

**TEACHING INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS) IN U.S. ACCOUNTING COURSES**

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ABSTRACT

“As business schools attempt to globalize their accounting curriculum, accounting departments are presented with many opportunities and challenges. One opportunity is to offer a richer cultural curriculum for students that will expose them to a more global research platform” (Starworld: Preparing Accountants For the Future: A Case-Based Approach to Teach International Financial Reporting Standards Using ERP Software, American Journal of Business Education, November 2010, Vol. 3 No. 11. p. 53). Another opportunity is for the business school to utilize its knowledge of IFRS to create a new revenue center whereby corporate managers are trained. There is little disagreement that IFRS needs to be taught. The key question and challenge is how exactly should IFRS be taught in the classroom. Universities will need to develop strategies to incorporate IFRS into their curriculum alongside U.S. GAAP, and maybe eventually in place of U.S. GAAP. The purpose of this paper is to provide guidance and suggestions as to how IFRS can be successfully integrated into the accounting curriculum. This paper also provides information on resources, textbooks, and course materials that may be helpful to faculty in the process of integration.

INTRODUCTION

Currently IFRS is not required or permitted for listed companies in the US. However, foreign private issuers may use IFRS as issued by the IASB. The Securities and Exchange Commission's (SEC) completed its staff report on the IFRS work plan on July 13, 2012. The work plan did not include a recommendation on whether, when, or how IFRS should be included in the US financial reporting system. The staff identified many themes throughout its research and work. The one that stands out is "a vast majority of participants in the US capital market do not support outright adoption of IFRS by US issuers." The SEC has not issued its final position on IFRS adoption. The next four to five years will be critical. It is still likely that public companies trading in the US will have to address International Financial Reporting Standards (IFRS) because the globalization of business and finance has led to wide-scale adoption of IFRS by over 12,000 companies in more than 100 countries. The Securities and Exchange Commission's (SEC) started permitting non-U.S. companies trading in the U.S. to file using either U.S. GAAP or

IFRS. The SEC's most recently updated roadmap still suggests a phasing in of IFRS for all public companies from 2014 to 2016.

The American Institute of Certified Public Accountants (AICPA), which regulates CPA's, indicates that the international standards need to be addressed for the qualifications of entry-level accountants and to protect the public interest. The AICPA believes IFRS is destined to be the language of international business and it added IFRS to the uniform CPA exam in January 2011. IFRS is accepted or optional in over 120 countries, 90 countries have fully adopted IFRS as pronounced by the IASB, and over half of the Fortune 500 companies are using IFRS for their foreign subsidiaries. The United States is still headed, although at less than full speed, into IFRS.

Multinationals and large U.S. companies still have to plan for the adoption of IFRS during 2015, the debate about IFRS adoption is being revived because small and medium-sized entities (SME) are starting to consider what U.S. adoption means for them. The IASB published IFRS for SMEs on July 9, 2009. Because the IASB has the

status of a standard setter in the U.S., private companies are allowed to prepare their financials with U.S. GAAP, IFRS, or IFRS for SMEs.

In the middle of the debate and acceptance process, U.S. colleges and universities are seeking to identify how IFRS should affect accounting education. The necessity of IFRS as a part of the accounting curriculum was made apparent by the inclusion of IFRS on the uniform CPA Exam and by the national and international public accounting firms pushing for an IFRS knowledgeable workforce. Accounting professionals, faculty, and students have expressed concerns about the integration of IFRS in various accounting courses. According to Bea Sanders, national director of faculty relations for KPMG, “IFRS is going to be a challenge for faculty to determine how much to incorporate, and at what pace, as students graduate over the next couple of years so that they graduate with enough knowledge of IFRS to enter the workforce.”

Some professionals believe that the existence of two sets of standards will divide the talent pool of qualified accountants. The Occupational Outlook Handbook 2010 – 2011 predicts that the number of accountants will grow from 1.3 million to 1.6 million by

2018. This potential growth could be compromised by requirements for expertise in U.S. GAAP and IFRS (Herman 2010). An additional complication may be a need to choose between IFRS for large public companies versus IFRS for SMEs. The existence of so many sets of accounting standards could lead to confusion among students and professionals when it is essential for accountants to use accuracy. In this period of transition, it is important that course content and design support a deeper understanding of GAAP, IFRS, and even IFRS for SMEs. In a 2009 survey conducted by the American Accounting Association and KPMG, 75% of college professors said they need to start teaching IFRS as part of the regular accounting curriculum but they are not sure how to integrate it into a program that is already at capacity (Whitehouse 2010).

“As business schools attempt to globalize their accounting curriculum, accounting departments are presented with many opportunities and challenges. One opportunity is to offer a richer cultural curriculum for students that will expose them to a more global research platform (Regan 2010).” Another opportunity is for the business school to utilize its knowledge of IFRS to create a new

revenue center whereby corporate managers are trained. There is little disagreement that IFRS needs to be taught.

The key question and challenge is how exactly should IFRS be taught in the classroom. Universities will need to develop strategies to incorporate IFRS into their curriculum alongside U.S. GAAP, and maybe eventually in place of U.S. GAAP. The purpose of this paper is to provide guidance and suggestions as to how IFRS can be successfully integrated into the accounting curriculum. This paper also provides information on resources, textbooks, and course materials that may be helpful to faculty in the process of integration.

