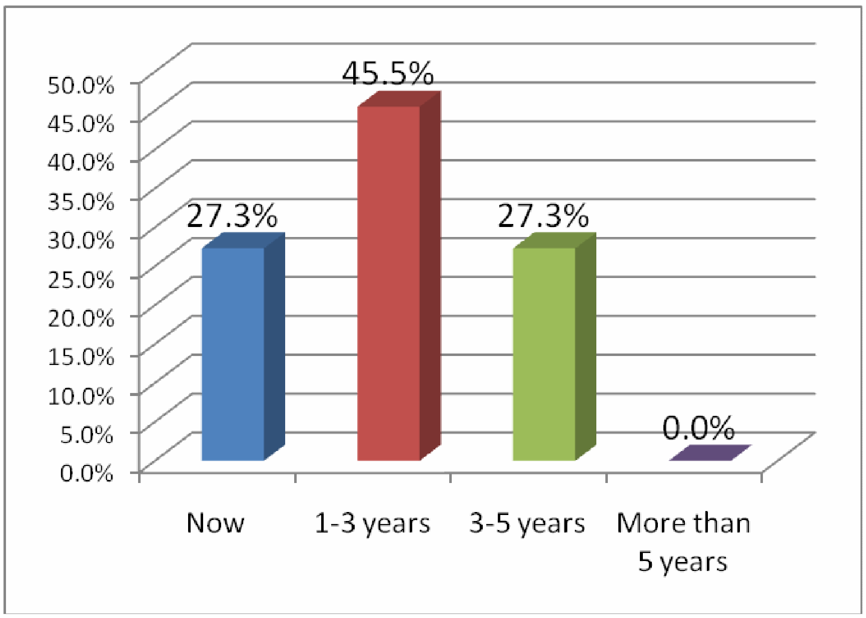


Figure 7 – Expected Start of Transition

The study also tried to determine if the transition would have an impact on companies overall revenue growth. It appears that in Figure 8 however, 64.3% of respondents believed that the conversion to IFRS would have no direct impact on an increase in revenue but rather would increase reported income due to the differences in standards between US GAAP and IFRS and the timing of reporting revenue.

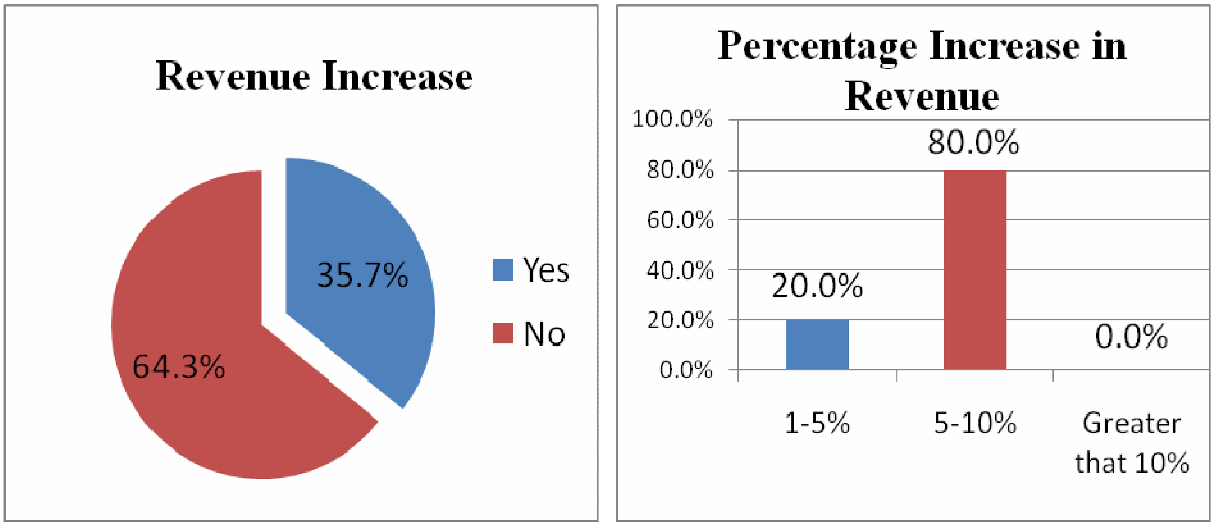


Figure 8 – Transition Effect on Corporate Revenue

On another note, the survey aimed to find how technology used for accounting purposes would be affected by the transition. As can be seen in Figure 9, 62.1% professionals believe there will be a change in the technology they use to help complete accounting transactions. Technology will have to shift to account for the current differences between US GAAP and IFRS so companies can report in accordance with IFRS principles. The survey also planned to find out the costs of changes to hardware, software, re-training employees, and paperwork, but professionals replied by declaring it is too early in the process to be able to estimate the costs for these changes.

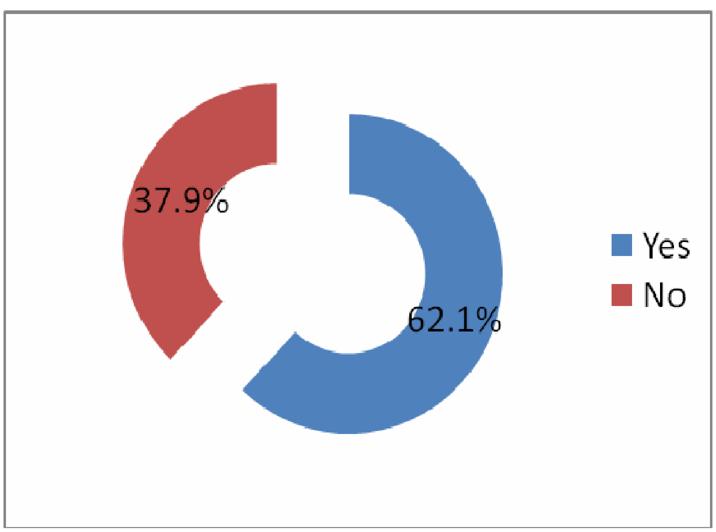


Figure 9 – Impact on Technology

With IFRS involving more judgments and less following of rules, this will also cause a decrease in the technology used for accounting purposes as human involvement will be much more important and appropriate when using the new regulations and laws of IFRS.

