

# *US GAAP & IFRS convergence series*

## Survey results – What are other companies doing?

### March 15, 2011

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# *Administrative Items*

## Before we get started

- Access the slide deck and other resources via links at the bottom of your screen
- Submit questions via the “Ask a question” box on your screen
- Answer all polling questions in order to obtain CPE credit
- Complete evaluation at conclusion of webcast
- After submitting evaluation, click the “Request CPE” link to access and print your CPE certificate

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## *Partner Panel*

Jim Kaiser

Dave Kaplan

David Schmid

Chad Kokenge

Tessie Johnson

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# *Agenda*

- US GAAP convergence and IFRS update
- Survey overview
- Survey responses and PwC views
- Next steps
- Questions and answers

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## ***Polling question #1***

How are you staying current on the recent standard setting activity?

- a) Professional publications
- b) FASB/IASB board meetings
- c) Auditor or accounting-advisor updates
- d) Not actively monitoring
- e) N/A or PwC participant

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## ***Current status of convergence and IFRS in the US***

- FASB and IASB (the Boards) were working on approximately a dozen joint projects
- The Boards reprioritized projects throughout the second half of 2010
- Priority joint projects considered most significant for 2011
  - Leases
  - Revenue recognition
  - Financial instruments
  - Fair value measurement
  - Statement of comprehensive income

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## ***Current status of convergence and IFRS in the US (continued)***

- Boards currently redeliberating priority projects
- The Boards have reached some tentative decisions
- Changes will simplify some complex accounting
- Boards still to discuss implementation approach and timing
- FASB and IASB changes

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# ***Current status of convergence and IFRS in the US (continued)***

## **Politics of IFRS in the US**

- SEC expected to make a determination on IFRS in late 2011
- SEC Staff “trial balloon” floated in December 2010 (“condorsement”)
- Approach is neither full adoption nor rejection of IFRS
- Staff also might consider some form of voluntary IFRS adoption
- Still too early to chart a clear path

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## ***Polling question #2***

Have you or others at your company attended any FASB/IASB roundtables or participated in the comment letter process?

- a) Yes
- b) No
- c) Don't know/unsure
- d) N/A or PwC participant

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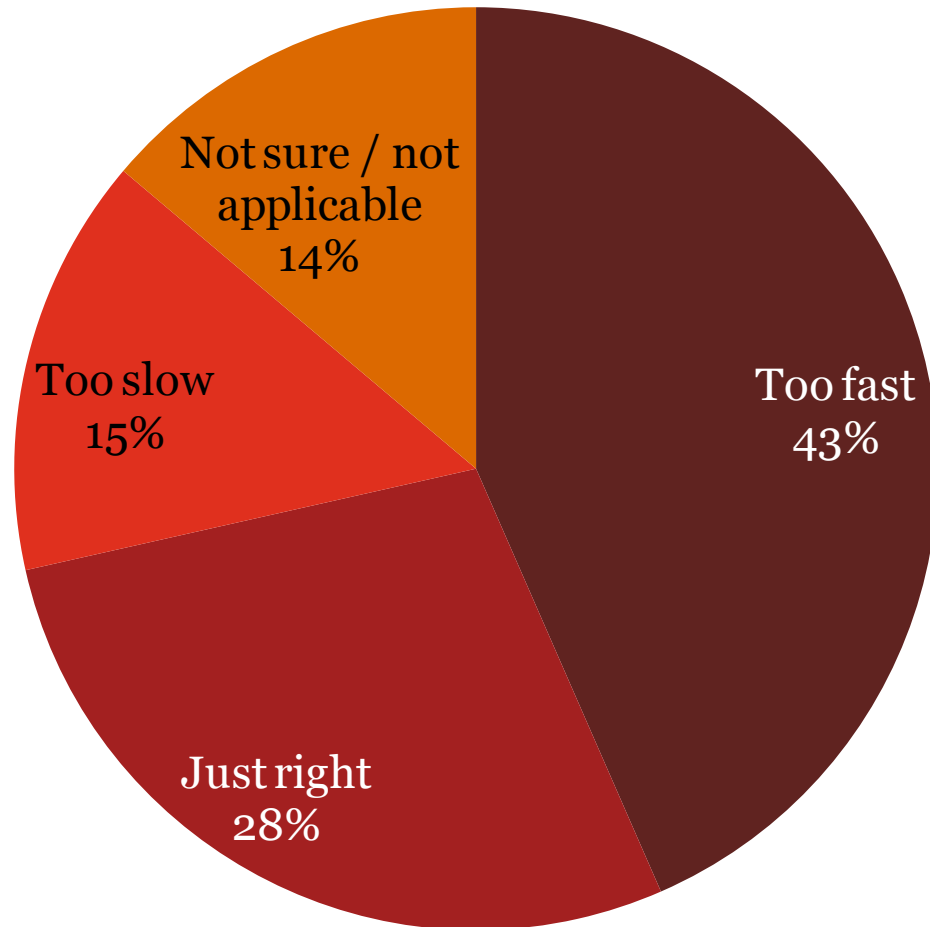
## ***Survey Overview – General***

### **A few overall themes...**

- Respondents expect the leasing project to have the greatest impact
- Revenue recognition ranks second with certain aspects of the proposed standard generating very strong reactions
- Financial instruments project expected to affect more than just financial services companies
- To date, companies have taken a measured approach
- All of the projects are expected to have major systems impacts
- IFRS is still on people's minds

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***What do you think of the pace of recent standard-setting activity?***

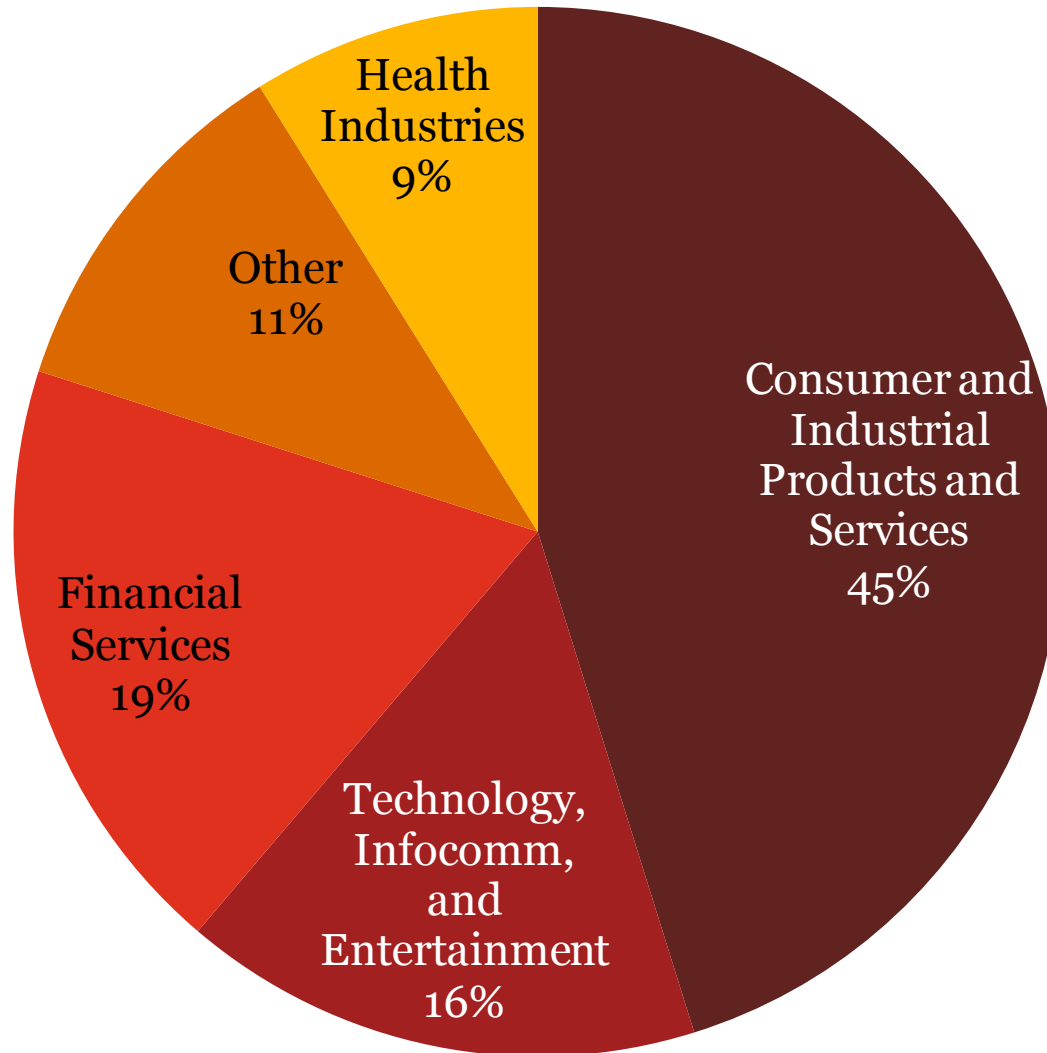


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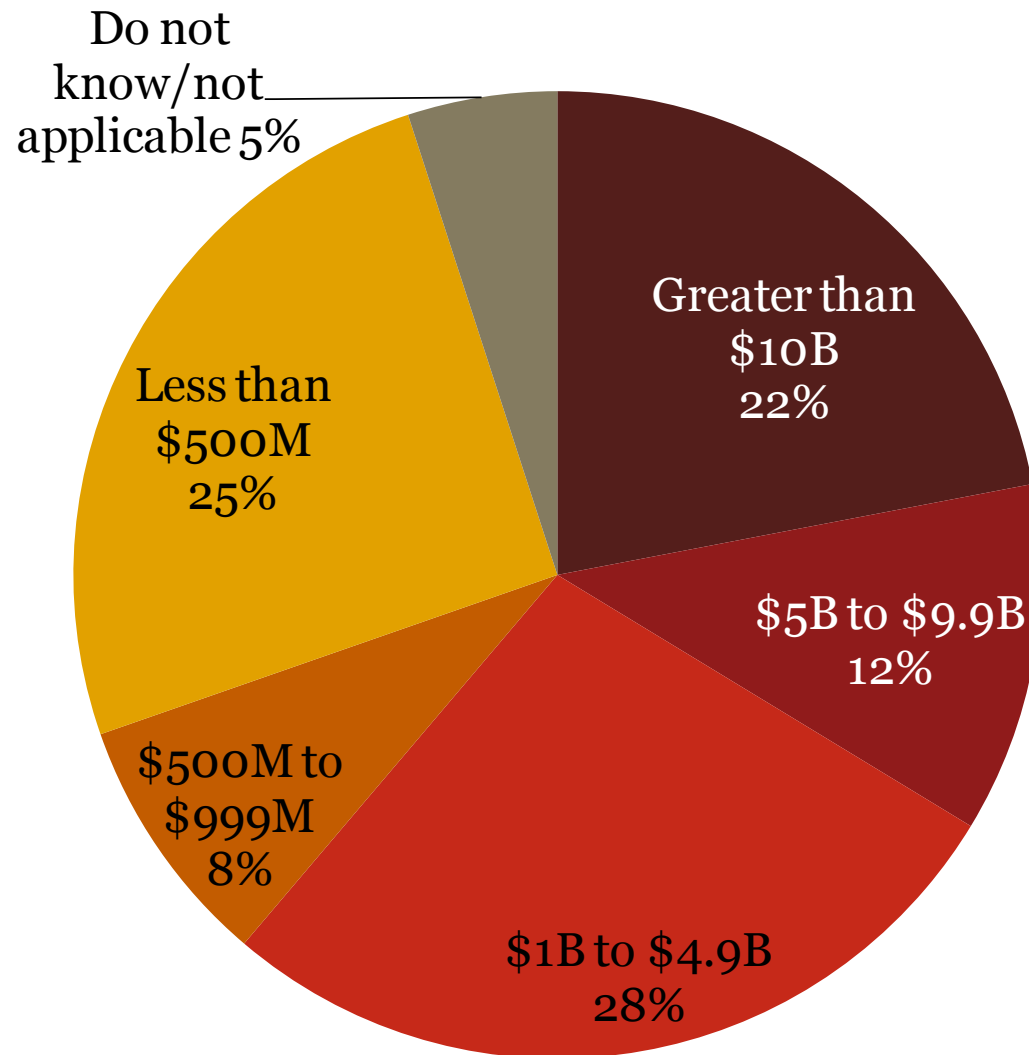
## *Survey overview*