APPROACHES TO INTEGRATING IFRS INTO U.S. ACCOUNTING CURRICULA

The successful integration of IFRS into the U.S. accounting curricula will require contributions and cooperation on the parts of faculty, students, and professionals. Educators will have to be innovative with the introduction and presentation of IFRS information in order to motivate students to change. Students will have to understand that this change is necessary because the knowledge of IFRS will have an exponentially positive effect on their

future careers. In defense of the necessity for change, faculty should remind students that one of the keys to advancement in corporate America is international experience and exposure. IFRS is required or permitted in over 120 countries around the world. In-depth knowledge of its use and regulations will be necessary for any accountant or business professional who take on an international assignment. Knowledge of IFRS will be necessary in order to pass the CPA exam. Even though details have not been disclosed, the AICPA has included IFRS content on the CPA exam since January 1, 2011. The development of a knowledgebase for IFRS cannot wait for its official adoption because today's accounting and business students will be the professionals who will lead the transition. This transition will have significant effects on business operations and financial reporting. And like all major transitions it will take considerable time.

Public accounting firms are well aware of the need for IFRS knowledge. The firms expect students to be aware of IFRS and its importance by the end of their sophomore year in college. The junior accounting major should have a sound basis for comparing and contrasting IFRS with U.S. GAAP. Graduates seeking long-term

careers should be committed to maintaining a full current knowledge of IFRS, as well as U.S. GAAP. Accounting professionals are prepared to support the efforts of the faculty and students with financial and other resources. Professional organizations and firms have already started to sponsor studies of curriculum changes. The firms are ready and willing to provide resources and presenters for college presentations. These organizations continue to sponsor continuing education programs and roundtable discussions on the necessity for curriculum change and IFRS incorporation.

The early attempts at integration by accounting programs and suggestions from professionals on how to integrate IFRS into the curriculum are identified by three alternative formats:

- (1) Add electives to the accounting curriculum that cover IFRS content
- (2) Add IFRS content into Intermediate and Advanced Accounting courses
- (3) Integrate IFRS throughout the Accounting curriculum from Principles courses to the Capstone Course.

I. Adding Electives to the Accounting Curriculum

PwC has initiated an IFRS Ready Grant Program which is intended to stimulate the creation of IFRS courses that combine the use of e-IFRS (online interactive IFRS training materials) and a

combination of expert IFRS videos and webcasts. In spring semester 2009, PwC sponsored the development of one such course. The course was designed to combine “the optimal combination of pedagogical tools and topics to create an effective, engaging and stimulating course plan (Holtzblatt and Tschakert 2010).” The course was introduced to students over three semesters from summer 2009 thru spring 2010. The instructors showed two IFRS videos earlier in the course to stimulate students’ interest in the new standards. Over the course of the grant, the instructors accumulated a comprehensive body of videos. A substantial number of videos can be found at the PwC Video Learning Center (VLC). The video library was used extensively in the class and students were exposed to international accounting dignitaries including Sir David Tweedie, Chairman of the IASB; Christopher Cox, former SEC Chairman; partners from every major public firm; and representatives from Fortune 500 companies.

The students were required to pay \$20 and join the International Association for Accounting Education and Research (IAAER), www.iaaer.org, which allowed them access to e-IFRS. The same database is available to faculty for \$25 a year. Recently the

IASB Foundation started offering free access to the IFRS database at <http://www.iasb.org/IFRSs/IFRS.htm>. The Deloitte 39 IFRS e-Learning modules were used by the students in the course at \$0 cost on www.deloitteifrslearning.com. The modules use real-world cases similar to situations that entry-level auditors may experience. This course is thoroughly described in an article entitled, “The Design and Implementation of an Enlivened IFRS Course.”

After examining the curricula of a large sample of accounting programs, we have found some patterns in potential IFRS and international accounting course offerings. Many schools have identified IFRS developments as an important factor to future curriculum change. However, few schools have identified or implemented any changes to course descriptions. We also assume there are few who have changed course content. Yet, there are a few notable exceptions. Universities with a strong international accounting research history, such as Florida International University, Oklahoma State University, and the University of Washington, have scheduled International Accounting courses for years and the transition to new IFRS offerings has been non-controversial. Several

historically black colleges and universities (HBCUs) offer international accounting courses the feature IFRS enriched content.

Based on the course offerings at these universities, we have developed course descriptions for the following proposed elective courses:

The Fundamentals of IFRS (3 credit hours)

This course is a study of a common body of knowledge of financial accounting that incorporates IFRS. The theories and concepts that define the content of the statements – comprehensive income, financial position, changes in equity, and cash flows – are studied. Emphasis is placed on reporting basics as well as the theory and practice related to the accounting for non-financial assets, and financial assets and liabilities. Attention is also given to special topics such as accounting policies/changes/estimates/errors, subsequent events, income taxes, leases, employee benefits, related party disclosures, and earnings per share. Discussion is given to specialized applications of specialized industries and hyperinflation, and first-time adoption of IFRS.

Prerequisite: C or above in Intermediate Accounting I and II

The Fundamentals of IFRS for SMEs (3 credit hours)

This course is a study of a common body of knowledge of financial accounting for small and medium-sized entities (SMEs) that incorporates IFRS. The theories and concepts that define the content of the statements – comprehensive income, financial position, changes in equity, and cash flows – are studied. Emphasis is placed on reporting basics as well as the theory and practice related to the accounting for non-financial assets, and financial assets and liabilities. Attention is also given to special topics such as accounting policies/changes/estimates/errors, subsequent events, income taxes, leases, employee benefits, related party disclosures, and earnings per share. Discussion is given to specialized applications of specialized industries and hyperinflation, and first-time adoption of IFRS.