As a final part of this section, the survey intended to determine the benefits gained in corporate accounting by using IFRS over US GAAP. In Figure 10, five of the options were selected as benefits of the transition due to the fact that over 50% of the professionals selected these benefits. There will be one set of consistent accounting principles that all companies will follow which can lead to standardized training of staff, international staff transfers, and comparability of entry level staff from all around the world. Moving to one set of standards will also allow for easier comparison of financial statements and in turn benefit investors from all around the globe as they can compare any and all companies. Lastly, additional comments from professionals stated, one set of standards will allow companies to offshore their accounting work and find the best quality of service for the best price.

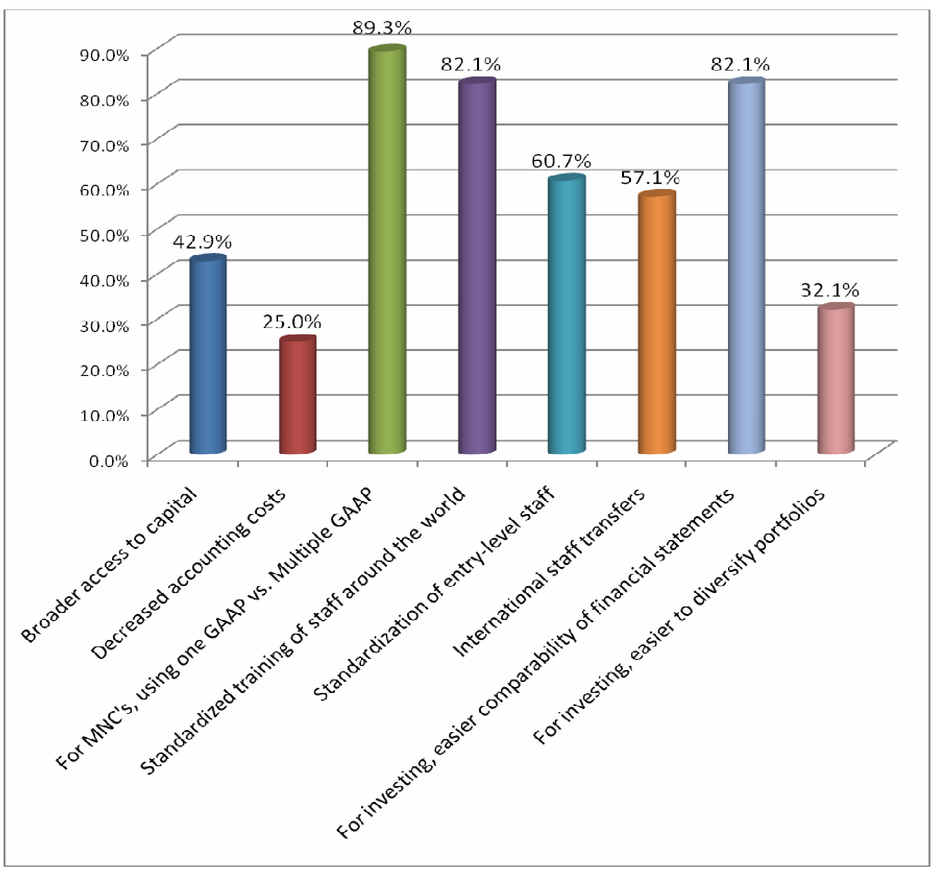
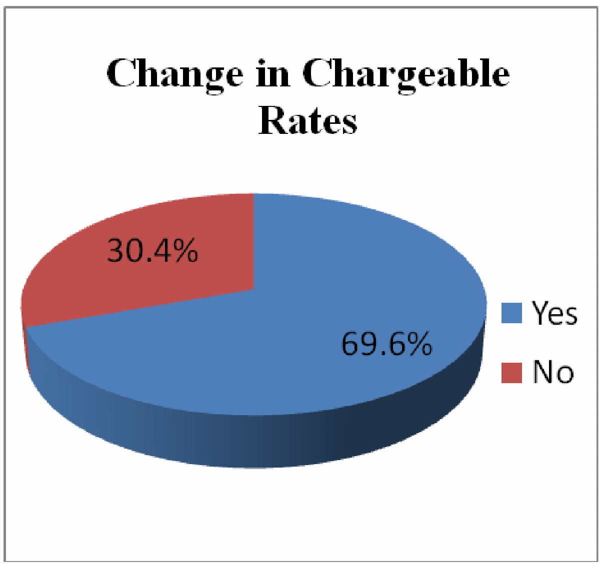
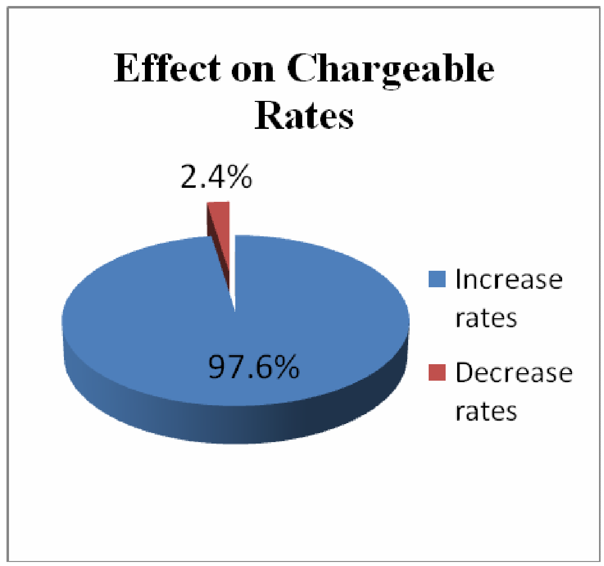


Figure 10 – Benefits of the Transition to Corporate Accounting

Public Accounting

In the area of public accounting, this survey strived to gain knowledge on: the affect of the transition on billable rates, the affect of the transition on billable hours, and the benefits of the transition on public accounting. From the survey results in Figure 11, 69.6% of public accountants believe that the rates will change as a cause of the transition to IFRS. The reason behind the adjustment that professionals provided were the new standards need to be learned and understood, and that cost will affect the rates that are charged. However, most respondents did say that a change in rates will depend on the companies they are providing the service for and the variance will only take place in the short run.