- “Open” survey – made available on-line
- Over 1,400 unique responses to the survey
- Survey was available for four weeks beginning February 15<sup>th</sup>
- Respondents were mostly finance professionals
- Respondents were from companies of varying sizes and industries

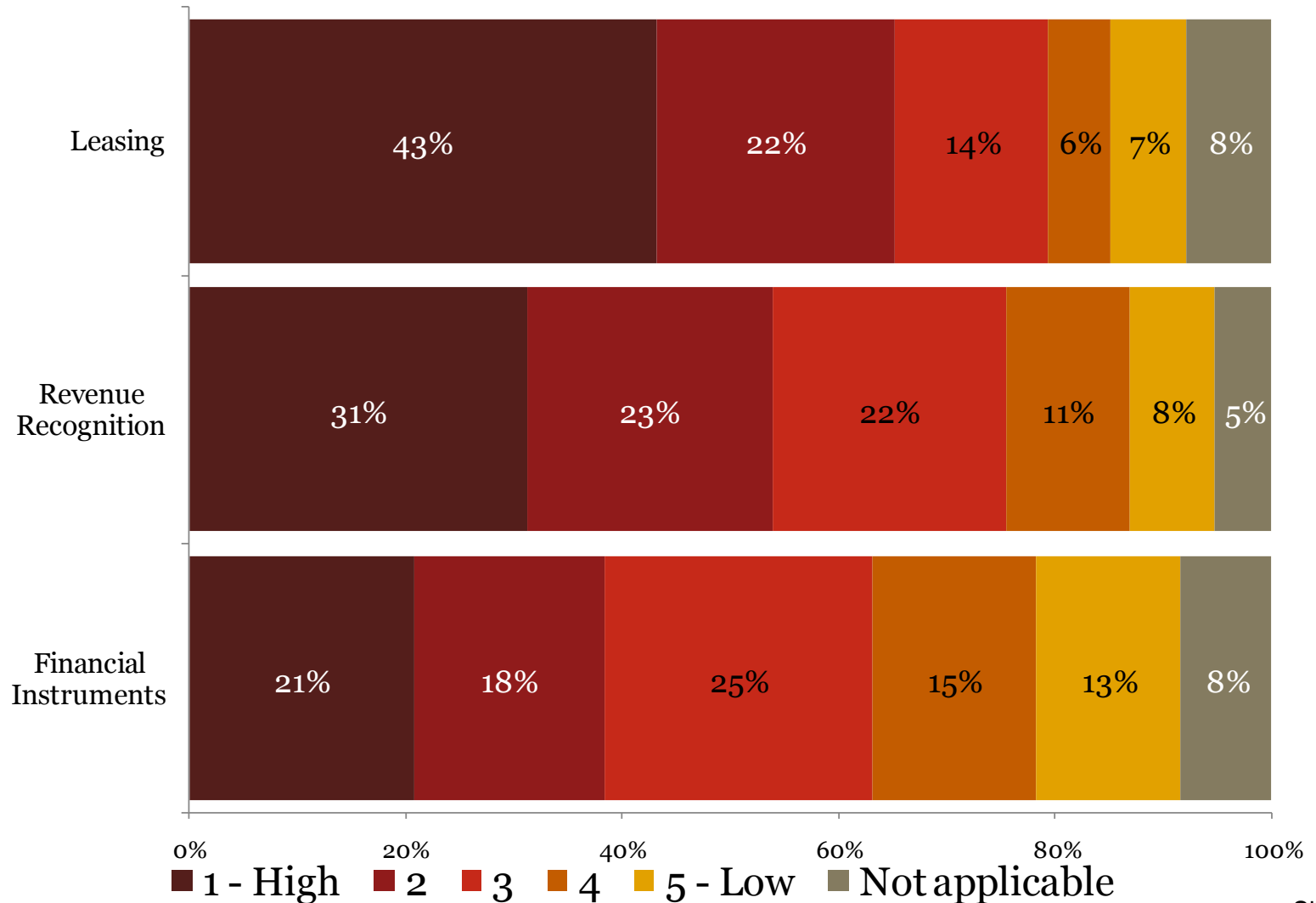
## *Demographics: Industry*



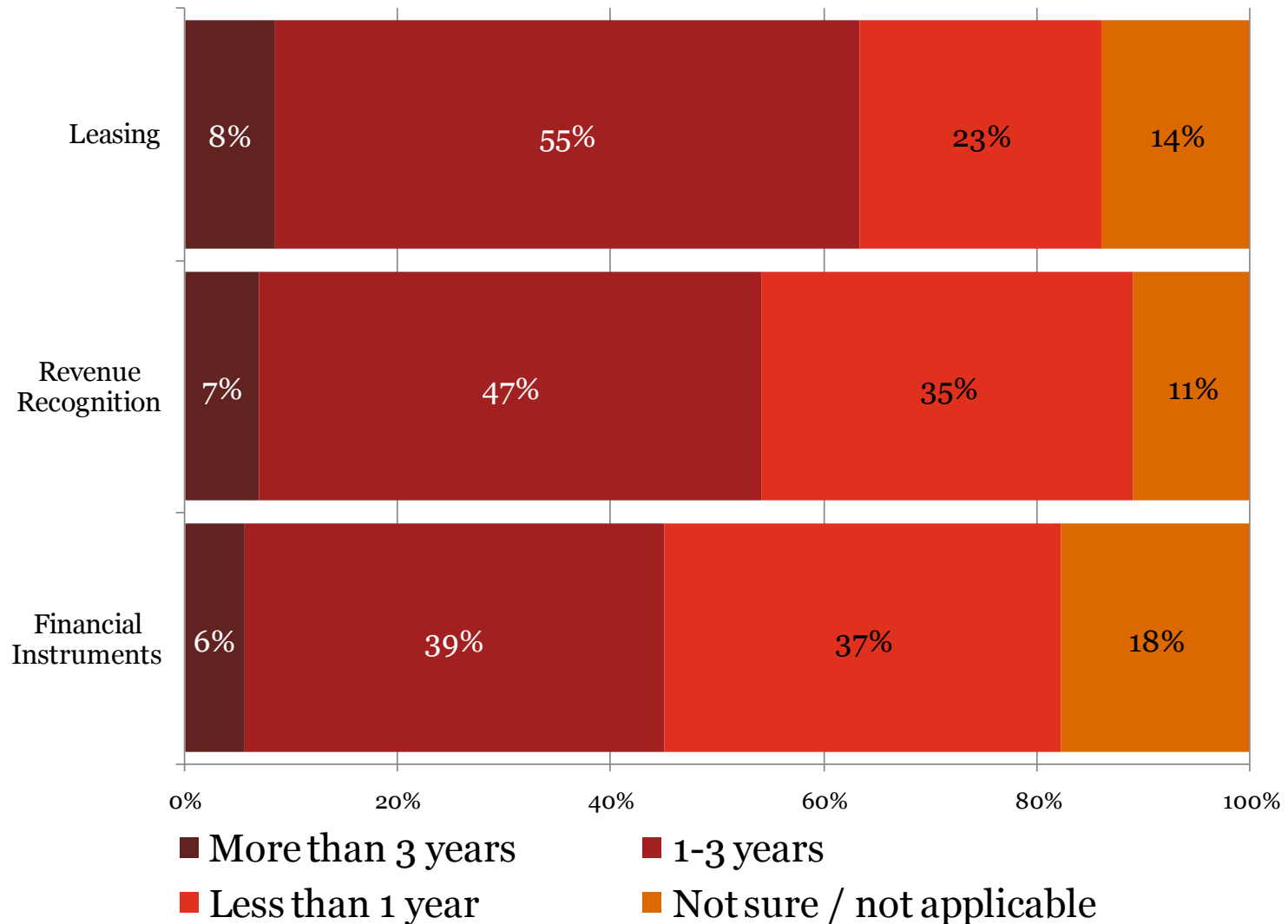
## Demographics: Revenue



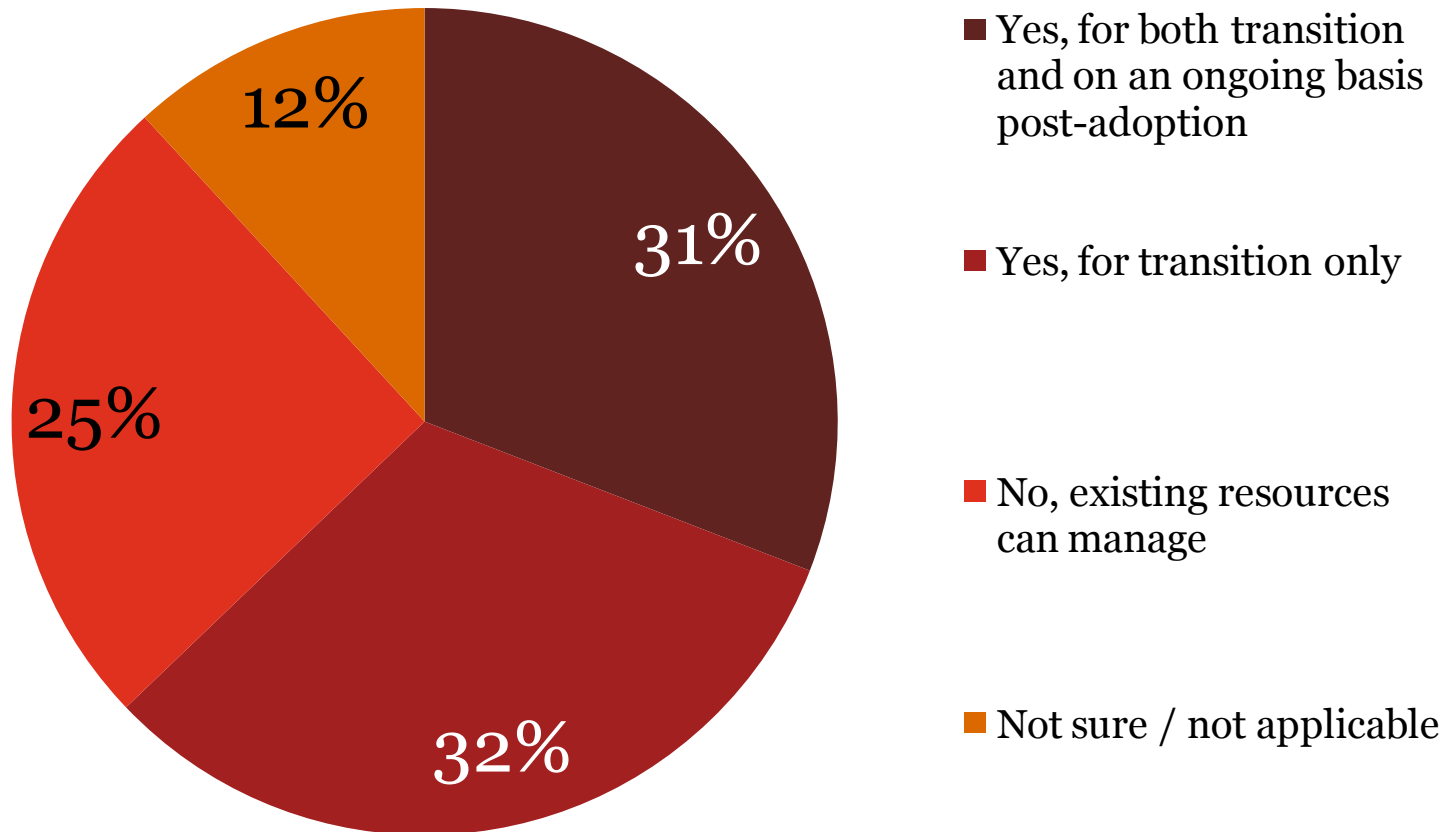
***Rate the expected level of impact on your organization for each of the following upcoming convergence projects:***