Prerequisite: C or above in Intermediate Accounting I and II

International Accounting (3 credit hours)

This course will introduce the international accounting environment and international accounting standards. It will also provide a comparative analysis of accounting concepts and practices in different countries. Topics covered will include foreign currency transactions and translations, foreign exchange risk management, analysis of international financial statements, corporate governance, international corporate social responsibility reporting, international auditing issues, international taxation issues, and other selected topics.

Prerequisite: C or above in Intermediate Accounting I and II

Adding IFRS to the accounting curriculum through elective courses has its advantages and disadvantages. This approach allows more time for a greatest coverage of IFRS standards and content. The attention of the students can be directed to “IFRS” or “IFRS for SMEs” with or without the comparisons to U.S. GAAP. Adding elective courses may be appealing to accounting students because it would give them the freedom to design their education based on future career goals. Universities will need faculty members that are willing and able to become experts in IFRS before it can be added to the curriculum. This approach allows the university to hire adjuncts with an expertise in IFRS while the current and future faculty members

develop the necessary skills to teach IFRS effectively. It will also minimize the immediate effect of IFRS on an accounting faculty with a national average age greater than 56 years old. Finally, this approach gives the university a greater opportunity to use IFRS education as a revenue center. Professionals with experience in U.S. GAAP will probably prefer a course that concentrates on new IFRS-related information and the points for variance from U.S. GAAP. The electives could be designed to meet their needs and give them the opportunity for Continuing Professional Education (CPE) credit.

2. Adding IFRS into Intermediate and Advanced Courses

While U.S. GAAP is the dominant set of standards in the United States today, there are many indicators that this current state may not persist into the future. There is a dramatic need for accounting students to learn IFRS (that is now being tested on the CPA exam). The second dominant approach to include IFRS in the accounting curriculum is to principally integrate IFRS throughout the Intermediate course. On most campuses Intermediate accounting remains a two semester course. The inclusion of IFRS would require a fundamental change in the structure of the current Intermediate

accounting content. Specifically, the 2-semester course would be transformed into a 3-semester course. The Advanced accounting course currently covers specific and complex financial accounting topics in greater details. In an IFRS integrated Advanced accounting course the primary five (5) to seven (7) topics would remain the same; however, the content would expand, and the teaching approach would become a side-by-side analysis.

Intermediate accounting has been described as the heart of the accounting curriculum, exposing students to major accounting theories and practice. It is the course that separates “true” accounting majors from “potential” accounting majors. Adding IFRS to the course’s contents will further highlight and significantly increase the critical role of the intermediate-level course in students’ accounting education. This increased focus on IFRS at the intermediate level is expected by accounting firms who are recruiting full-time hires.

In addition, finance majors need an understanding of accounting theory to be able to analyze financial accounting information across international markets. They are currently required

to have two (2) to three (3) accounting courses beyond Principles of Accounting, usually Intermediate Accounting I, Intermediate Accounting II, and an accounting elective. If IFRS is integrated into Intermediate, finance majors will gain exposure to IFRS which will be a necessity for their careers.

We suggest the following course descriptions for a 3-course Intermediate Accounting series:

Intermediate Accounting I (3 credit hours)

This course is an intensive study of financial accounting that focuses on a common body of knowledge while providing a detailed examination and comparison of U.S. GAAP and IFRS. Students are exposed to the standard setting bodies and their conceptual frameworks. The theories and concepts that define the content of the income statement, statement of retained earnings, and the balance sheet are studied in detail. Topics covered include revenue recognition, time value of money, and cash/cash equivalents and receivables.

Prerequisite: C or above in Principles of Accounting I and II

Intermediate Accounting II (3 credit hours)

This course is a continuation of Intermediate Accounting I. It emphasizes U.S. GAAP and IFRS theories and practices related to accounting for inventories, fixed assets, intangible assets, current and long-term liabilities, stockholders' equity and corporations.

Prerequisite: C or above in Intermediate Accounting I

Intermediate Accounting III (3 credit hours)

This course is a continuation of Intermediate Accounting II. It emphasizes U.S. GAAP and IFRS theories and practices related to accounting for dilutive securities, earnings per share, taxes, pensions, leases, accounting changes, error corrections, and investments and derivatives. A complex statement of cash flows will also be studied.

Prerequisite: C or above in Intermediate Accounting II

The design of the three-semester Intermediate course is outlined in Table 1.

[Insert Table 1 here]

Table 1 is based on the table of contents outlined in Kieso, Weygandt, and Warfield's *Intermediate Accounting*, 14th edition. Observe that the proposed first semester course includes eight (8) topic areas with the expectation that the first chapter, "Financial Accounting and the Standards Setting Environment" would require minimal in-class discussion. That is, the other seven (7) chapters would require two to three class meetings. The other two semesters include seven (7)

chapters each. The main objective of this approach is to design the intermediate courses so that IFRS is effectively integrated with GAAP.

This proposed IFRS integration is illustrated below using two topic areas: (A) impairment for fixed assets and (B) accounting for bonds. The proposed design for topic area (A) is outlined in Exhibit 1.

[Insert Exhibit 1 here]

As Exhibit 1 discloses, GAAP requires a two-step process to accounting for impairment whereby IFRS requires a one-step process. There are additional differences to be noted. First, GAAP requires only three measures relative to the manufacturing plant which include book value, the sum of undiscounted future estimated cash flows, and fair value. IFRS, however, requires book value, the present value of estimated future cash flows, the fair value, and the fair value less costs to sell. Accordingly, the determination of an impairment may differ between the two standards and in cases where both standards agree there is an impairment, the amount of the impairment loss may differ.