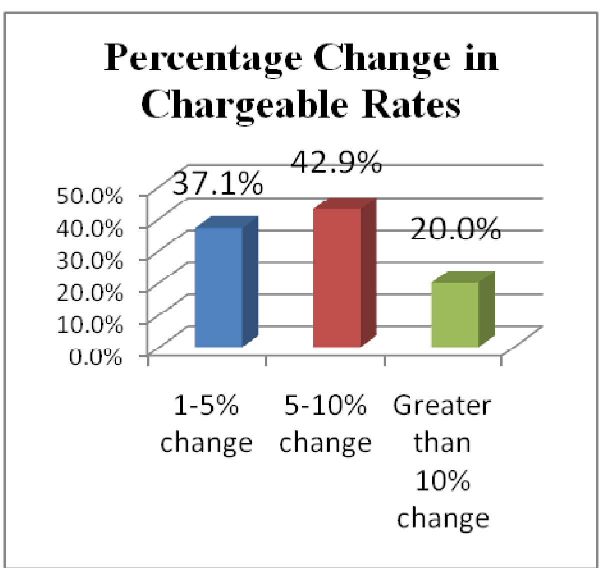


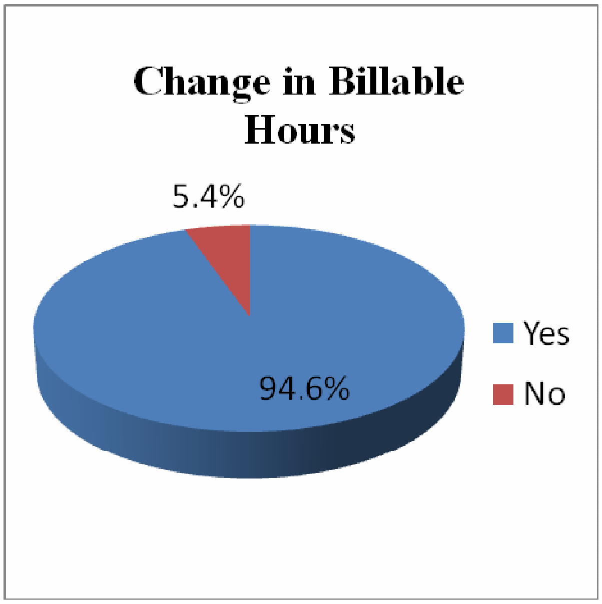
Figure 11 – Transition Effect on Chargeable Rates of Public Accounting Firms

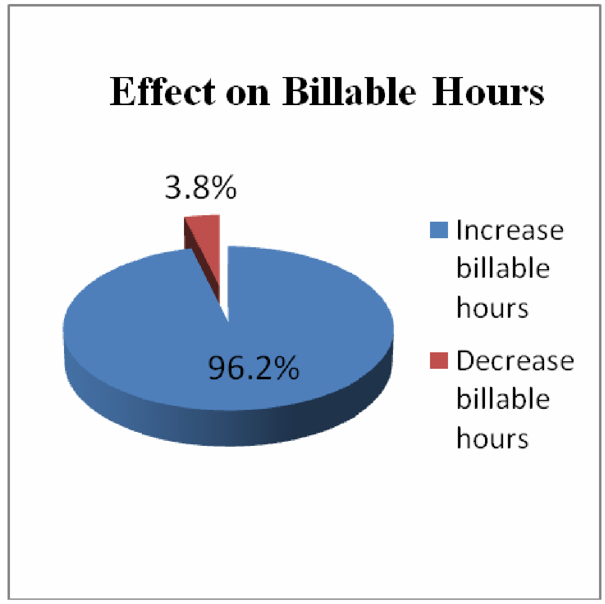
For the accountants who responded no to a change in rates, the reason they provided was it will be more likely to have a difference in billable hours than in chargeable rates. Plus, with the current state of the economy, many professionals believe it may be hard to alter the rates they charge to companies at this time.

Of the professionals who do believe there will be an adjustment to rates charged, 97.6% of them believe billable rates will increase (see Figure 11). Once again, many of the accountants stated the increase will depend on the client and the work that is done for that client, along with the belief that rates will increase only in the short run and level out or decrease over time.

When looking at how much the rates would change, the results were fairly equal as to how much accounting firms will increase rates. In Figure 11, the numbers are fairly spread between the different percentage changes in rates charged. At this time, it is hard for companies to estimate how much they will increase the rates they charge and also the raise in fees will depend on the client and what type of work is done for that punter.

The next focus of the survey was on billable hours charged to clients of accounting firms. From the survey we see that almost all accountants (94.6%) believe the move from US GAAP to IFRS will have an impact on billable hours (see Figure 12). Of those who suppose rates will increase, 96.2% believe that the rates will increase. From this information, it can almost be confirmed that the transition will initially bring higher costs to corporations as the billable hours of accounting firms will increase due to the unfamiliarity with the new rules and regulations IFRS brings. In terms of how much of a change there will be in chargeable hours, there is similarity in the response rates on each of the options. The majority believe the change will be greater than 5%, as most accountants assume costs will be higher as the most amount of work and hours will take place in the initial years of the conversion. The variation in answers can also be contributed to the fact hours billed with depend upon the client and the amount of service provided for that client.