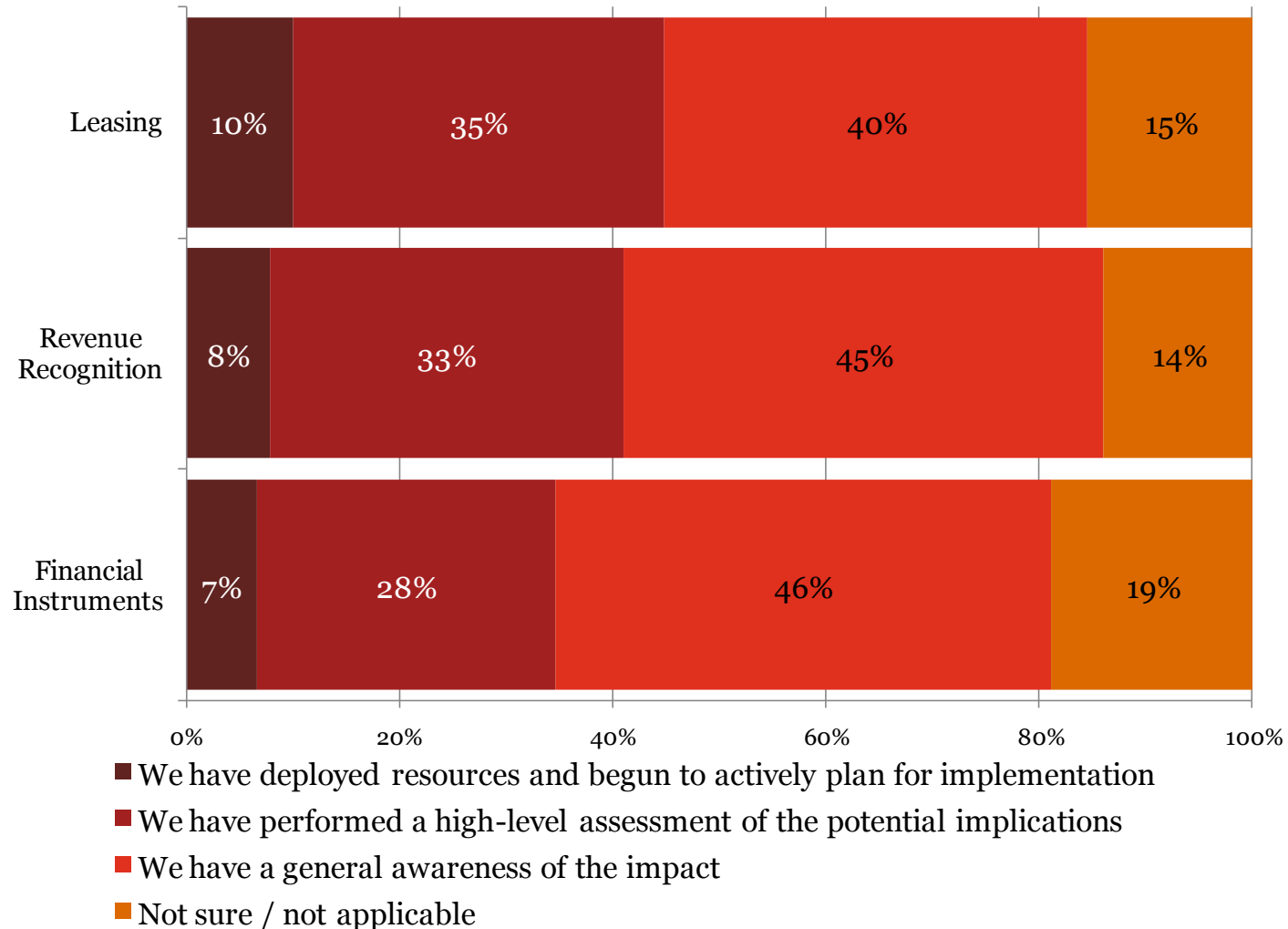
# *How much time do you expect it will take to implement each of the following upcoming convergence projects?*



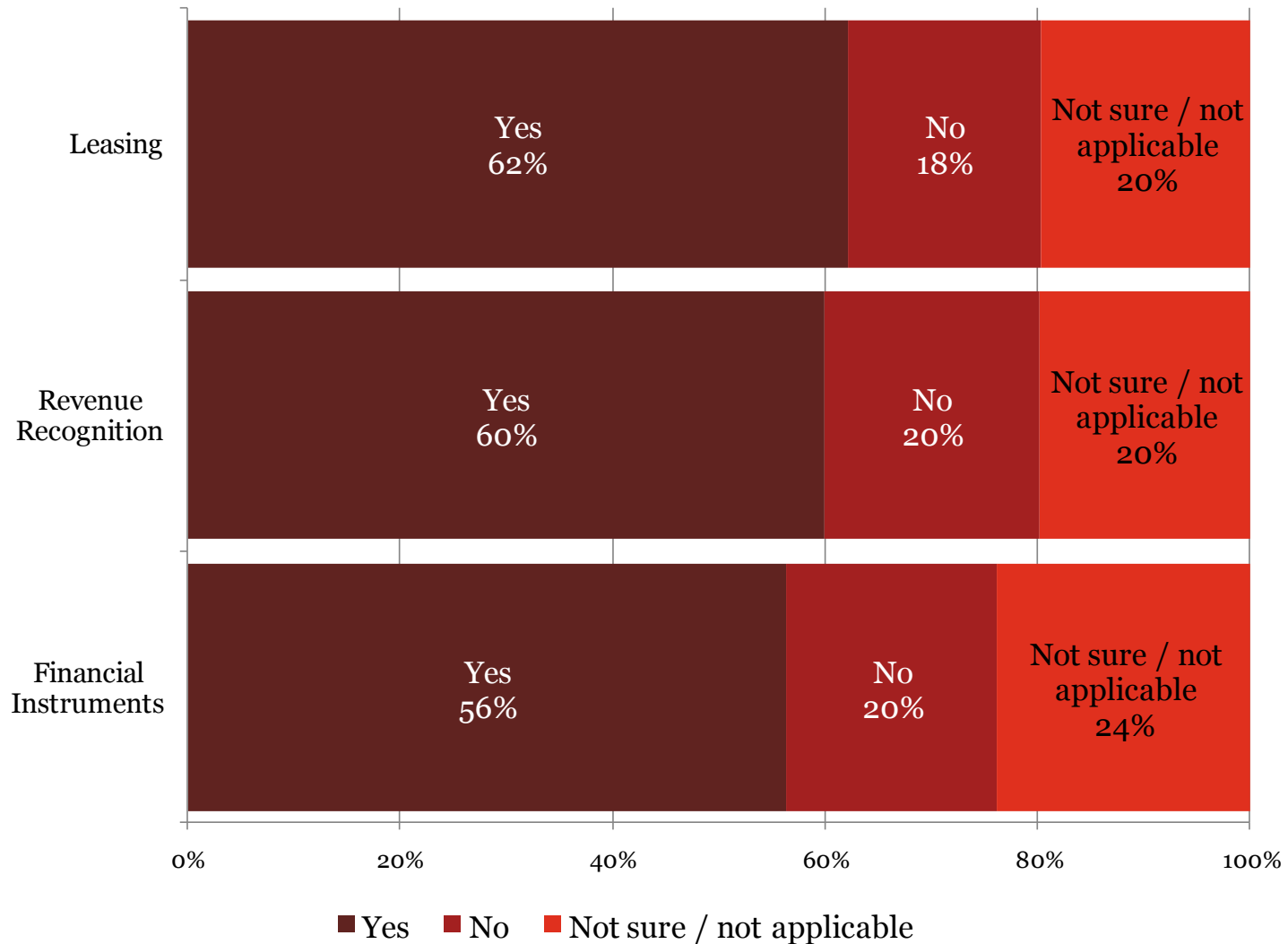
***Do you believe you will need additional resources to manage the change associated with the convergence projects?***



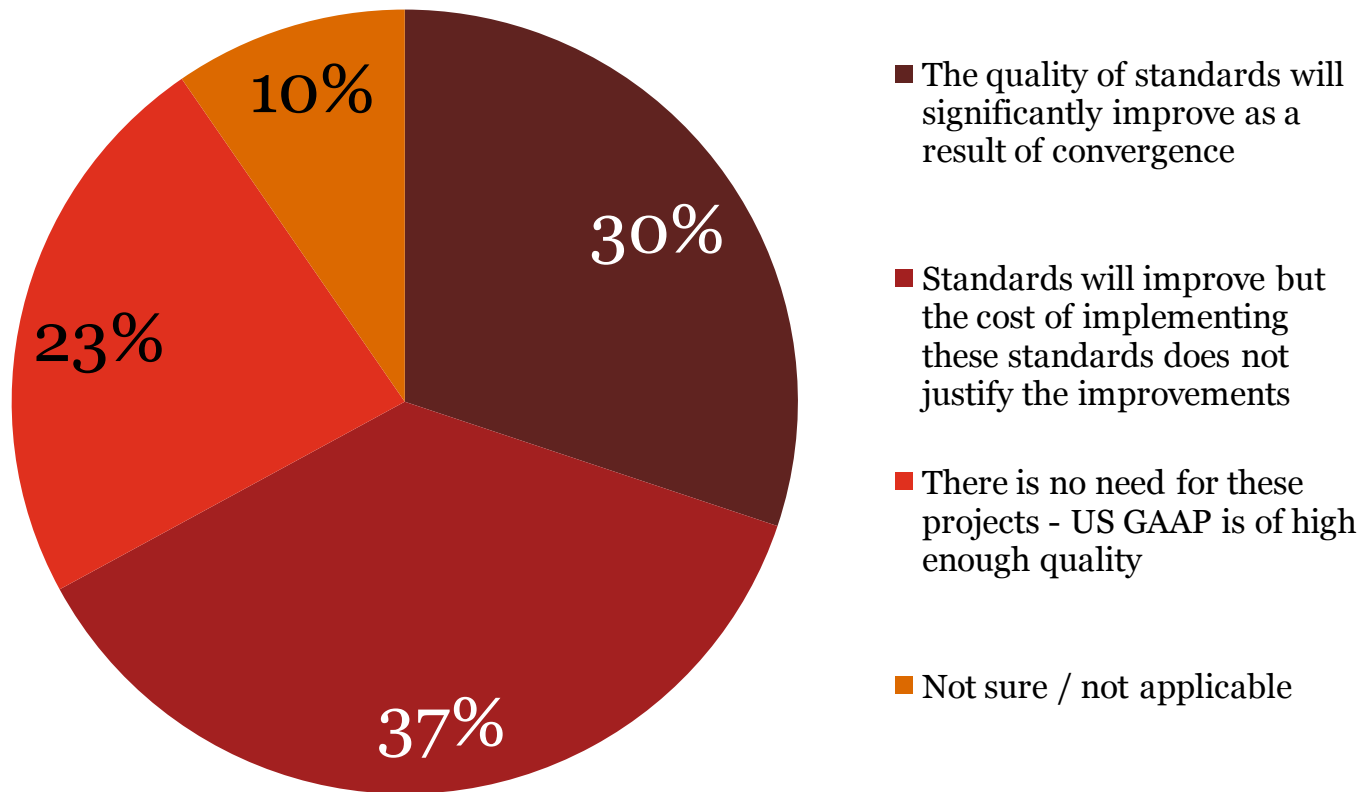
## *Where is your organization in the process of analyzing the implications of the convergence projects?*



# *Do you believe the FASB should re-expose the proposed standard prior to issuance?*



***The convergence projects are designed to improve the quality of US GAAP and IFRS and achieve convergence. In general do you believe?***



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## ***Polling question #3***

Did you complete the survey associated with this webcast?