In the illustration presented here, GAAP and IFRS agree that there is an impairment, yet the amount of the impairment is different

between the two standards. Specifically, the difference in the amount of impairment loss recognized by the two reporting standards is equal to the difference between fair values , \$40 (the book value reported after the impairment has been recognized according to GAAP) and the fair value less costs to sell, \$35 (the book value reported after the impairment according to IFRS).

As we become more familiar with IFRS, we discover that learning these standards forces us to place emphasis on existing alternative methodologies infrequently applied in U.S. accounting. One such example is provided here using topic area (B), accounting for bonds. Note the difference in the accounting for bonds payable issued at a discount with transaction costs included, as shown in Exhibit 2:

[Insert Exhibit 2 here]

As you can observe, there are obvious differences in recording the bonds under GAAP as compared to recording the bonds under IFRS. First, GAAP treats the bond issuance costs as an asset account, to be expensed over the life of the bond. Second, note that the bonds payable accounting is created for the face value of the bond

and the discount is debited to a valuation account, “discount on bonds.” The approach may be referred to as the “gross method.” Under IFRS, the “net approach” is preferred. Note that the “bonds payable” account is credited for the face value less the discount, less the transaction costs. No separate recognition is given for a discount or premium and transaction costs. Typically, in Intermediate Accounting courses when time is limited, the more complex approach to an accounting topic is covered in detail and the less complex approach is briefly reviewed via a comparative discussion. This bond example illustrates the need for instructors to teach all alternative methods in detail, which is necessitated when students are required to learn GAAP and IFRS.

Many universities are discussing IFRS in greater detail in Advanced Accounting. Yet, the course descriptions have not changed. We would suggest the following update to the Advanced Accounting course description and the use of supplemental materials that will allow the instructor to cover current standards and anticipated changes based on IASB’s and FASB’s regulatory agenda.

Advanced Accounting may also allow for the coverage of GAAP and IFRS for SMEs.

Advanced Accounting I (3 credit hours)

This course emphasizes U.S. GAAP and IFRS theories and practices related to accounting for business combinations, consolidations, joint ventures and operating segments for major corporations as well as SMEs. Partnerships and other selective advanced accounting topics are also included.

Prerequisite: C or above in Intermediate Accounting II

The second approach to teaching IFRS by adding it to the Intermediate and Advanced accounting courses has the advantage of building on a knowledge base that is already being developed. When teaching students who are familiar with U.S. GAAP, it is important to note that the majority of accounting they originally learned does not change significantly. This makes comparing and contrasting the U.S. GAAP and IFRS a more manageable task. Since IFRS is more principles-based, it is important to educate the students on some of those guiding principles. Once a general understanding of IFRS is achieved, the key differences between U.S. GAAP and IFRS can be taught through conversion and reconciliation practice sets. Students will be required to calculate balances under both U.S. GAAP and IFRS, and make the adjusting entries necessary to reconcile the

accounts. In addition to learning the principles of IFRS and the application of those principles, students will learn the effect of transitioning from U.S. GAAP to IFRS and vice versa. The benefit of this approach will be significant for the current students who will become the professionals that lead the transition into IFRS.

The second approach will also limit the immediate effect of IFRS for the entire accounting faculty. By limiting the IFRS content to the primary financial accounting courses, this approach will directly impact the financial accounting faculty. This segment of the faculty will have the greatest familiarity with IFRS because it has been a part of the Intermediate and Advanced accounting textbooks for at least five years. They are already required to update their skill set to include IFRS in order to stay current in their area of expertise. This approach will also meet the demand of the profession that junior level accounting majors be able to compare and contrast IFRS with U.S. GAAP.

3. Integrating IFRS throughout the Accounting Curriculum

It is important that accounting and finance majors have good working knowledge of IFRS. In addition, other business majors

should have at least an awareness of IFRS and its implications for future business operations and reporting. Accordingly, IFRS exposure cannot be limited to courses in which only accounting and finance majors typically enroll. The best possible strategy for IFRS integration into the curriculum should be to integrate it in all accounting courses, beginning with Principles. The first accounting courses, typically Principles of Accounting, should achieve the following goals:

1. An understanding of the historical significance of IFRS versus U.S. GAAP,
2. An understanding of the current important trends and actions related to the convergence project and the SEC's regulations,
3. An understanding of the advantages and challenges of adopting IFRS,
4. The ability to interpret the overall effect of IFRS on specific companies and or economic situations, and
5. An understanding of significant differences between IFRS and U.S. GAAP.

In the current curriculum, the Principles course traditionally starts with a discussion of the economy, the role of accounting information in efficient resource allocation, and the regulatory structure that produces this accounting information. This would be the appropriate time for instructors to introduce IFRS and to discuss

the globalization of world economies, the current international regulatory environment, and the costs and benefits of IFRS to the key parties in the economy. Faculty can encourage active learning and improve student research skills with a simple writing assignment. An assignment that requires the students to research and write a brief statement of the history the IASB and the modern importance of IFRS could achieve goals one and two. An example of a Principles of Accounting IFRS writing assignment is shown in Exhibit 3.

[Insert Exhibit 3 here]

The assignment can also require 15 to 20-minute in-class discussions.