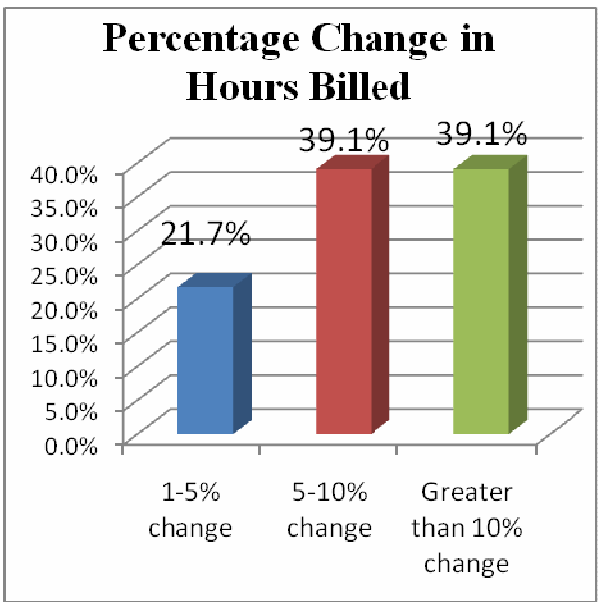


Figure 12 – Transition Effect on Hours Billed by Public Accounting Firms

Finally, the last part of survey searched to find the benefits of the transition on public accounting. Based on Figure 13, we see that three of the four options were chosen by over 50% of professionals as benefits of the transition from GAAP to IFRS. Note that easier accounting principles were not chosen as most professionals believe the standards may be harder to follow due to the responsibility taken on by accountants. There is more theory and conceptual thought behind the principles-based IFRS and accountants can no longer just follow the strict rules of GAAP guidelines. On another note, professionals see the transition as a benefit due to the fact that generally there are fewer rules to follow. It is more about opinion and doing the right thing than searching for FASB statements and GAAP rules. After the transition, only one set of standardized principles will exist for public accountants to adhere to, rather than having two sets of principles which is the case currently. With the international standards, accountants can now communicate more effectively with colleagues overseas who are working on the same client. Overall, after the learning curve, one set of standards will provide more consistency and less tedious work for public accountants.

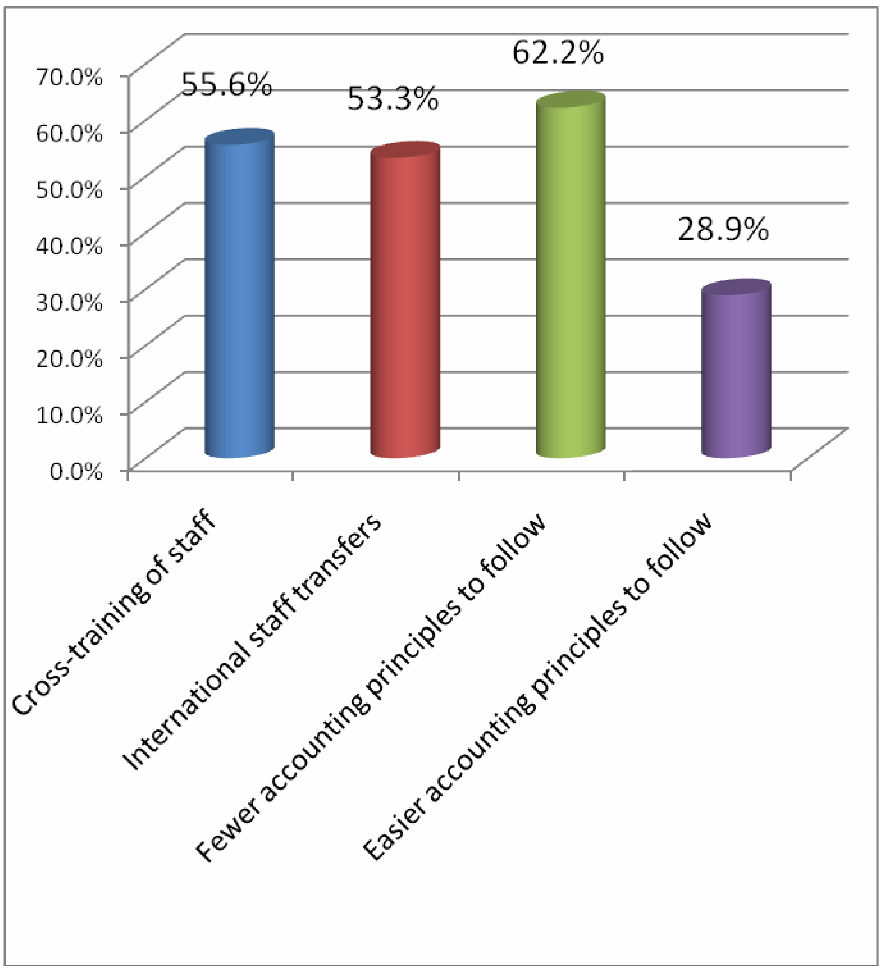


Figure 13 – Benefits of the Transition on Public Accounting

Corporate/Public Accounting

The Corporate/Public accounting section combines questions that pertain to both areas of accounting. In this section, the survey focuses on obtaining information about how long the transition will take the average company, staffing, and how tax work will be affected. For how long the transition will take most companies, the general consensus, shown in Figure 14, was 1-2 years at 40.6%. However, many of the additional comments added that the transition will probably take at least 2-3 years, which we see is supported by about 54.7% of the professionals who responded.

