

**Deloitte
& Touche**

International Financial Reporting Standards

Of Growing Importance for U.S. Companies



Assurance Services

there is no longer a choice

Three factors may influence your need to consider IFRS. First, many organizations will be obligated to report using IFRS due to a country's requirements. Below are just some of the possible scenarios where IFRS would be required.

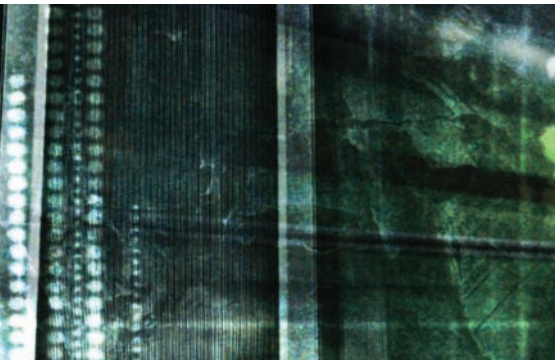
- U.S. subsidiaries of companies operating in jurisdictions where IFRS is the accepted standard need to follow the same accounting standards as their corporate parents.
- U.S. joint ventures with a venture partner operating in countries requiring IFRS also need to follow the same accounting standards as their venture partner.
- U.S. multinationals seeking to enter new markets and expand operations to a foreign country may need to report using IFRS in order to obtain an operating license or raise capital.

Second, some companies will want to consider supplementing their current U.S. GAAP reporting with financial information prepared on an IFRS basis. This is particularly true for U.S. companies with foreign competition who may want to supplement their reporting with information based on IFRS in

order to compare their operating and financial results with European and Asian rivals. This may be particularly true for entities operating in the manufacturing, banking, insurance, automotive, and pharmaceutical industries.

IFRS will have a marked impact on all of these entities, and should be evaluated without delay.

Third, the International Accounting Standards Board and the Financial Accounting Standards Board in the United States are jointly advancing a converged set of standards. Under a recent agreement, both bodies will propose changes to their respective standards that reflect common solutions to specific differences. The first step is to eliminate a number of differences in the short term, by selecting current practice either under existing IFRS or U.S. GAAP. The long-term objective is for both organizations to work together to reduce or eliminate remaining disparities on an ongoing basis, through a series of joint projects and in coordination of future work programs. In addition, both organizations have agreed to work together through their respective interpretive bodies in converging interpretation and application issues.



IFRS is Inevitable

Deloitte & Touche Partner D.J. Gannon discusses the growing importance of IFRS in the United States: "Right now, there are close to 1,400 non-U.S. companies with shares listed in the United States. Only about 50 are currently using IFRS, and they have to reconcile their financials with U.S. GAAP. This number could climb to between 500 and 600 as European companies convert from their home country standards to IFRS.

"In the next few years, U.S. GAAP may resemble IFRS so closely that the SEC could accept IFRS-based filings by foreign private issuers in place of U.S. GAAP. This might even set the stage for the SEC to give U.S. companies the option of using IFRS."

the need for global consistency

A few years ago, International Financial Reporting Standards (IFRS) were a distant possibility. Today, the reality is far different. We are in a dramatic shift that is fast making IFRS the most widely accepted accounting model in the world.

As the business environment becomes increasingly global and companies routinely list on stock exchanges in many countries, the need for consistent worldwide reporting standards intensifies. IFRS, formerly known as International Accounting Standards, clearly addresses this issue; its goal is to create comparable, reliable, and transparent financial statements that will facilitate greater cross-border capital raising and trade.

While converting to IFRS is a complex process, these standards have important and positive implications for organizations and individuals that adopt them:

- 1. For companies: reduced cost of capital and the ease of using one consistent reporting standard from subsidiaries in many different countries.**
- 2. For investors: better information for decision making, leading to broader investment opportunities.**
- 3. For national regulatory bodies: better information for market participants in a disclosure-based system.**

Without question, the time has come for IFRS. Companies in the United States are being affected by the standards now: the forces driving IFRS call for prompt action. Deloitte & Touche can help you determine your company's specific needs and assist you in making the transition to IFRS.