- a) Yes
- b) No
- c) N/A or PwC participant

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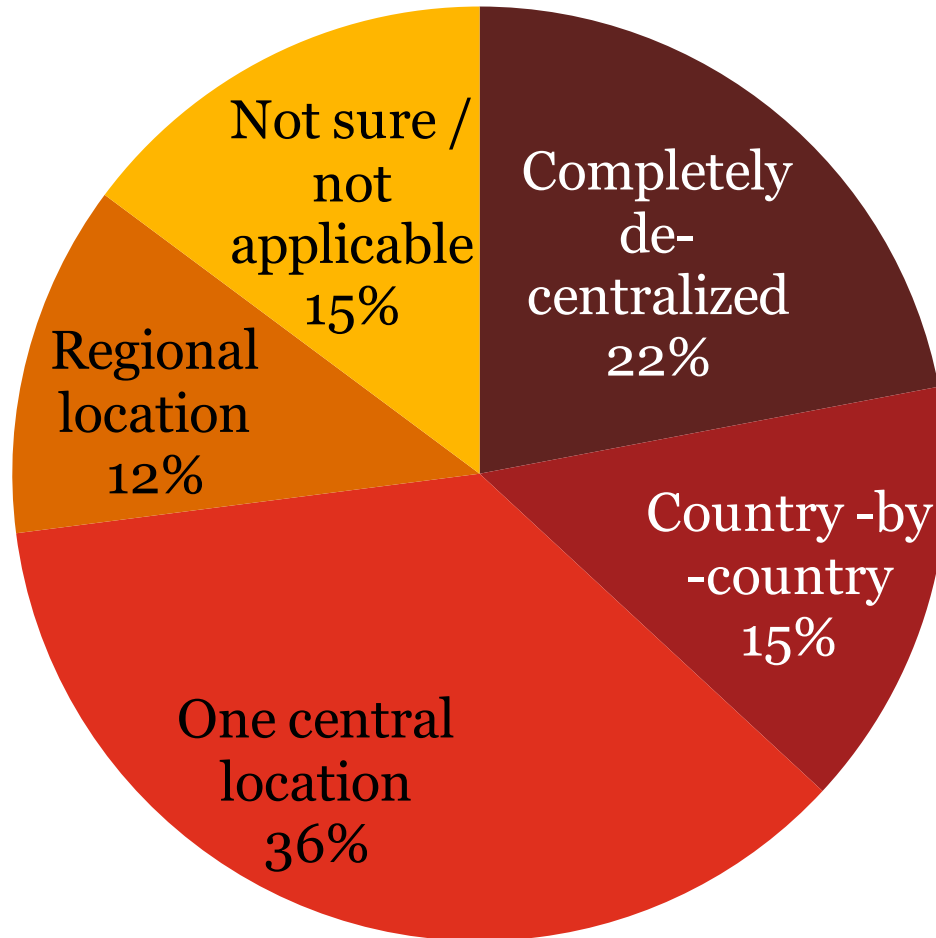
# ***Survey responses – Leases***

## ***Background and update***

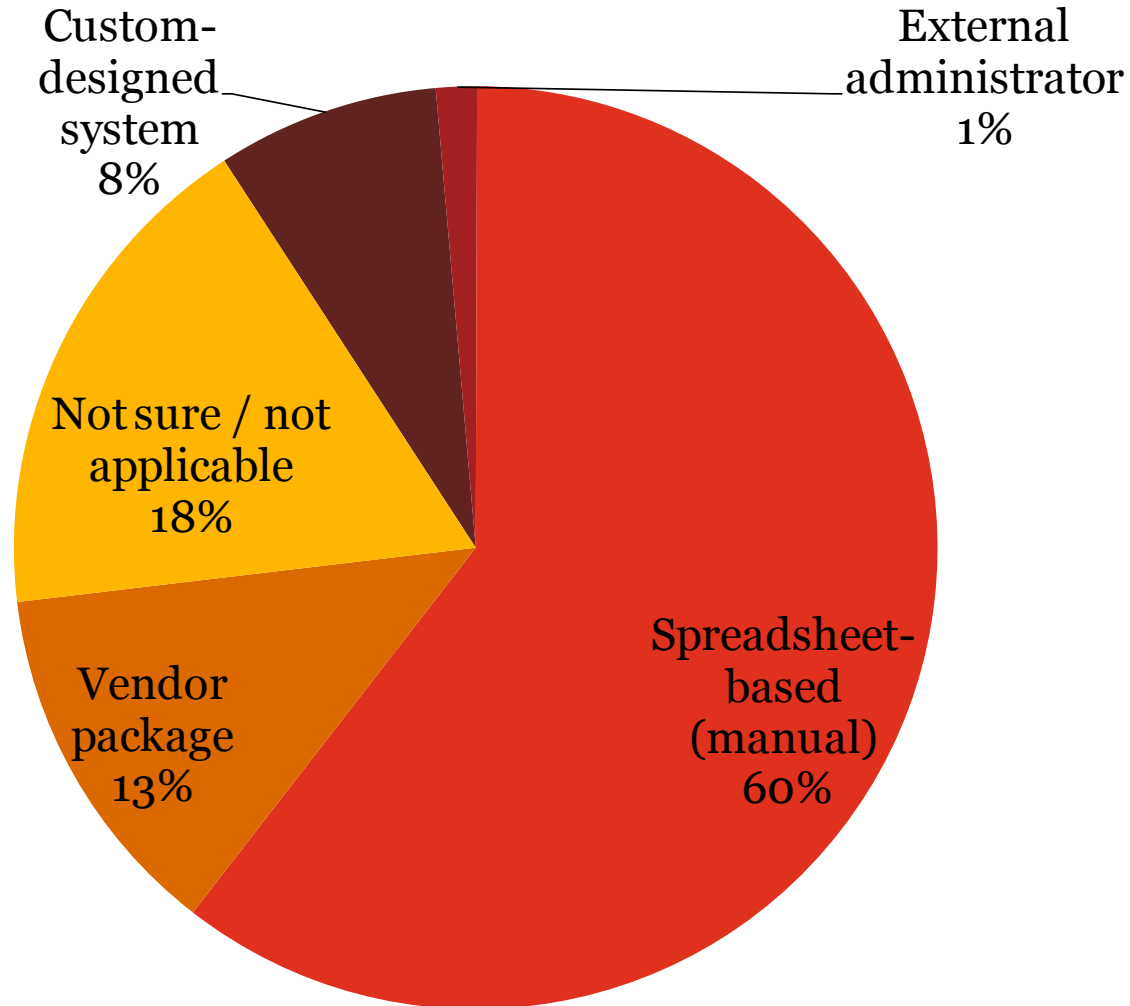
- August 2010 - FASB and IASB jointly issue exposure draft on lease accounting
- December 15, 2010 –over 700 comment letters submitted
- Redeliberations currently underway –proposed changes are expected to address some specific concerns, including:
  - Definition of a lease term and inclusion of variable or uncertain cash flows
  - Proposed a new, "two-track" model, where all leases will still be reflected on the balance sheet, some will be considered "financing," while others will be considered "other than financing"
- Redeliberations will continue in the coming months; final standard targeted for issuance in mid-2011

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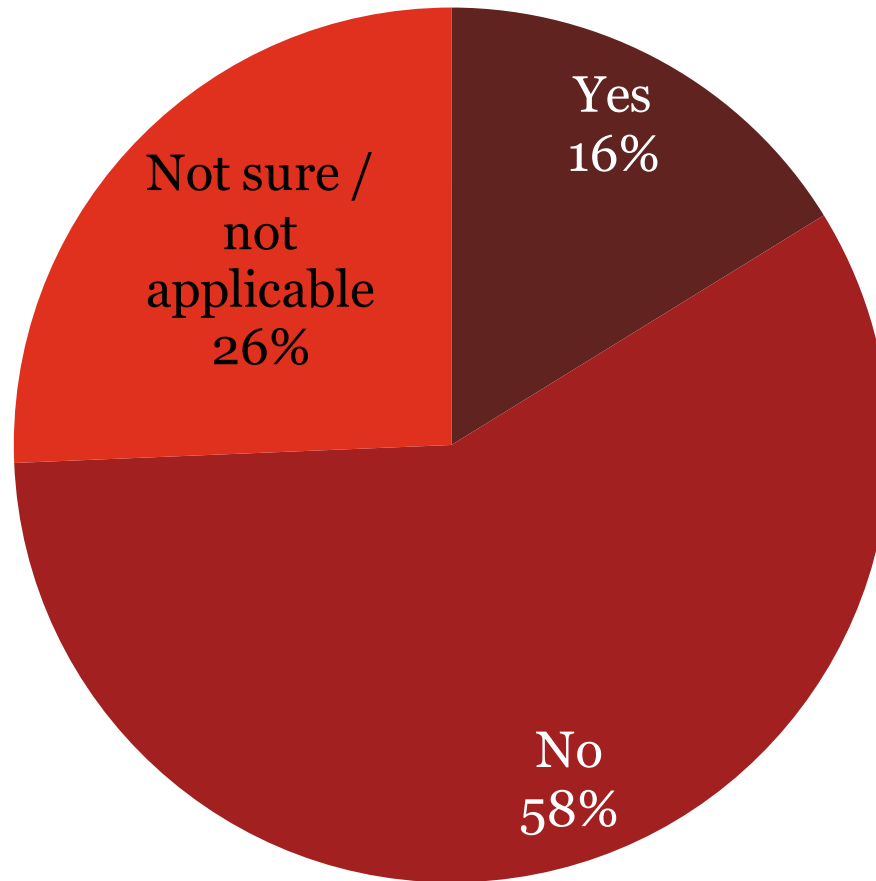
***Where does the information on your leases reside?***



***What is the predominant system your organization currently uses to account for leases?***

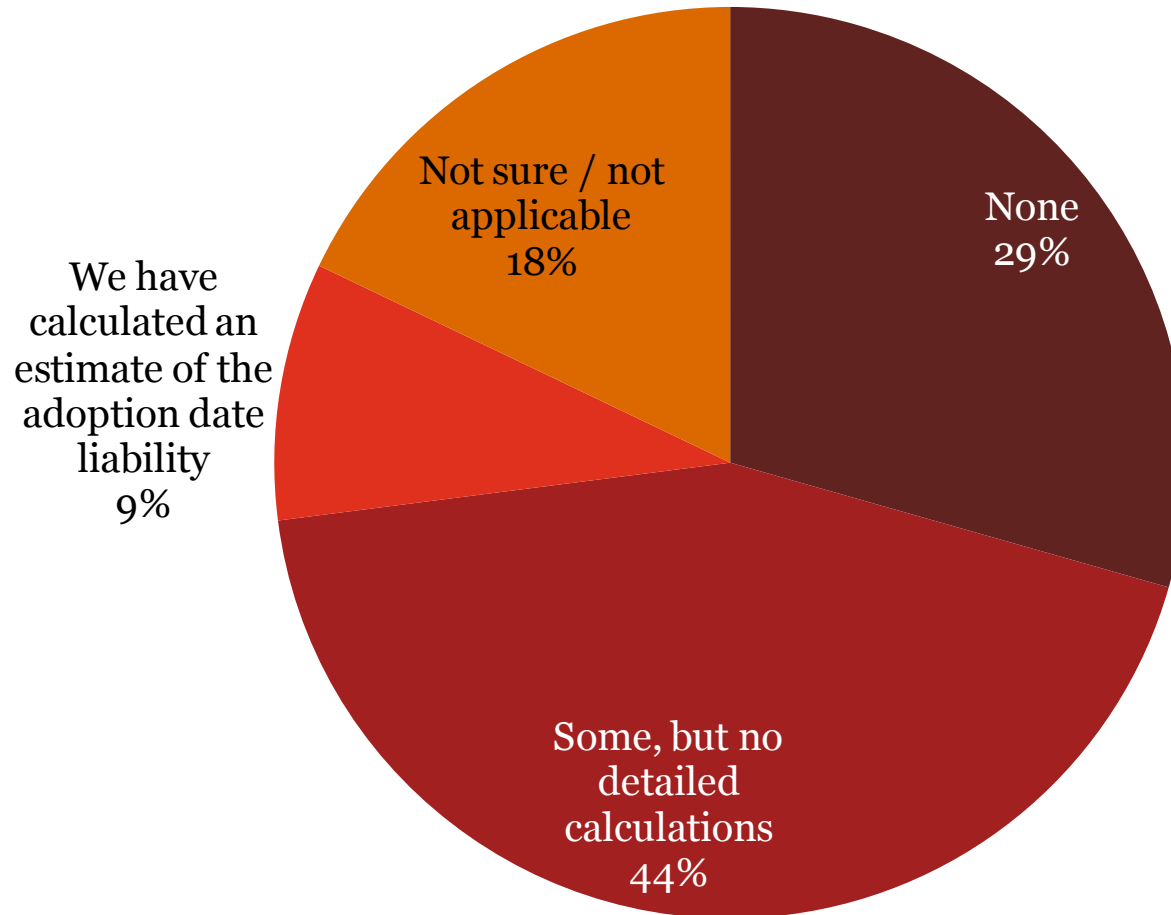


***Have you had discussions with a third-party systems vendor or provider about their system's ability to meet the new standard?***