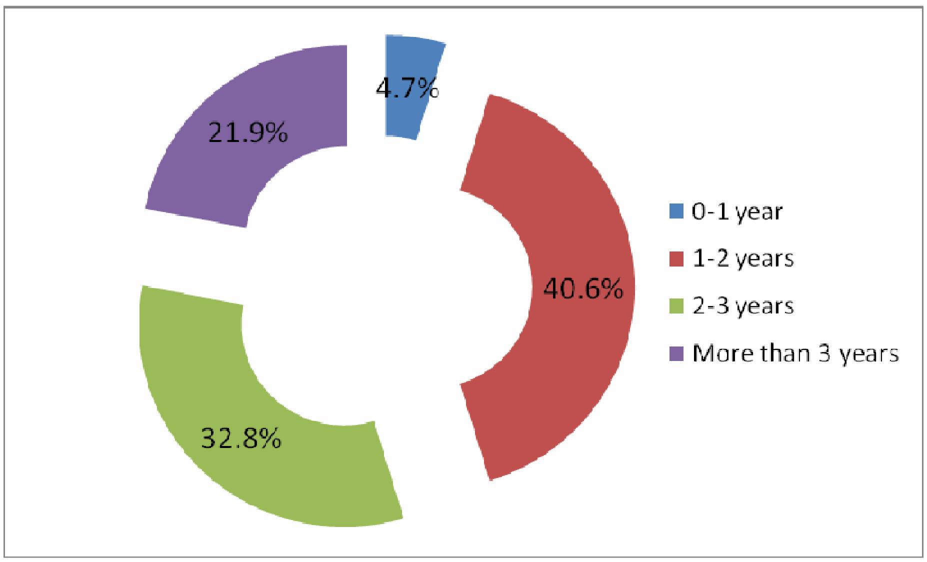
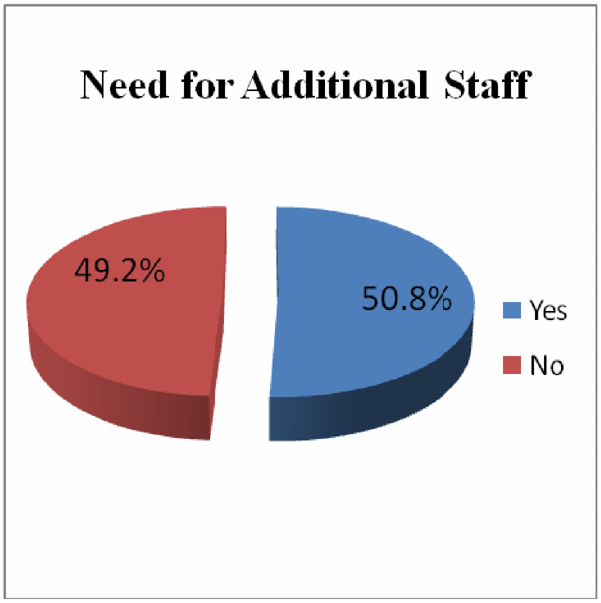


Figure 14 – Expected Timetable for Companies Making the Transition

Figure 15 shows that on the topic of staffing, professionals were split almost directly down the middle for whether or not they would need to hire new employees. The results were 50.8% to 49.2% in favor of having to hire new staff. This shows that some companies will hire experienced or trained employees to be consultants while other companies will go the route of training their current staff. When looking at how many new staff members companies would have to hire, the results were somewhat distorted. The majority of companies said they would need to hire 1-3 staff members but a significant amount of professionals also stated their companies would be benefitted by hiring 10 or more new staff. The reason for these results are most professionals either do not know what their staffing situation will be like at the time of the transition or they know but cannot estimate correctly the extent of their hiring. Also, the amount of staff hired is probably dependent on the size of the company and their need for experienced professionals. When looking at the costs of hiring new staff, once again the results were distorted and most additional comments provided by professionals expressed their uncertainty for what the market will call for when the transition occurs. Therefore, the results of this question are probably not very accurate when you take into account the uncertainty of most of the professionals who responded.



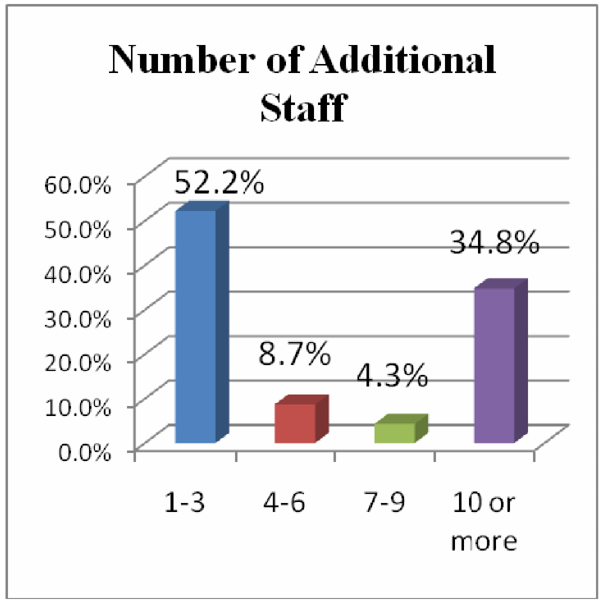
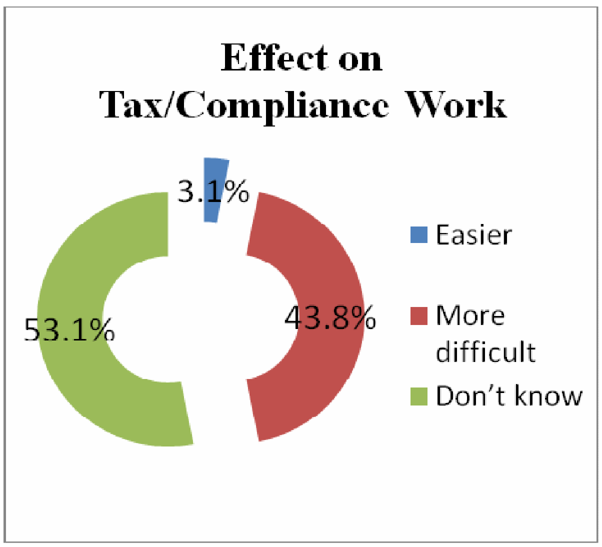
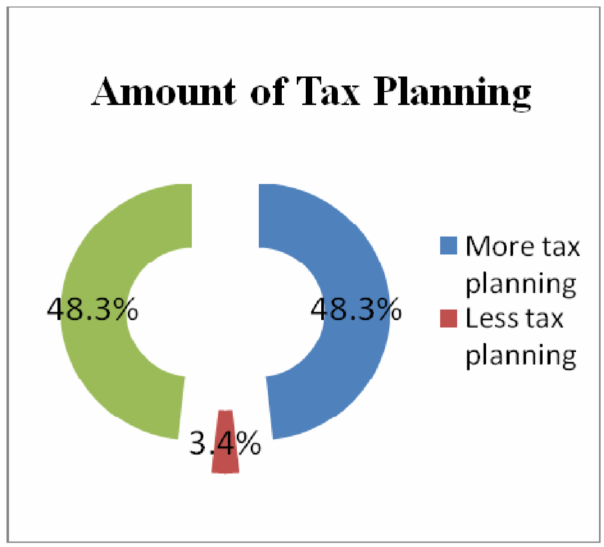


Figure 15 – Staffing Issues due to the Transition

Although tax work will not be affected as much as financials and audit work, this survey (in Figure 16) looked into what changes or effects would occur on tax practices. Based on the results, most professionals (around 53.1%) were unsure of what changes the new standards would bring or they believe tax/compliance work would become more difficult (43.8% of respondents). Professionals are unsure exactly how tax regulations will change and therefore cannot say exactly what effect that change will have on tax/compliance work. Many professionals however, believe tax work will become more difficult as the laws and regulations will change which would cause problems at first until professionals become familiar with the modifications to the standards. This will in turn, make it challenging for tax experts to compute the differences between book income and tax income.