Faculty should be sure to cover the following topics:

Historic developments in financial reporting – IFRS

- Formation of the IASC
- Development of the IASC constitution
- Development of IOSCO
- Formation of IASB
- Adoption of IFRS by the European Union
- Widespread use of IFRS
- Development of SEC roadmap for U.S. adoption of IFRS

Current developments in financial reporting – IFRS

- Globalization of capital and trade markets
- Countries using IFRS
- Companies using IFRS

- Convergence of U.S. GAAP and IFRS

Recent regulatory actions

- Plans for adoption by major countries
- Updates to the SEC roadmap
- Topics on IASB's and FASB's agendas

As the semester continues, the instructor should refer to significant current differences between U.S. GAAP and IFRS and indicate the likely affects on key accounts and on the financial statements. Many textbooks provide supplemental information on similarities and differences between U.S. GAAP and IFRS. A good long-term assignment for this part of the course would be to have the students choose a U.S. company and an international competitor. Then have the students individually or in small groups compare and contrast the appearance and content of the financial reports and statements; concentrate on broad ideas like terminology, organization, and specificity. Looking at broad categories and staying global would minimize the time necessary for assignments of this type. Instructors could accomplish this in a 15 to 20- minute assignment two or three times during the term. We would recommend this assignment at the end of the discussion of financial statements and/ or

at the beginning of discussions related to specific asset and liability categories; Current Assets, Property Plant & Equipment, or Long-term Liabilities. Assignments like this will definitely achieve goals three and five (mentioned earlier). The instructor should be sure to cover:

Potential benefits (intangible and long-term) and challenges (tangible and immediate) of IFRS adoption

- Improved comparability to international companies
- Increased investor and creditor following from international sources
- More efficiently priced capital
- High direct cost of implementation (approximately \$32 million per company)
- Wide knowledge void in the current U.S. curriculum
- Timing and difficulty of implementation

Significant current differences between U.S. GAAP and IFRS

- Level of detail (rules-based vs. principles-based)
- Approaches to industry-specific guidance
- Use of fair value accounting
- Acceptance / rejection of specific concepts and approaches, e.g., LIFO

Finally, to peak students' interest and keep them motivated to learn about IFRS and future changes, instructors may want to consider using or developing learning games that are repeated throughout the

semester for participation or quiz grades. A potential idea is an IFRS scavenger hunt.

The inclusion of IFRS in Intermediate and Advanced accounting would require an expansion of the content of the current Intermediate and Advanced accounting courses. We recommend transforming the 2-semester Intermediate course into a 3-semester course. There are several Intermediate Accounting textbooks that have IFRS content. The Spiceland, Sepe, and Tomassini Intermediate Accounting textbook does an excellent job of integrating IFRS and has multiple exercises, problems, and cases that require analysis from both an U.S. GAAP and an IFRS perspective. In an Advanced accounting course the primary five (5) to seven (7) topics would remain the same; however, the content should expand, and the teaching approach could become a side-by-side analysis of IFRS and U.S. GAAP. These recommended changes are discussed in detail in an earlier section of the paper. We would also recommend writing and research assignments for the junior and senior level accounting courses. An example of a poster assignment used in Intermediate Accounting I is shown in Exhibit 4.

[Insert Exhibit 4 here]

Saint Joseph's University is an example of the integrated approach to teaching IFRS. Their approach was developed through a grant from PwC and started in 2002. The university uses Enterprise Resource Planning (ERP) technology and cases in five core courses equivalent to Intermediate Accounting I, Intermediate Accounting II, Advanced Accounting, Cost Accounting, and Advanced Managerial Accounting.

The third approach, integrating IFRS throughout the accounting curriculum, provides a broad coverage of the general facts of IFRS for all business school majors in Principles of Accounting. The accounting and finance majors will receive the detailed coverage that will be essential for their careers. Full integration of IFRS meets the hiring demands of the public accounting firms. Which are as follows;

- (1) Sophomores will have an awareness of IFRS and its importance.
- (2) Juniors will have a sound basis for comparing and contrasting IFRS with U.S. GAAP
- (3) Graduates will have a full current knowledge of IFRS

The third approach will have a more dramatic effect on the accounting faculty as a whole. All faculty members should have some level of IFRS knowledge and expertise when it is taught across the curriculum. This will require a strong commitment and intense preparation by an already shirking faculty base. Many experts believe the use of IFRS will expand and the use of U.S. GAAP will decrease dramatically in near future. The full integration approach could make future changes and transition more natural for the entire accounting curriculum.

IFRS EDUCATIONAL RESOURCES

Websites, Webcasts, Videos, etc.

Major accounting firms have experience interpreting international accounting standards, and offer training, publications, and advice on IFRS. The Big 4 firms are constantly providing newer and updated resources on IFRS, including Webcasts for companies and faculty. KPMG, through its website <http://www.kpmginstitutes.com/ifrs-institute/>, has annually offered ten to 12 Webcasts covering the content of IFRS since 2009. Participation in the Webcasts is free and eligible for CPE credits.

Other firms are also offering web presentations on the similarities and differences between IFRS and U.S. GAAP. PwC has a guide called *IFRS and U.S. GAAP: Similarities and Differences*. The firm also offers interactive learning publications and a variety of faculty materials on its website, www.pwc.com/faculty.