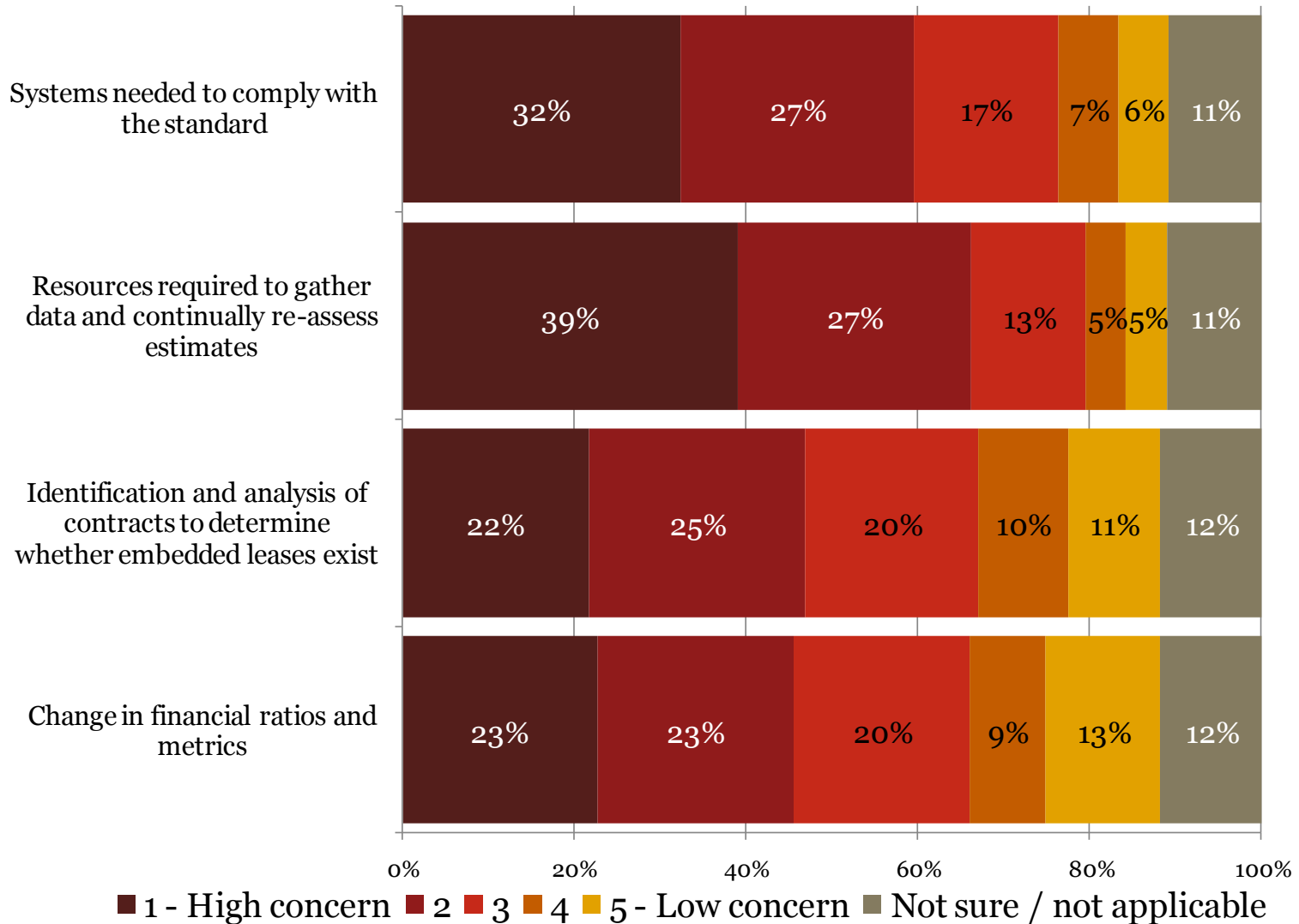


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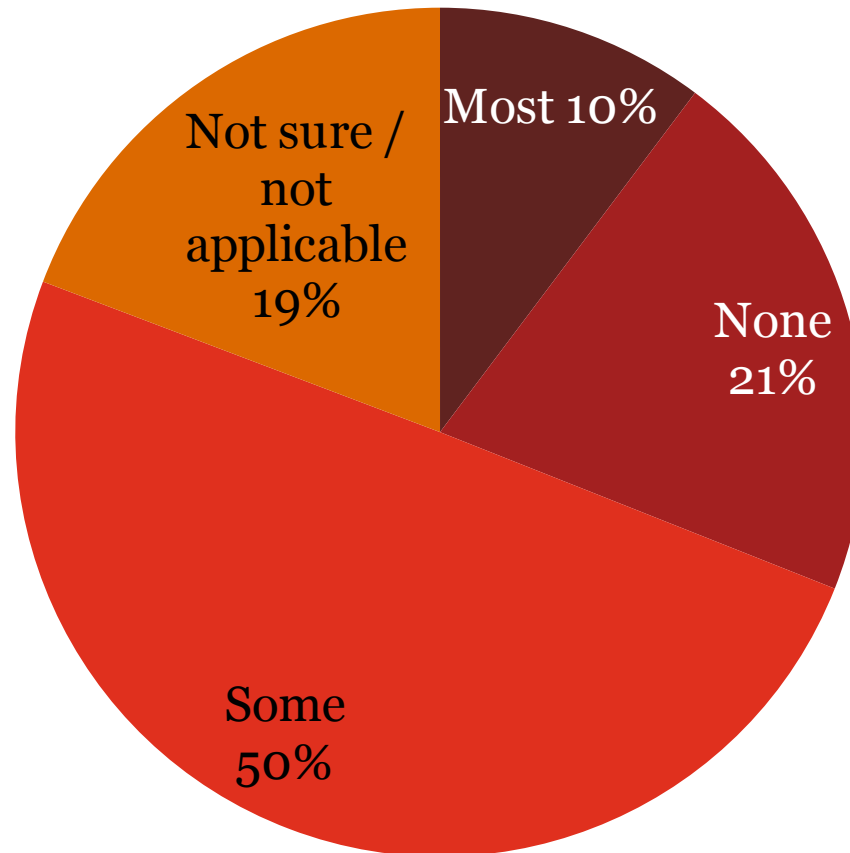
***How much analysis has been done to date to estimate the adoption date lease liability?***



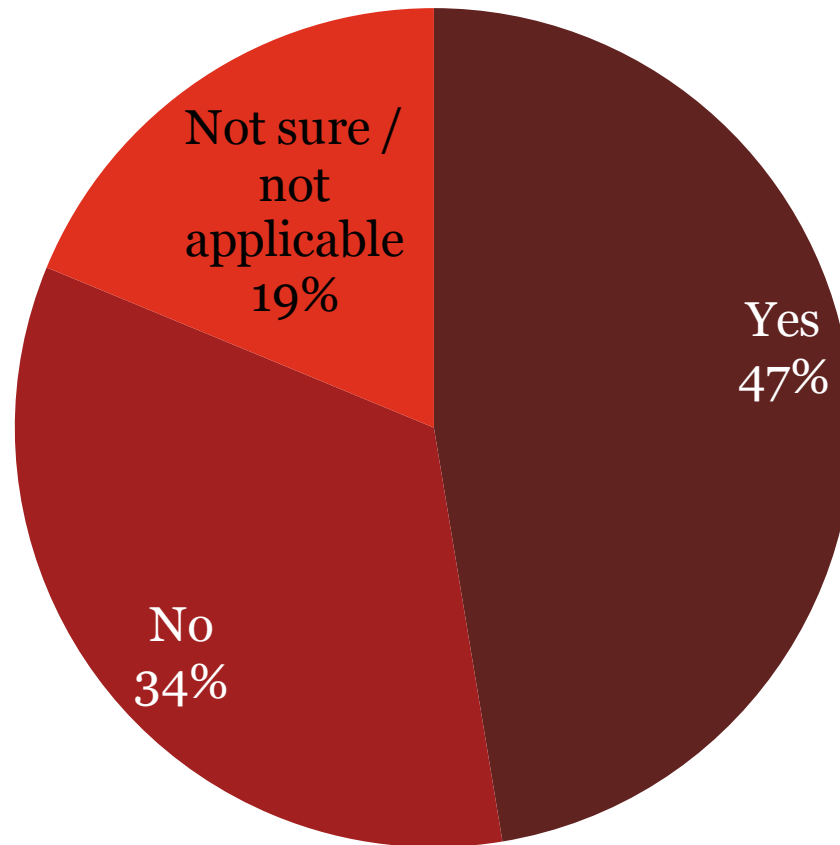
***Please indicate your level of concern for the following potential impacts of the leasing exposure draft.***



***To what extent have stakeholders outside of the finance / accounting department been educated on the proposed leasing standard?***



***Have you performed an inventory of your lease portfolio - for example, understanding what types of assets are leased and where the data resides?***



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## ***Polling question #4***

Do you think convergence will be achieved for all three of the priority projects discussed on this webcast?

- a) Yes
- b) No
- c) N/A or PwC participant

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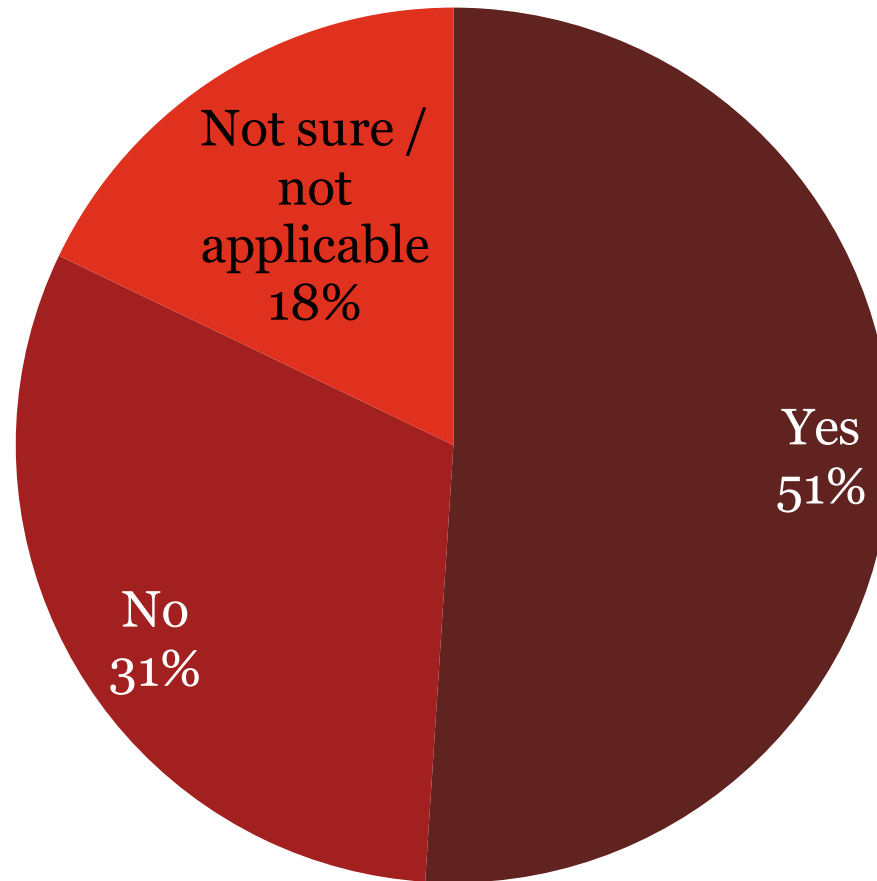
## ***Survey responses – Revenue recognition***