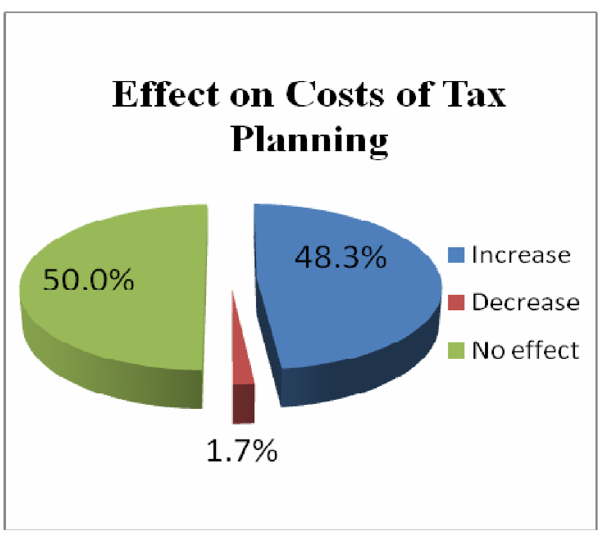


Figure 16 – Impact on Tax Planning due to the Transition

With all of the changes to rules and regulations, this will indeed have an impact on tax planning. From the results in Figure 16, we see it is split between no effect and more tax planning. If regulations do not change much, then we can infer tax planning will not change much. However, if regulations change, most professionals are either unsure of what the effect will be or they believe more tax planning will be necessary in the future. Some experts also believe new tax planning strategies must come about or alterations to current tax planning efforts must take place. In terms of cost of tax planning, again professionals are split between no effects and an increase in costs due to additional tax planning. A number of additional comments received stated that professionals are unsure of what the costs will be because of the uncertainty of what IFRS will bring to the table in terms of tax regulations. Conversely, professionals who think costs will increase believe that a change in regulations will affect the amount of tax planning and work experts must do, which will lead to higher costs for companies. Overall many professionals are unsure of what the effects on tax planning will be or believe the transition to IFRS will cause minimal or no effects to tax planning and costs associated with it.

Cost-Benefit Analysis - Corporate

Corporate accounting is the sector that will be most affected by the transition. This area of accounting will see the most costs but also the most benefits. One expense to public companies will be the cost of audits. Since the new standards will take time for public accounting firms to learn and comprehend, rates and billable hours to corporations, as we see from the survey, will increase. The new standards of IFRS will also take time for corporations to understand and this will lead to a higher difficulty in accounting for transactions. Changes/alterations to technology will increase costs of the transition while affecting how transactions are recorded and making the transition more demanding for corporations.

Two additional costs to corporations are the lack of increase in revenues and an increase in the hiring of new staff. While costs for corporations will increase due to all sorts of changes, revenues will not increase and therefore have an effect on the company's earnings. By changing standards that affect how much revenue is recognized, and with various tax incentives, hopefully this will balance out the problem of higher costs for companies and not affect their chances of obtaining investors. Survey results indicated that about half of the companies stated they would have to hire additional staff because of the transition. Most likely, these hires would be knowledgeable in the area of IFRS and this will cost companies more than an average/new employee. This will create higher costs for companies that make the transition from GAAP to IFRS.

Lastly, there could be a potential effect on the costs of tax planning. Many professionals believe that tax planning will not be affected greatly by the transition; however there is some uncertainty about what the new standards will bring about. Therefore, most professionals believe if there is a change to tax planning, it will be an increase in time and costs. Nevertheless, many feel the costs to increased tax planning will be minimal as it will only call for more effort and time put in by employees.

Looking at some of the benefits of the transition to IFRS, most professionals believe the previous stated costs will only occur in the short run and could potentially decrease in due course. With the average transition believed to be just one to three years for companies, this is beneficial as companies will only have to shoulder the burden for a few years and then they will be able to reap the benefits of the transition. Also, the majority of professionals think the transition will only cost companies between zero and five percent of revenue which is a fairly low cost.

Some additional benefits foreseen from the transition are: companies can follow one set of accounting standards instead of two in the US, comparability of financial statements will increase for investors all around the world, and companies will have the ability to offshore their accounting work. In terms of staffing, although many companies will have to hire new employees, there are also a lot of benefits. Companies can standardize training of employees around the globe, there will be an equality and standardization among entry level staff from educational facilities around the world, and companies will have the ability to perform international staff transfers. As a summary, the benefits seem to prevail over the costs of the transition as companies should only incur costs for the first one to three years and then companies can garner the benefits of transitioning from US GAAP to IFRS.

Cost-Benefit Analysis - Public

Looking at the area of public accounting, expenses of the transition are more opportunity costs rather than financial costs. The one financial cost we see is the hiring of additional staff. New staff members to help with the transition will likely have an expertise in international accounting and therefore be fairly expensive. Their hiring could potentially be temporary to just help train and prepare current employees for the transition. Other than these costs, the rest have an opportunistic base. Staff will have to spend more time and effort on audits and learning the new standards, and with the transition being so short, only one to three years, pubic accounting firms have little time to apply the standards and make money off of companies for their expertise.