Ernst & Young (E&Y) offers webcasts for CEOs, CFOs, and audit committee members to understand where financial reporting is headed both immediately and over the long term. E&Y has materials on their website, www.ey.com/ifrs, and a faculty support site. Deloitte has archived its webcasts that focus on how to get people ready for IFRS and offers e-learning resources for faculty at www.iasplus.com. The firm also offer IFRS and iGAAP Pocket guides. KPMG has sponsored faculty seminars, podcasts, and offers an online library at www.kpmgifrg.com/pubs/index.cfm. KPMG has published IFRS updates and sent specialists to campuses to speak to students and faculty. They also offer faculty teaching programs, case studies and materials on their IFRS institute site at www.kpmgifrsinstitute.com. Grant Thornton also offers materials at its website, <http://faculty.gtexperience.com>.

Regulators have established training materials on IFRS which can aid educators. The AICPA offers self-study courses and seminars in IFRS. The AICPA has also set up websites, www.ifrs.com and www.cpa-exam.org to aid in the training of new and mature accountants. The European Commission has published best practices and other information on IFRS at http://ec.europa.eu/internal_market?accounting/index_en.htm. The IASB offers a number of webcasts, subscriptions, and training materials. The International Association for Accounting Education and Research offers a number of training materials at a low cost. In addition the SEC, the Institute of Management Accountants (IMA), and the Canadian Institute of Chartered Accountants (CICA) are creators and hosts of major depositories of webcast presentations.

There are online IFRS certification programs; for college students with cost from \$300 to \$600. Both the Association of Chartered and Certified Accountants (ACCA) and the Institute of Chartered Accountants of England and Wales (ICAEW) offer certification program.

Books & Textbooks

Each of the international firms has printed publications that can be accessed and printed from its website. These articles and books represent an excellent resource for comparative studies of IFRS versus U.S. GAAP. These materials can be used to supplement a course and provide exercises and problems. E&Y published a 24 module IFRS manual that is supplemented by powerpoints, problems, and cases. The material is available to instructors and is password protected at <http://www.ey.com/us/ARC>. The IASB created a learning program for the *IFRS for SMEs* standards produced in 2009, which includes commentaries and exercises for every chapter. These websites are excellent resources because textbooks can become outdated quickly as the new exposure drafts and standards are issued. Both FASB and IASB have ambitious schedules for new standards over the next few years.

CONCLUSION

Robert Herz, FASB chair, describes the move to convergence as riding two horses at once WebCPA (2008). With the inclusion of

IFRS for SMEs, the transition process over the next few years may be like riding three horses at once. These “three horses” define a multifaceted challenge for colleges and universities. Specifically, schools of business and departments of accounting cannot ignore or defer the recognition of IFRS as a relevant, critical topic if they desire to deliver a high-quality accounting education. It is even highly likely that IFRS may become the “heart” of accounting education, the role now held by GAAP in the U.S. The task of exposing and teaching IFRS to future accounting professionals is one that **MUST** be taken seriously and accepted without resistance. If for no other reason, colleges and universities **MUST** accept the challenge knowing that the CPA exam has included IFRS-related questions beginning January 2011. Additionally, the CPA firms are calling for students’ IFRS awareness beginning as early as the sophomore year in 4-year and 5-year accounting degree programs. This early awareness will be critical in establishing a population of potential professionals who are equipped with sufficient knowledge and skills to enter the workforce and contribute immediately.

More important than the recognition that IFRS has become a critical part of accounting education, is the challenge as to HOW IFRS can and should be effectively included or integrated into the accounting curriculum. This paper proposes three (3) alternative approaches or vehicles through which IFRS can be efficiently and effectively integrated into existing accounting programs throughout the U.S. and the World. These approaches are (I) Add electives to the accounting curriculum that cover IFRS content, (II) Add IFRS content into Intermediate and Advanced Accounting Courses, and (III) Integrate IFRS throughout the accounting curriculum beginning with the Principles courses and ending with a capstone course.

It is beyond the scope of this paper to suggest one approach over the other. There are advantages to be found in each approach. The appropriateness of an approach for a particular college or university accounting curriculum depends, however, on several factors which may include faculty expertise and availability, financial resources, and program mission statement, to list a few. What is critical now is that approaches to IFRS integration into the

accounting curriculum have been identified, structured, and outlined. Colleges and university now have a roadmap by which they can develop an approach that best fits the environment surrounding their accounting programs.

IFRS as an accepted set of accounting standards is a fast-approaching reality in the United States. Professionals, educators, and students much recognize this change to the profession and begin now to update their knowledge base and practical skills. We cannot sit idly by wondering and /or waiting until something happens. The verdict is in. The United States is headed toward IFRS!

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Table 1: Topic coverage for proposed 3-semester Intermediate Accounting course (based on Kieso, Weygandt, and Warfield)

<u>First Semester Course Topics/Chapters</u>	<u>Second Semester Course Topics/Chapters</u>	<u>Third Semester Course Topics/Chapters</u>
Financial Accounting and the Standards Setting Environment	Inventories: Measurement and Valuation	Dilutive Securities and Earnings per Shares
The Conceptual Framework Underlying Financial Accounting	Plant, Property, and Equipment: Acquisition and Disposition	Investments
The Accounting Process: A Review	Plant, Property, and Equipment: Utilization and Impairment	Accounting for Income Taxes
Time Value of Money Concepts	Intangible Assets	Accounting for Pensions
The Income Statement, Comprehensive Income: Related Information, and Disclosures	Current Liabilities and Contingencies	Accounting for Leases
The Balance Sheet and an Overview of the Statement of Cash Flows: Related Information, and Disclosures	Long-Term Liabilities	Statement of Cash Flows Revisited

