

## **The Human Side of IFRS**

Learning international accounting standards early on could provide a career boost like no other.

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The story of U.S. companies' presumed forthcoming conversion to international financial reporting standards is not just about accounting and global commerce. It is also a people story: For starters, who should be trained (and when), who should provide the training, and what impact will an early mastery of IFRS have on an accountant's career?

That last question brings an easy answer from those in a position to provide IFRS training, including college professors and professional services firms. For career advancement purposes, gaining bona fide expertise in international standards in the short term may be a sure ticket to bountiful career rewards. "It's one of two very hot areas, fair value being the other one," said H. David Sherman, an accounting professor at Northeastern University and a former Securities and Exchange Commission academic fellow. "Anybody becoming an expert in either of those areas has a guaranteed career for many years."

An accountant who establishes a position as the "go-to" person on IFRS within a company will have great influence over how the company appears to the public, especially analysts and investors, Sherman noted.

The footnotes to financial statements "are going to be much more important" than with U.S. generally accepted accounting principles, he said, because they will allow more flexibility in what and how information is presented. "It's going to be a different kind of expert than we've had under GAAP, and that person is going to be extremely valuable because they will help the company understand what its real options are."

Aaron Brooks, managing director of the Chicago office of professional services firm The Mergis Group, told of an accountant acquaintance who recently took a new job, only to soon become a victim of the "last-in, first-out" approach to a head-count reduction. "My advice to him: Get training in IFRS," Brooks said. "This is a need that will continue to grow more pervasive within companies, and those who have IFRS experience are going to have more job security and more choices in their careers."

At the Precipice?

To be sure, right now is an odd point in the march to convert U.S. companies to international standards — a moment of suspended animation

between the departing and soon-to-enter presidential administrations and Securities and Exchange Commission regimes.

The solid motivations for having a single unified set of accounting standards worldwide will remain, no matter what. Still, it is not yet known whether the SEC's new leaders, bowing to the financial crisis and the desires of many filers, will delay the current proposed timetable for IFRS adoption, or change any other particulars.

Under the SEC's current IFRS-adoption roadmap, more than 100 large multinational companies that are already heavy users of IFRS globally can apply to be early adopters as soon as this year. Their task may be relatively easier than will be the case later for companies with less institutional knowledge on the subject.

The largest calendar-year companies that are not considered early adopters would submit their first SEC filings using international standards in 2015, but those reports would include audited IFRS financial statements for earlier years starting with 2012. Thus, if a company wanted to take a year to plan its approach and a year to train its personnel before actually preparing IFRS-based reports, it would have to begin that cycle by next year.

But Brooks, like counterparts at other corporate advisory firms, has been encouraging client companies that are likely to be in the first couple waves of IFRS adoption to get going on the planning process sooner than later.

"The smart companies have learned from the experience of Sarbanes-Oxley about the length of time and the effort it takes to implement something like this," Brooks said. "And the smart ones are thinking about it now."

There is a fair number of those, according to Andrew Reina, practice director for Ajilon Finance Solutions, whose clients are audit committees, CFOs, and controllers. "In four of five cases, when asked what's keeping them up at night regarding the next two to five years, they mention IFRS, despite the current financial crisis," Reina said. On the other hand, he added, some CFOs look like they're going to be caught off guard.

### Surgical Training

There is no need for any company other than the relative handful of early adopters to begin broad training right now, professional services experts agreed. Instead, companies should focus on identifying a core group to train in conducting impact analyses — identifying what the significant accounting differences will be and, just as important, what business processes and

systems will be affected, suggested Danita Ostling, a partner at Ernst & Young who recently was appointed the firm's Americas IFRS leader.

"Developing that plan is multifaceted, and training is a piece of it," Ostling said. That means being strategic about who to train, when to train them, and what to train them on.

Just as today not everyone within a company's controllership and accounting functions is knowledgeable about U.S. GAAP literature in its entirety, the same will be the case with conversion education. All such personnel should get "awareness-level" training to paint the big picture. But deeper training should be given only on accounting issues that people specifically deal with in their roles, according to Ostling. For example, someone who works on pensions and employee benefits will need a lot of instruction in how IFRS treats that, but won't necessarily need to know much about inventory accounting.

Especially important will be training the right people to understand tax and information-systems impacts, said Brooks.

Some companies will hire temporary staff during the conversion period, which is what happened in Europe, Ostling noted. Brooks, whose unit's parent company operates a large temporary staffing service, said he expects many companies will move existing staff to the conversion process and use temps to keep the regular work going.

Meanwhile, of course, most CFOs will want a working knowledge of the full spectrum of changes. In fact, if they're just starting to acquire that now, they're late.

For one thing, large-company CFOs already are competing with companies globally that are reporting in IFRS; so a familiarity with those standards enables an informed comparison with other market players. For another, finance chiefs need to keep up with other key influencers. "Sophisticated analysts, lenders, and students who have a world view need to understand IFRS today, even if we don't adopt it for a few years," Professor Sherman said.

#### Are You My Teacher?

For training purposes, companies that have international operations already reporting in IFRS will be the best positioned. Those that don't will have to rely on the professional services firms or other consultants who are boning up on the topic.

"There are more people out there getting trained up on this than you might think," said Brooks. "There's a phenomenon going on in the United States, with many people who have strong accounting, IT, and functional-systems backgrounds going independent so they don't have to deal with corporate bureaucracies or work for big public accounting firms where there is so much pressure to [generate business] and sell your work."

The auditing firms for several years now have had to issue audit opinions on subsidiaries of European companies, so they already have a battery of people they define as IFRS experts, Professor Sherman pointed out. "My view is that these people are not experts in the way some of the Europeans who have been immersed in IFRS are," he said. "But [the auditing firms have] had to deal with the issue, and they have very elaborate training programs for all levels of staff."

And what about the traditional square-one trainers, colleges and universities themselves? By the time companies are conducting broad-based IFRS training for their accountants, will they be able to supplement their staffs with new graduates, thoroughly educated in international standards?

Certainly that will be the case, Sherman said, by 2015, the first year when many U.S. companies will be required to file financial reports using IFRS, if not sooner.

As things stand now, some accounting and business programs that are very internationally focused have already incorporated IFRS courses for a few years, as 2005 was the official launch date for European Community countries.

Many other schools are like Northeastern: They have included IFRS instruction as a component of existing courses like "Contemporary Accounting Issues," but have not yet dedicated courses to the topic. That likely will change fairly quickly now that the SEC's roadmap has been published, which should lead to the publication of textbooks, and with the Big Four accounting firms providing course materials to educational institutions.

In fact, mused Reina, before long there "might be an interesting twist where folks coming out of college are better prepared than those who have been in the field."