The benefits to public accounting also have little to do with financial advancement. Firms will most likely increase rates and billable hours, as we see from the results of the survey, but after the transition is done (one to three years) firms rates charged and hours billed will likely drop back to normal. Some other benefits forecasted by professionals that will come from the transition are firms will now only have one set of financial standards to follow rather than two, fewer accounting principles and the majority of professionals feel there will be no increased competition in the accounting market. The conversion will also lead to benefits in terms of staff allowing companies to cross-train employees and have international staff transfer if or when they are needed. Overall, in public accounting, we see the benefits of the transition outweigh the costs which provides the incentive and thought that the transition to IFRS should and will occur.

General Knowledge

The last section of this survey intends to gain professionals thoughts and opinions on the overall transition, its effect on the accounting market, and its effect on the economy as a whole. In terms of the effect of the transition on the accounting market, Figure 17 shows that most professionals suppose the transition will have no effect on the market. They believe this because the accounting market is already highly competitive and therefore not much will change. Professionals who think the competition in the market will increase because having one set of accounting principles worldwide will give companies the ability to offshore their work and therefore increase competition in the market. Those who think competition will decrease are assuming smaller accounting firms will not be able to compete in the global market, but considering smaller firms do not usually have multi-national clients, this will probably not have much of an impact on the accounting market overall.

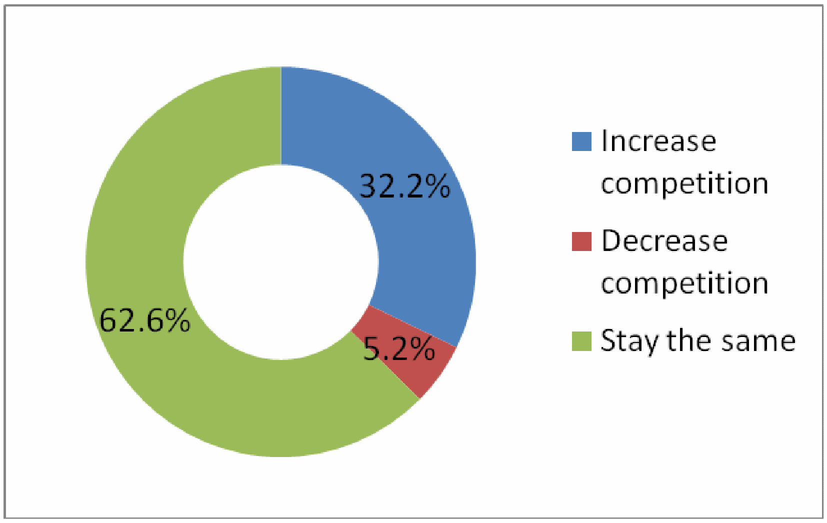


Figure 17 – Effect on Competition in the Accounting Market

The next question asked professionals opinions on the transition and if they agreed with it. In Figure 18, the majority of respondents said they agree with the transition. The approval of the transition was overwhelming at 64.4%, while only 17.2% did not agree with the conversion. Many people concur with the transition because it provides one set of consistent standards. Also, professionals see the benefits it will have for disadvantaged investors in the US. As of 2011, the US will be the only major economy in the world not using IFRS. On the other hand, there are some concerns that people do have. Even those who agree with the conversion have expressed these concerns.

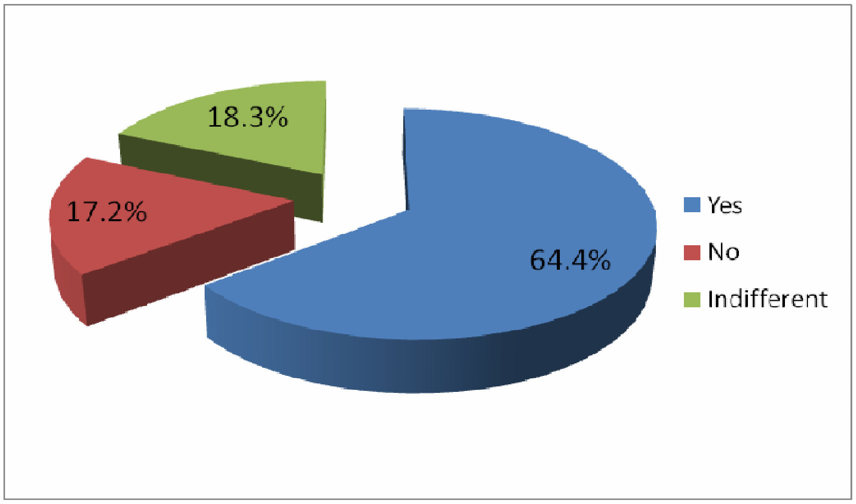


Figure 18 – Professional Perception of the Transition

With lowering the quality of standards by using principles-based reporting instead of rules-based, investors are worried that companies will be able to stretch accounting regulations as they did in the past which could lead to another set of scandals and an overall disastrous situation. Principles do not provide enough guidance for companies, and therefore although people do agree with the transition, some of them believe rules-based reporting will return in the future as it will be needed to keep companies consistent with their accounting practices.

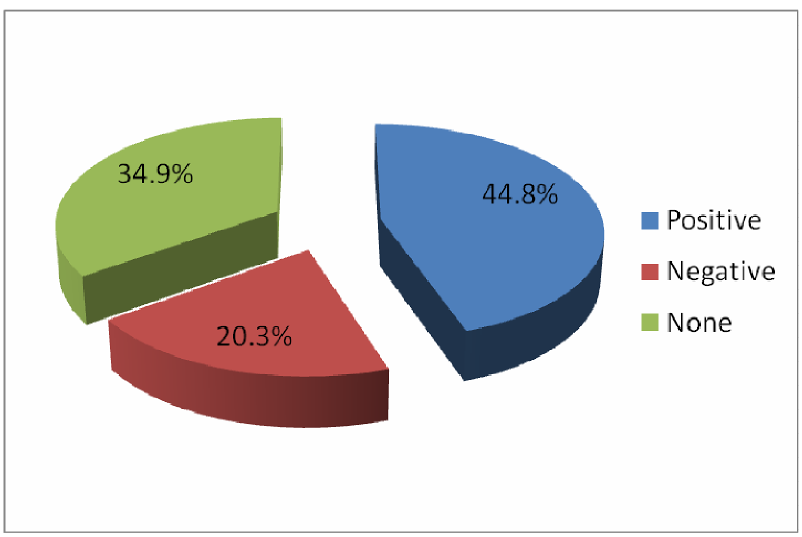


Figure 19 – Effect on the US Economy

The last piece of information this section aimed to obtain was respondent's thoughts on how the transition to IFRS would affect the US economy. Although the results were mixed, the majority of the respondents believed the transition will have a positive effect on the economy at 44.8% (see Figure 19). Many professionals feel the initiation of IFRS into the US economy will cause short term hindrances and a burden, but it the long run, the transition will provide benefits in terms of investing and consistency. However, there are a large group of professionals who are unsure of the effects of the transition on the economy or who believe the conversion will have no effect (34.9%).