Revenue Recognition	Stockholders' Equity	Accounting Changes and Error Analysis
Cash and Receivables		

TABLE 2: WEB BASED RESOURCES

Sponsoring Organization	Address	Content Description
Academic Corner	http://www.austincc.edu/njacobs/1370_Ethics/Ethics_Articles/Incorporationg_IFRS_Curriculum.pdf	Identify different IFRS topics that can be incorporated into each level of accounting classes.
AICPA	www.ifrs.com	Brief answers to frequently asked questions about IFRS
American Journal of Business Education	http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=31&cad=rja&ved=0CDYQFjAAOB4&url=http%3A%2F%2Fjournals.cluteonline.com%2Findex.php%2FAJBE%2Farticle%2Fdownload%2F6999%2F7074&ei=LRE9UL24MYi-8ASymoC4Cg&usq=AFQjCNHyOerENoDvVr43nFd1rEm6WJJdmA&sig2=ODMu1_6_8eq5Fuq--l0THw	Describes how to teach IFRS as a standalone class, incorporate IFRS into an upper level accounting class, and incorporate IFRS into the curriculum.
Deloitte LLP	www.iasplus.com	Latest updates on IFRS including description of standard content, webcast, podcast, models and checklists, and IFRS e-learning modules that cover each standard.
Deloitte LLP	http://www.deloitte.com/view/en_US/us/Services/additional-services/IFRS/f931bf2733101210VgnVCM100000ba42f00aRCRD.htm	Lectures, presentations, notes and case studies that provide suggestions on the way IFRS should be taught.
Deloitte LLP and Virginia Tech	http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_assurance_Incorporating%20IFRS%20into%20Intermediate%20Accounting.pdf	Paper that describes how Virginia Tech has incorporated IFRS into their curriculum.

TABLE 2: WEB BASED RESOURCES (continue)

Sponsoring Organization	Address	Content Description
Ernst & Young LLP	www.ey.com/ifrs	Insights and perspectives on IFRS including exposure drafts, pocket guides, webcasts, disclosure checklist and many other publications.
Ernst & Young LLP	http://www.ey.com/Publication/vwLUAssets/EY_ARC_brochure/\$FILE/EYARC_brochure.pdf	Website that provides faculty with free IFRS account curriculum and other resources about the adoption.
Grant Thornton	http://faculty.gtexperience.com	Instructional materials including teaching notes, presentations, and student materials that address specific topics.
KPMG LLP	http://www.kpmginstitutes.com/ifrs-institute/	Latest updates on IFRS including description of standard content, disclosure checklists, webcasts, and IFRS vs. US GAAP content comparisons.
KPMG LLP	www.kpmgifrg.com/pubs/index.cfm	
PwC and AAA	www.pwc.com/faculty	Instructional materials including teaching notes, presentations, and student materials that address specific topics.

TABLE 3: VIDEO RESOURCES

Title	Sponsoring Organization	Duration	Content Description
Wiley Accounting Authors on IFRS	Wiley Publishing	3:46 minutes	Uploaded on May 10, 2010, this video discusses how and when the authors/publishers of the Wiley will incorporate IFRS into their textbooks.
IAS 2, 8, 16, 36 & 40	IFRS Rookies	4-6 minutes	Uploaded in 2011, these videos discuss how IAS deals with Inventories, PP&E, Investment Property, Impairment of Assets, and Changes in Estimates and Errors.
Introduction to IFRS	Resources Global	4:21 minutes	Uploaded June 18, 2009, this video identifies several steps that US companies need to implement in order to adopt global financial standards.
Difference between US GAAP & IFRS: PP&E	Sage FAS Fixed Assets	5:20 minutes	Uploaded Oct. 10, 2011 this video discusses the difference in Property, Plant, and Equipment in US GAAP and IFRS.
Adoption of IFRS by Private Companies in the US	Sage FAS Fixed Assets	2:33 minutes	Uploaded Oct. 10, 2011 this video discusses how private companies adopts IFRS.
Transitioning to IFRS	Sage FAS Fixed Assets	3:01 minutes	Uploaded Oct 10, 2011, this video discusses asset valuation considerations when transitioning to IFRS.

Exhibit 1: GAAP vs. IFRS Accounting for Tangible Fixed Asset Impairment

At the end of November of 2011, the Farris Company has determined that one of its manufacturing plants, located in the mid-west United States, has experienced a significant decline in value. Research has revealed the following values (in \$ million):

1. Book Value of the plant..... \$ 73
 [Historical cost = \$248 and accumulated depreciation = \$175]
2. Undiscounted sum of estimated future cash flows \$ 42
3. Fair Market Value \$ 40
4. Present value of estimated future cash flows \$ 29
5. Fair Market Value less costs to sell..... \$ 35

GAAP requires a two-step process regarding the suspected impairment:

Step one: Compare the undiscounted sum of estimated future cash flows of the plant with its book value. If the book value exceeds the undiscounted sum of the future cash flows, there is an impairment to be recognized. In this case for Farris, **there is an impairment to be recognized.**

Step two: Measure the impairment loss by subtracting the fair value from the book value. For Farris, book value less fair value (\$73 - \$40) equals an impairment loss equal to \$33 million.

The journal entry required to record the impairment is:

Loss due to impairment	33	
Accumulated Depreciation	175	
Manufacturing Plant		208

The book value at December 31, 2011 for the Manufacturing Plant is \$40 million. The income statement will report the \$33 million loss on impairment.