### ***Background and update***

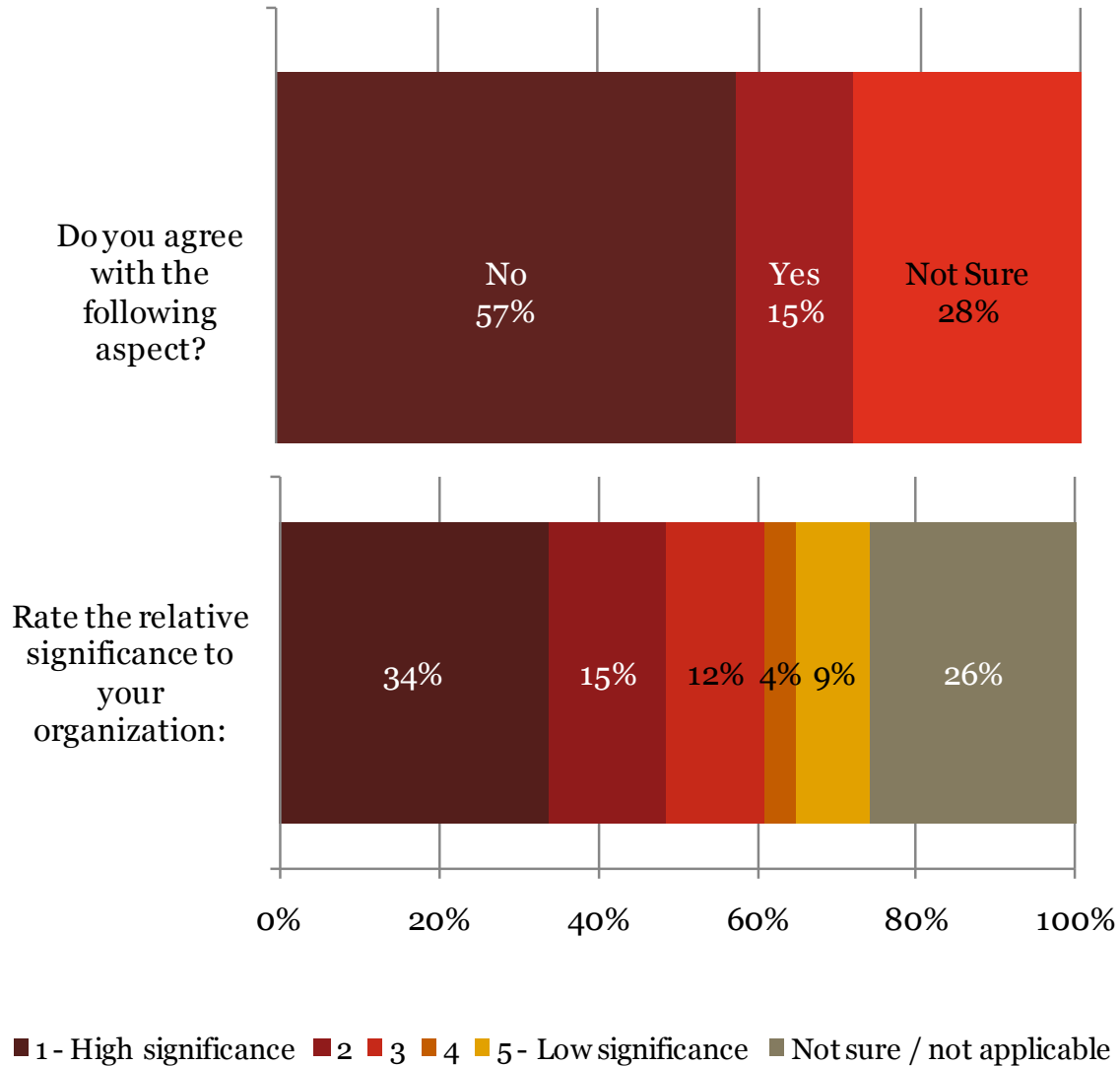
- June 2010, FASB and IASB jointly release the revenue recognition exposure draft
- October 22, 2010 – comment letter period ends with over 970 comment letters submitted
- Several recurring themes identified within the comment letters
- Boards began redeliberations in early 2011
- Redeliberations will continue in the coming months
- Final standard expected to be issued in 2011. Likely effective date no earlier than 2014

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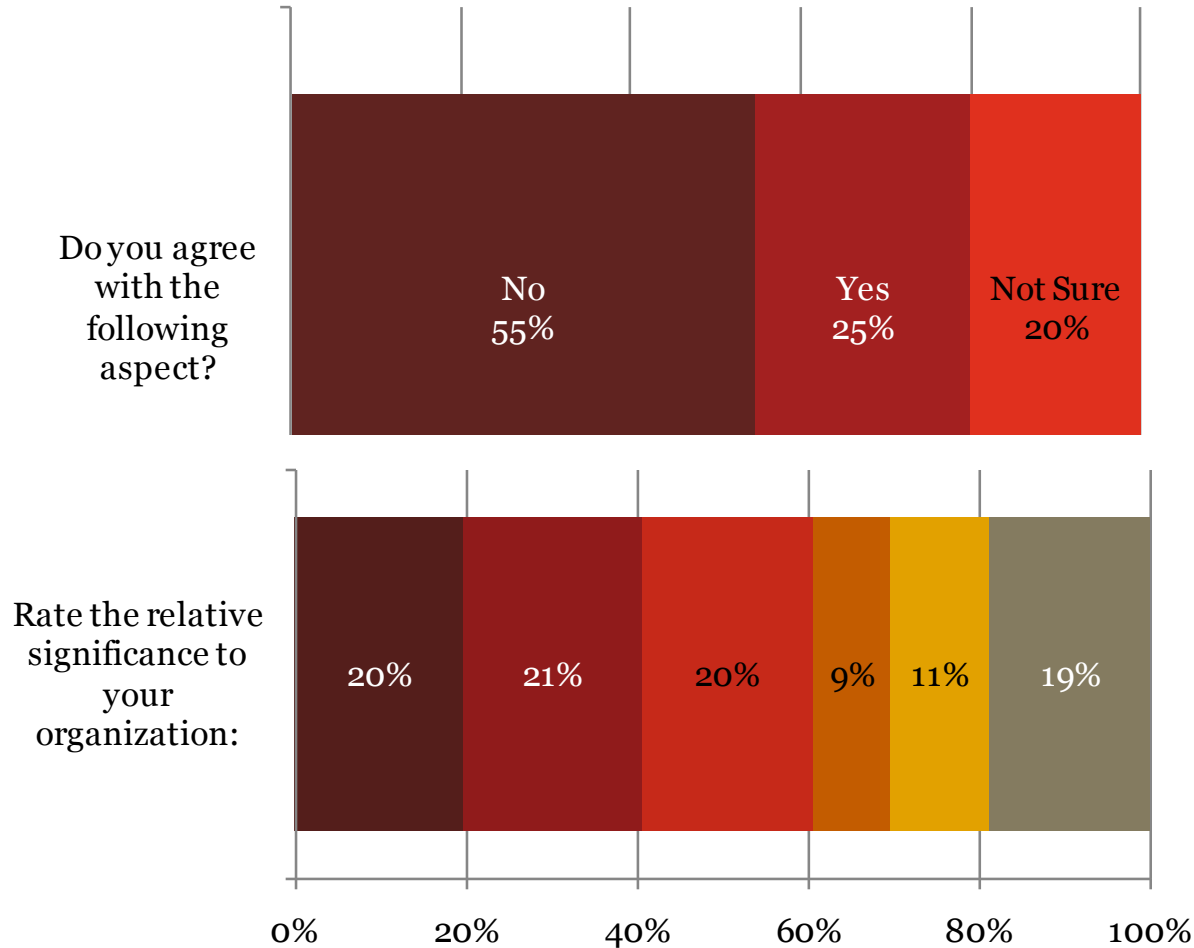
***Do you expect the proposed standard to impact the amount or timing of revenue recognition for your company?***