Use of International Financial Reporting Standards

	Europe/Central Asia	Americas	Asia-Pacific	Africa/ Middle East
Requires IFRS	Armenia Austria Bangladesh Belgium Bulgaria Croatia Cyprus Czech Republic Denmark Estonia Finland France Georgia Germany Greece Hungary Ireland Italy Kyrgyzstan Latvia Lithuania Luxembourg Macedonia Malta Netherlands Norway Poland Portugal Romania Russia Slovakia Slovenia Spain Sweden Switzerland Tajikistan Ukraine United Kingdom	Bahamas Barbados Costa Rica Dominican Republic Ecuador Guyana Haiti Honduras Jamaica Panama Papua New Guinea Peru Trinidad & Tobago	Australia Brunei Nepal Singapore Taiwan	Egypt Jordan Kenya Kuwait Malawi Mauritius Oman Tunisia
Converging with IFRS	Moldova Uzbekistan	Argentina Brazil Canada Cayman Islands Chile Guatemala Mexico Uruguay Venezuela United States	New Zealand China/Hong Kong India Indonesia Japan South Korea Malaysia Philippines Thailand	Iran Israel Pakistan South Africa Zimbabwe

The European Union has led the way in making IFRS compulsory. In May 2002, the European Parliament ruled that the consolidated financial statements of substantially all companies domiciled in the EU with public shares listed on an EU stock exchange must follow IFRS beginning January 1, 2005.

This decision affects more than 7,000 companies that currently use their home country's GAAP, and is accelerating the transition to IFRS by corporations on six continents.



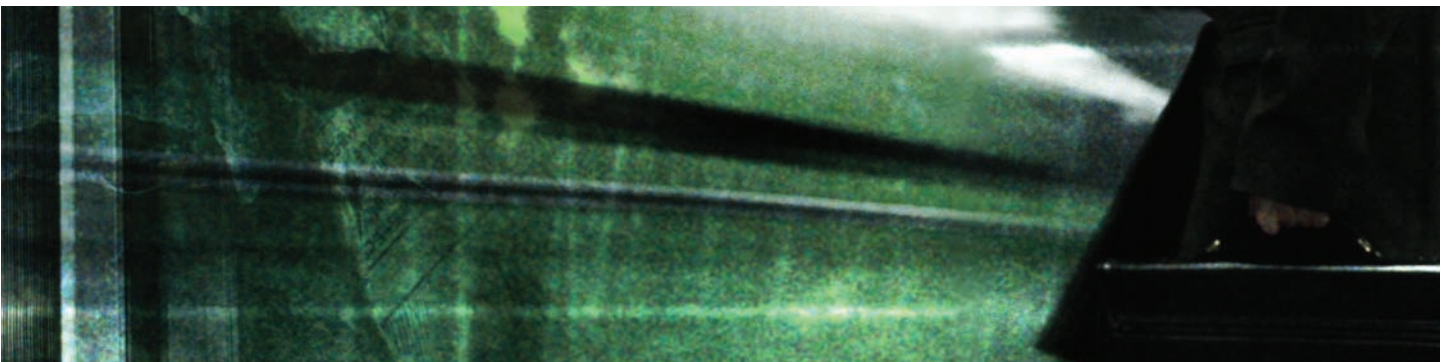
the time has come for your next step

IFRS signifies a new era of financial reporting that will eventually touch thousands of U.S. companies. Its impact on U.S. GAAP will deepen as it becomes the prevailing global accounting standard. Ultimately, a new global standard will emerge that represents critical aspects both of IFRS and U.S. GAAP.

The broader a company's international activities, the greater the effect of IFRS. Some companies will need to adopt IFRS now to meet international financial reporting and lending requirements. Others will recognize the need to supplement current U.S. GAAP reporting with IFRS commentary to allow more accurate comparison to foreign competitors.

Either way, Deloitte & Touche can help determine your company's specific needs and assist you in making the transition to IFRS.

To learn more, visit the IAS Plus Web site at www.iasplus.com.



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