Some other thoughts on the effect of the transition are that there will be a lag effect for US investors as it will take time to understand IFRS and the Financial Statements. Professionals do not want the standards to be rushed and forced on the economy as that will result in higher costs for an already costly and time consuming process, plus it could lead to a messy transition phase. Accountants are also worried about whether or not creative accounting will sprout up again due to the principles-based standards and the skepticism of the enforcement and oversight. These are all problems that could have an effect on investors and the economy as a whole.

CONCLUSION

As stated before, this research is a brief overview of the costs and benefits of the transition from US GAAP to IFRS. Not a lot of research has been done on this topic and there is a great deal of information still to be obtained. This survey only touches the surface on this topic and with more time and resources, substantial and pertinent information could be gathered on this subject. With the transition potentially coming soon, more research on this subject could be helpful and beneficial to companies who will undergo the transition from US GAAP to IFRS. However, there is still an abundance of uncertainty about the transition due to all of the changes in authority over the past few months. Companies at this time are taking educated guesses on the transition issues and processes, when they should be doing extensive investigations into the potential costs and benefits so that they will be prepared when the time comes to make this transition.

Based on the information obtained from this study, companies should be starting to prepare for and understand the transition. Most companies have already begun to do this but there are many who have not. IFRS will bring many benefits to companies and investors but will require a lot of time, effort, and money to implement. Focusing on determining reasonable estimated costs for things such as hardware changes, software alterations, re-training of employees, and paperwork will help provide a better understanding of the expenses companies will face throughout the transition phase. These costs were looked at during this study but there was an extreme uncertainty about how these costs would be affected in these areas, which shows companies should devote more time to researching costs. Initial preparation and being geared up to go once IFRS are embraced by the SEC will be vital for a quick and efficient transition. Therefore, it is necessary that companies begin now, their preparation for the transition to IFRS.

When the SEC decides to go forward with the transition, the US will be the last major economy to develop IFRS. Therefore, with over 110 countries already using IFRS, it is necessary that the US make the transition in a timely manner. Once the US makes the conversion, financial statements will become more comparable and provide investors with the ability to invest their money anywhere in the world. This will in turn bring more foreign investment to the US and hopefully help the economy.

One issue with the transition is many professionals are worried about how IFRS will be taught to students and how professionals will be educated on the standards. Based on the survey and recent developments about IFRS, educational institutions and companies are beginning to provide knowledge about IFRS to students and professionals. When the SEC does finally elect to go ahead with the conversion, especially if they use the current timeline, there will be time for individuals to become educated on the new standards. With a buffer zone of a couple of years before the transition becomes official, this will give professionals time to become familiar with and practice the new standards along with giving colleges and universities the time to develop a new and integrated curriculum. As long as schools continue to incorporate IFRS into their current curriculum and companies keep on providing tools and programs that allow professionals to learn IFRS until the transition becomes official, there should be no future problems in the development of knowledge and understanding of IFRS.

As of now, we see there is a current convergence between US GAAP and IFRS. This study believes that this convergence needs to continue to an extent to make the transition successful.

With recent troubles involving scandals and fraudulent reporting, the SEC needs to be cautious when adopting IFRS as there is large amounts of room for interpretation of the rules. To protect investors, a combination of US GAAP with IFRS will help to keep some of the current regulations in place to prevent future reporting problems. It is still necessary to adopt the core of IFRS to allow comparability of financial statements, however it is also essential to have good oversight and for companies to adhere to regulations. Therefore, a convergence of US GAAP and IFRS, which is currently taking place, should continue to be implemented because it is in the best interest of all parties affected by the transition.

Lastly, the SEC must make a decision soon. Time is being wasted focusing on every detail of the conversion when it is essential that the US make the move and make it quickly. As of now, based on the current roadmap, the US will finish the transition in 2016. This is 5 years after the last of the other major economies will have made the transition to IFRS which will affect the US's ability to be a key player in the global market. Investors now have over 12,000 companies in over 110 countries to invest in and are no longer focused on just the major markets (like the US). With the US still using GAAP, it is more work for investors to try and compare financial statements when they already have an abundance of companies to invest in that are using IFRS. Therefore, the SEC should and must make a decision in the near future to help investors and help the US economy be a player in the global market. The decision can be made this year or the next (not 2011), and then the timeline for the transition can be moved ahead a year or two which would be beneficial to companies, investors, and the economy. A staged transition will still be in the best interest of companies to help with the cost burden, but companies have enough resources to be able to make this transition by 2014 or 2015, if they start now, and this will help the US return as a significant part of global investing and the global market.

In summary, the benefits of the transition to IFRS outweigh the costs in all three areas of accounting (academia, corporate, and public). Companies will be able to appeal to global investors as financial statements will be comparable all around the world. With increased investing in the US, this can only help and strengthen the US economy. In academia, educational institutions and companies have already begun to provide information about and teach IFRS to accounting students and professionals. In public accounting, firms have already begun preparing for the transition and providing consulting to companies who will be impacted when the transition occurs. Corporations have begun to prepare for the transition but are still learning about the effects, impacts, and costs the conversion will have. The transition has already begun in the minds and practices of accounting professionals and now it is time for the SEC to follow suit and make a decision on when the transition will occur. Based on what other countries have done in terms of converting to IFRS, the sooner the US begins and completes the transition, the better off the economy will be due to the consistency around the world. This conversion could potentially have a large impact on the US economy as it will affect the decisions of investors all around the world and promote investing in the US.

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