## *Full retrospective application as the only transition method option*

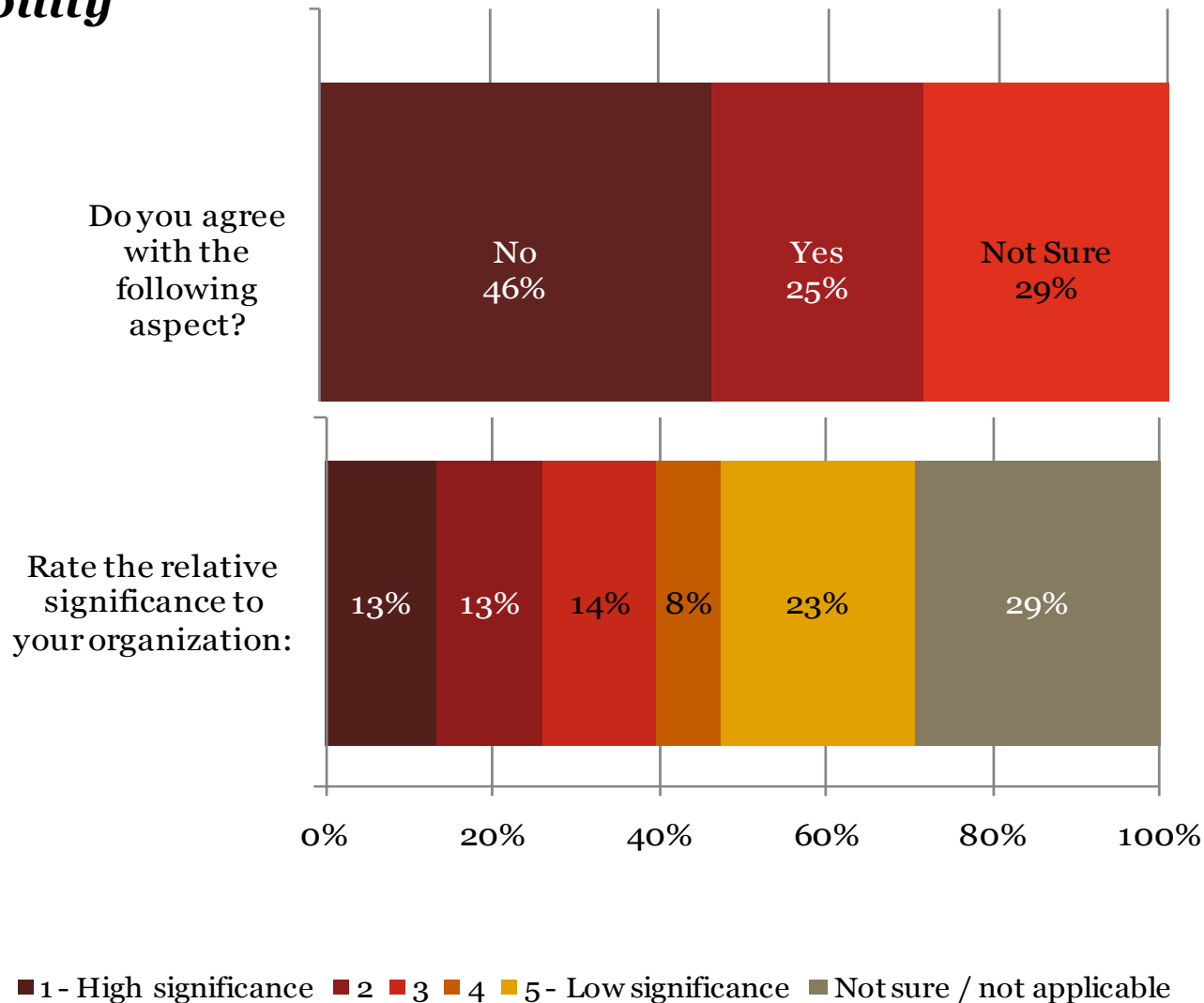


## *Collection risk reflected as reduction to revenue rather than bad debt*

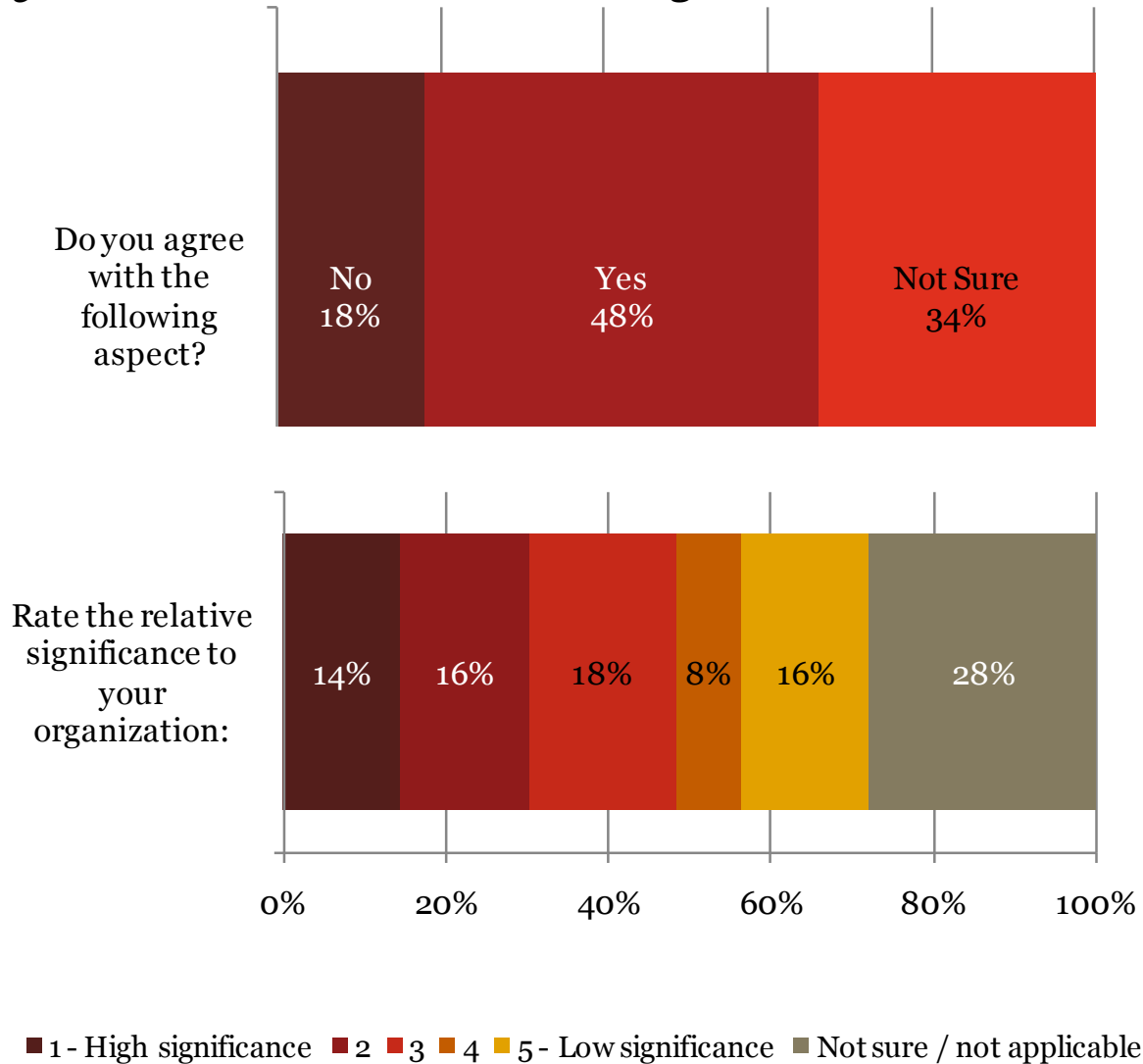


■ 1 - High significance ■ 2 ■ 3 ■ 4 ■ 5 - Low significance ■ Not sure / not applicable

## ***Warranties treated as a deferral of revenue rather than as a liability***



## *Indicators of control transfer for services to determine when revenue for services should be recognized*



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## ***Polling question #5***

Upon completion of the three priority projects, do you think convergence should continue?

- a) Yes
- b) No
- c) N/A or PwC participant

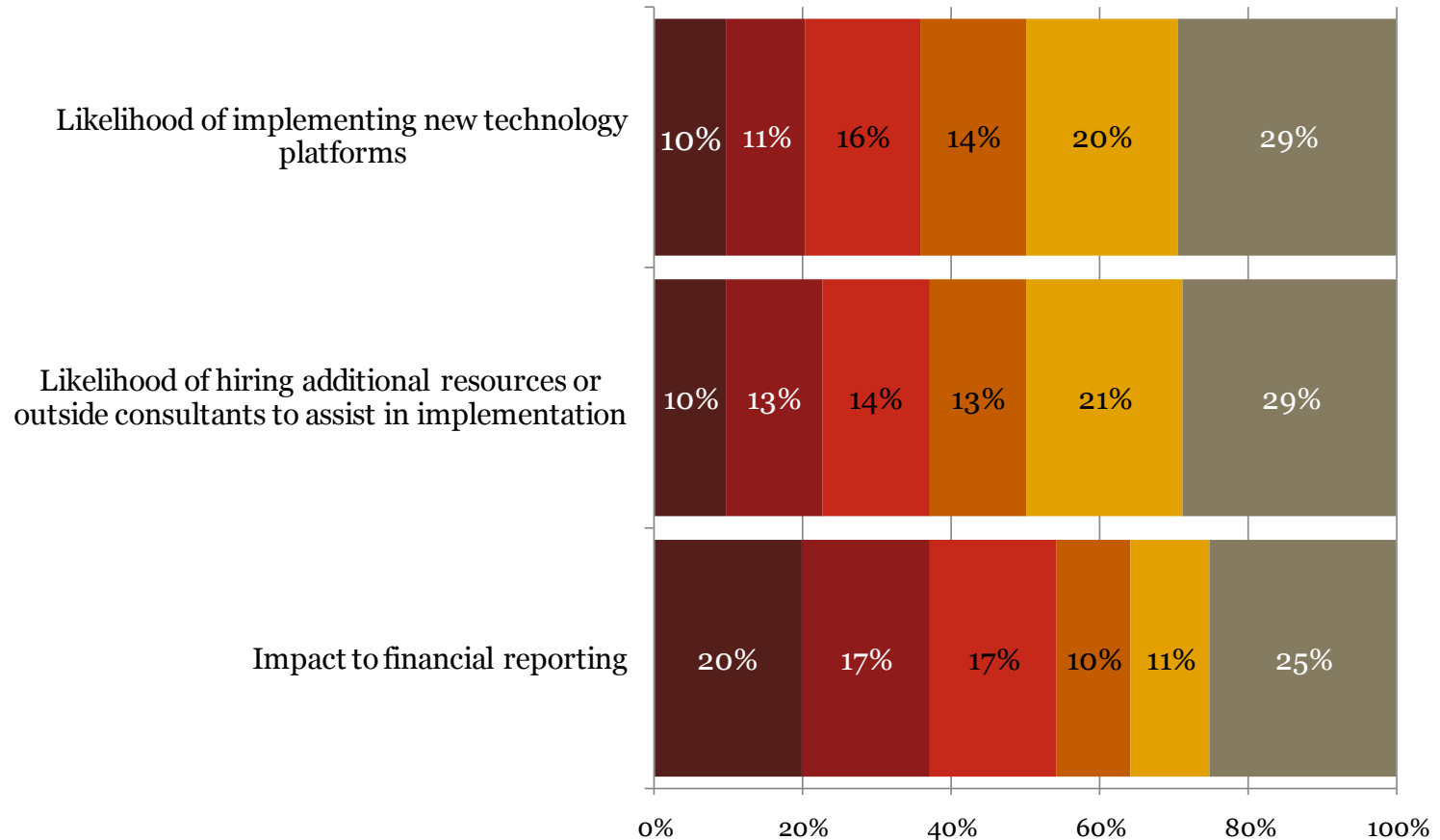
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# ***Survey responses – Financial instruments***

## ***Background and update***

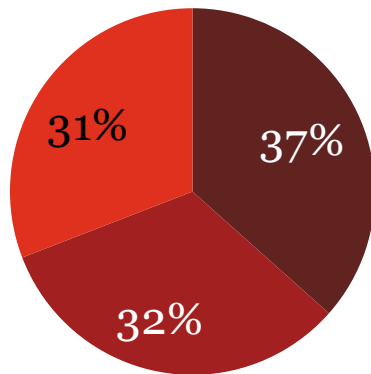
- May 2010 - FASB releases financial instruments exposure draft
- September 30, 2010 – over 2,800 comment letters submitted
- Boards began redeliberations in late 2010
- Goal to finalize most of the guidance in 2011
- Currently reached several decisions impacting a number of areas such as classification and measurement, as well as impairment

***In each of the following areas, please rate the likely impact the FASB Financial instruments proposals will have on your business.***



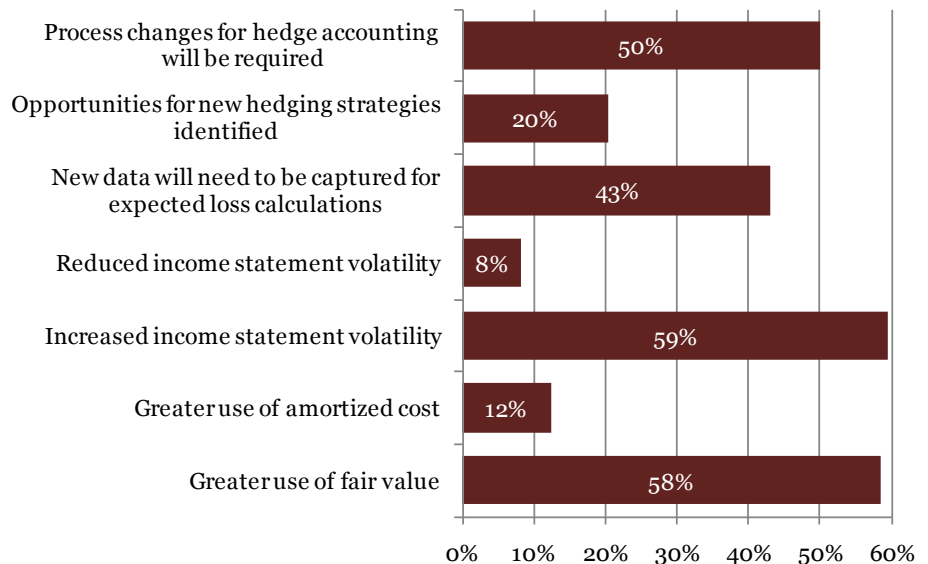
■ 1 - High impact ■ 2 ■ 3 ■ 4 ■ 5 - Low impact ■ Not sure / not applicable

# Has your organization performed any analysis of the likely impact of the Financial instruments proposals and if so what do the results show?



■ No analysis performed    ■ Not sure / not applicable  
■ Analysis Performed

## Results when analysis has been performed



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## ***Polling question #6***

If the SEC were to permit early adoption of IFRS, would your company elect that option?