IFRS require a one-step process regarding the suspected impairment:

Step one: Compare the “recoverable amount” to book value. If the “recoverable amount” is less than the book value, an impairment loss should be recognized. The “recoverable amount” is the higher of:

- (a) the asset’s value-in-use (i.e., present value of estimated future cash flows) and
- (b) fair value less costs to sell.

The “recoverable amount” is \$35 million (fair value less costs to sell). The book value, \$73 million, less “recoverable amount,” \$35 million equals \$38 million the amount of the impairment loss.

Exhibit 1 - continued

The journal entry required to record the impairment is:

Loss on impairment	38	
Accumulated Depreciation	175	
Manufacturing Plant		213

The book value at December 31, 2011 for the Manufacturing Plant is \$35 million. The income statement will report the \$38 million loss on impairment.

Impairment Summary:
GAAP Accounting for Impairment

a. Recovery test: Is there an impairment? YES
b. Measure the impairment: Book value exceeds fair value by \$33 million
c. Entry to record the impairment: Loss due to impairment Accumulated Depreciation Manufacturing Plant
d. Income Statement effect: Loss on Impairment \$33 M
e. Balance Sheet book value AFTER Impairment recognition: Manufacturing Plant \$40 M

IFRS Accounting for Impairment

a. No recovery test required
b. Measure the Impairment: Book value exceeds “recovery amount” by \$38 million
c. Entry to record the impairment: Loss due to impairment Accumulated Depreciation Manufacturing Plant
d. Income Statement effect: Loss on Impairment \$38 M
e. Balance Sheet book value AFTER Impairment recognition: Manufacturing Plant \$35 M

Exhibit 2: GAAP vs. IFRS in the Accounting for Bonds Payable

Assume that Farris Company issued \$7,200,000 of 9% bond, date January 1. Interest is payable semi-annually on June 30 and December 31. The bonds mature in four years. The market yield for bonds of similar risk and maturity is 10%.

The calculation of the price of the bonds is as follows:

PV of principal	$\$7,200,000 \times 0.67684 =$	\$ 4,873,248
PV of interest payments	$\$324,000 \times 6.46321 =$	<u>\$ 2,094,080</u>
Present value (price) of the bond		<u>\$ 6,967,328</u>

The present value (PV) is found by using the appropriate present value tables when

- I = 5% and
- n = 8.

Assume further that the bond issue costs (referred to as “transaction costs” under IFRS) for the issue is \$348,366.

GAAP Accounting for Bonds Payable

a. Issuance of bonds	
Cash	6,618,964
Discount on Bonds	232,366
Bond Issue Costs	348,366
Bonds Payable	

IFRS Accounting for Bonds Payable

a. Issuance of bonds	
Cash	6,618,964
Bonds Payable	

Exhibit 3: Principles of Accounting IFRS Assignment

Vital elements of your business education and your future career growth/development are exposure to key international topics and the ability to research and summarize information. Write a 2 to 3 page essay that addresses each of the following questions. Include all references used to address the questions in a reference list. The references should be principally primary sources with quality foundations. The assignment should be 1-2 pages in length, double spaced, 12 point font, and one inch margins. You are responsible for the quality of your writing including proper spelling and grammar.

1. What does GAAP mean? What is the general use of GAAP? What does IFRS mean? What is the general use of IFRS? Where does GAAP and IFRS derive its authority?
2. What organization creates GAAP? Describe the history, structure, and management of the organization that creates GAAP.
3. What organization creates IFRS? Describe the history, structure, and management of the organization that creates IFRS.
4. Compare and contrast the creators of GAAP and IFRS.
5. How will IFRS affect U.S. companies in the future? Discuss costs and benefits of IFRS.
6. Identify a company that files financial reports with the SEC and uses IFRS. List any differences that you notice in the content and format of the financial statements in comparison to a company filing under U.S. GAAP.

Exhibit 4: Intermediate Accounting IFRS Poster Assignment

Instructions:

Create a poster (legal-sized paper, 8.5 by 14 inches) that compares and contrasts the U.S. GAAP treatment of one of the following accounting issues to the IFRS treatment of the same accounting issue. Be sure to select at least three primary sources on the accounting topic. Use information from the sources to develop a poster explaining the accounting issue, the treatment under U.S. GAAP, and the treatment under IFRS. Identify the primary differences between the two approaches. Identify the tangible and intangible costs and benefits of the shift from the U.S. GAAP approach to the IFRS approach.

Before starting your poster, get approval from your instructor on your topic and your sources.

Accounting Issues:

1. Classified Balance Sheet Presentation
2. Classified or Multi-step Income Statement Presentation
3. Statement of Cash Flow Format and Presentation
4. Conceptual Framework of Accounting
5. Inventory Costing Methodologies
6. Investment Accounting
7. Accounting for Business Combinations
8. Accounting for Intangible Assets
9. Accounting for Contingent Liabilities
10. Accounting for Leases
11. Revenue Recognition
12. Foreign Currency Matters

Evaluation:

Your poster will be evaluated on the following criteria:

- The poster is clearly focused on the accounting issue and is labeled as such.
- The poster explains the accounting issues and the treatments under U.S. GAAP and IFRS.
- The poster also provides details on the accounting treatments.

- The poster describes how the issue affects net assets and/ or net income.
- Graphics such as illustrations, photographs, and charts support the topic and help make it interesting and understandable.
- The poster is free from errors in capitalization, word usage, punctuation, or spelling.
- Sources for background information and for all borrowed graphics are cited.
- The poster is neat, colorful, and tastefully prepared.

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