- a) Yes
- b) No
- c) Don't know/unsure
- d) N/A or PwC participant

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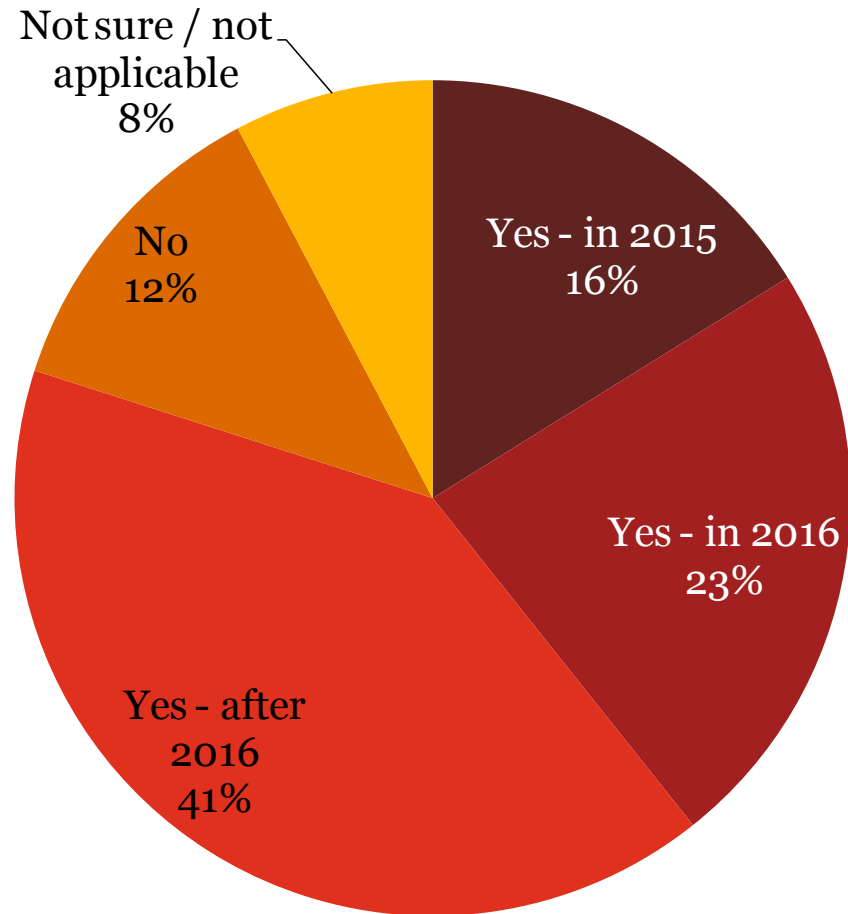
# ***Survey responses – IFRS***

## ***Background and update***

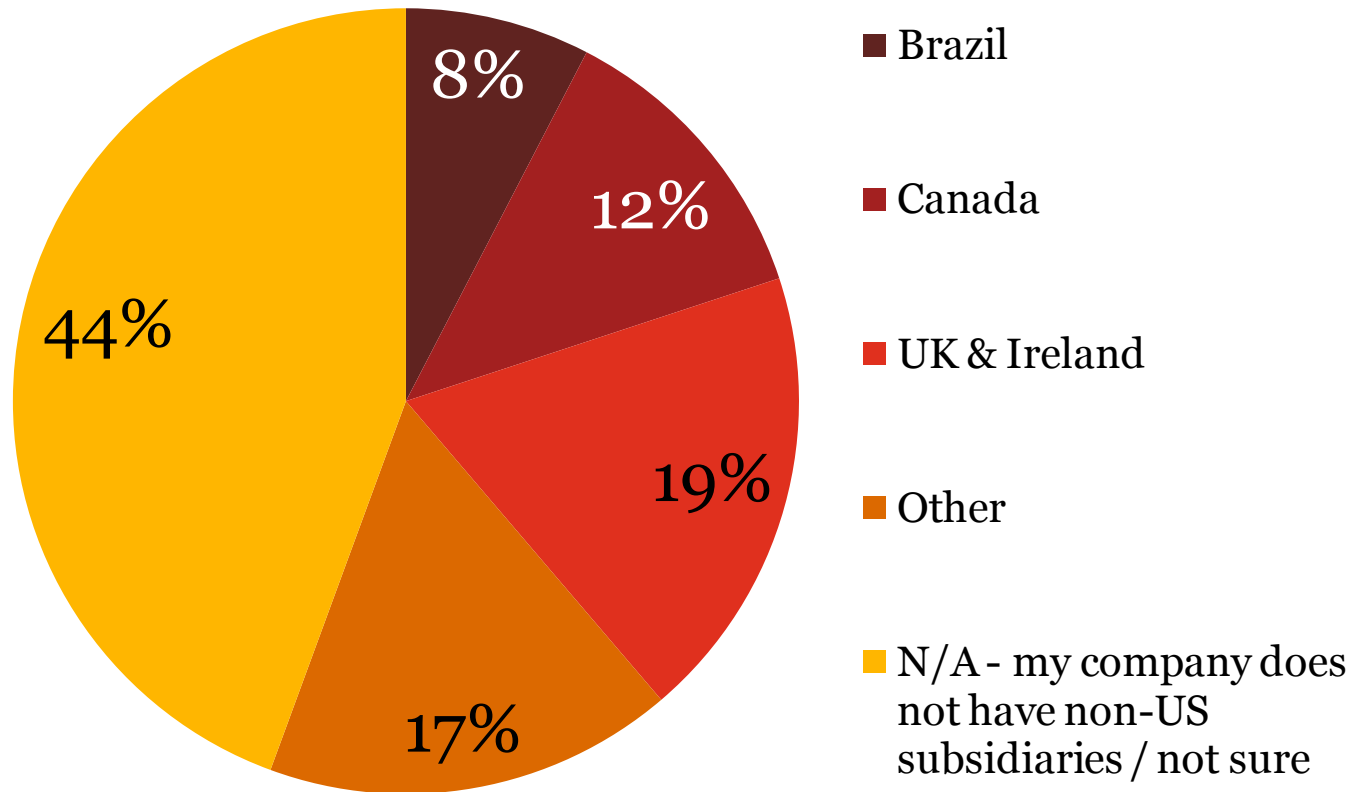
- Additional clarity expected in 2011 regarding incorporation of IFRS into the US financial reporting system
- Several possible paths are being considered
- Regardless of what the SEC decides, IFRS is currently affecting US companies

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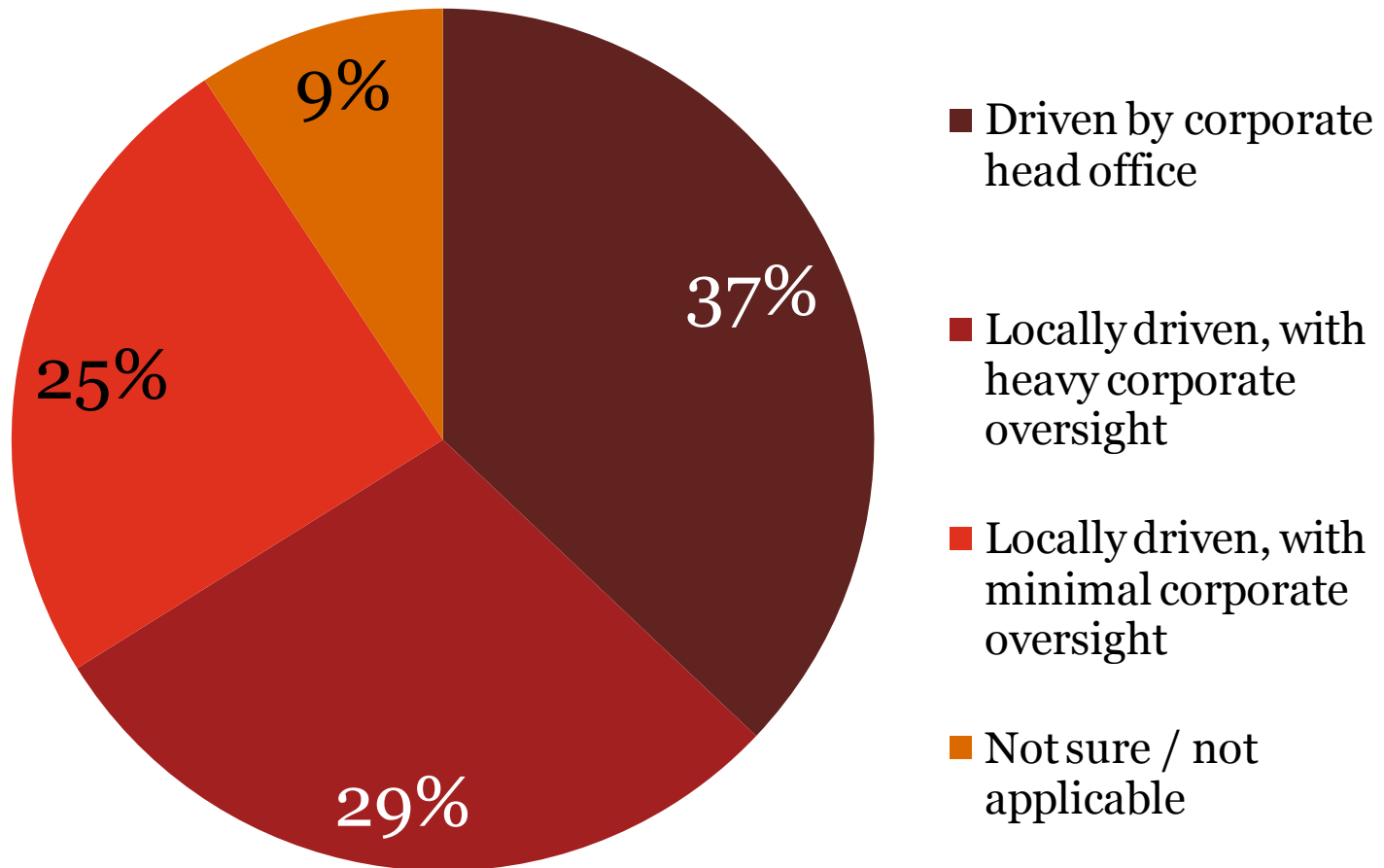
## *Do you believe IFRS will eventually be adopted in the US?*



***IFRS adoption continues elsewhere around the globe. Where are you focusing the greatest efforts with regards to IFRS?***



## *How are you approaching these non-US adoption efforts?*



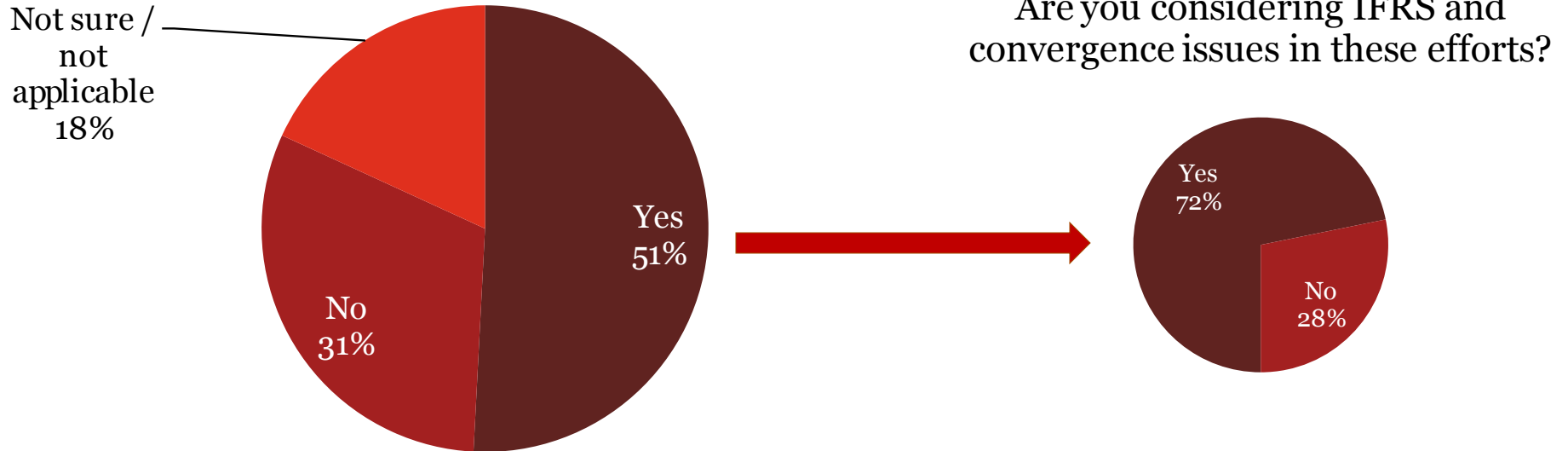
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## ***Survey responses – Systems***

### ***Background and update***

- Convergence and conversion will take time and require careful planning to avoid surprises
- Systems are a key aspect of the convergence or conversion project plan

***Are you currently planning any systems upgrades or implementations in the next two years, and are you considering IFRS and convergence issues in these efforts?***



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## ***Polling question #7***

Which specific topic would you most like to see addressed on future webcasts?

- a) Financial instruments
- b) IFRS
- c) Leasing
- d) Revenue recognition
- e) N/A or PwC participant

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# *Questions*

Submit questions via the “Ask a question” box on your screen.

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## ***Next steps***

- Change is coming
- Each company is different, and the impact of the proposed standards will differ
- As a baseline, companies should remain aware of the changes and stay close to developments in the standards
- Companies should also start to assess, at least at a high level, how the proposed changes will impact their company and form a point of view on the level of impact
- Those that are impacted more heavily by the proposed changes should consider taking further steps to better understand the potential requirements and effectively begin to manage the change process

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## *Final administrative items*

Don't forget to:

- Complete an evaluation upon conclusion of the webcast
- Click the “Request CPE” link to access and print your CPE certificate

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# Thank you!

For additional information, please visit  
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