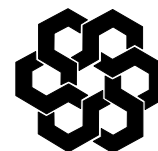


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International
Accounting Standards
Committee Foundation

This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

IASCF Trustees Meeting
New York, 7 October 2009

ADDRESSING IFRS ADOPTION IN EMERGING MARKETS

Agenda Paper 2

IASC Foundation Outreach in Emerging Economies

Introduction

The objectives of the International Accounting Standards Committee Foundation (IASC Foundation) include a commitment to take account of emerging economies in fulfilling the objectives of developing International Financial Reporting Standards (IFRSs) and in promoting their use (see paragraph 2 of the IASC Foundation Constitution).

In fulfilling this mandate the IASC Foundation has undertaken a number of initiatives, some of which are set out in this paper—which focuses on Foundation’s activities in emerging economies in 2009.

IFRS adoption support

In 2008, to support jurisdictions that are in the process of adopting or converging with IFRSs, the Trustees of the Foundation created a new position—Director of International Activities. This position was immediately filled by a most experienced member of the IASB’s technical staff, Wayne Upton (formerly the IASB’s Director of Research). Wayne’s recent activities are set out in his memorandum to the Trustees dated 9 September 2009. Relevant highlights of that memorandum with regard to emerging economies include meetings with the national

financial reporting standard-setters and national regulators in China, Malaysia, Mexico and India.

A number of technical issues arose from those meetings. That in turn creates a new challenge for the IASB staff, because they need to consult internally and respond. Today, there is a backlog of issues that need to be written up and returned to the individual standard-setters, including:

- Islamic financial transactions
- Foreign currency translation
- Agriculture
- The equity method of accounting.

Standard-setter meetings

The world standard-setters meeting was hosted by the IASB in London on 10 and 11 September 2009. About half the delegates at the conference come from emerging economies. The conference provides the world's financial reporting standard-setters a forum to exchange ideas and provide feedback to the IASB on its major projects.

Major regional standard-setters meetings attended by IASB members were also held in the following emerging economies in 2009—Brazil (Latin America and the Caribbean) and South Africa (National standard-setters meeting). An Asia-Oceania Standard-Setters Group was formed in Beijing in April. It will hold its first meeting in Kuala Lumpur in November. We hope that regional groups like this one will improve the way that regions participate in the IASB process.

Education activities

The medium-term plan (5-year plan) of the Foundation's education initiative was approved by the Trustees in January 2007. The plan is designed to take account of the Foundation's commitment to take account of the needs of emerging economies.

This agenda paper presents the activities of the education staff in 2009 in fulfilling the part of the plan dedicated to emerging economies.

Events

Throughout the year the education initiative makes presentations to visiting delegations of academics and students. In 2009, delegations visiting from emerging economies include China, Russia and the CIS countries.

In March, at the request of the World Bank Macedonian project, Mike Wells (Director, IFRS Education Initiative) delivered the first CPE¹ session for the Macedonian Institute of Accountants in Skopje, Macedonia. This half-day *IFRS for SMEs* CPE workshop was attended by more than half of Macedonia's registered accountants.

In March, Mike also presented an IFRS update at the First Baltic IFRS Adoption and Implementation Forum in Riga, Latvia.

In May, Mike presented on IFRSs and the *IFRS for SMEs* at the World Bank's ROSC² report dissemination meeting for Eastern Caribbean States in St Kitts, St Kitts and Nevis.

In June, the education initiative cobranded a joint IAAER³/AMIS⁴ accounting academic conference in Bucharest, Romania. Mike presented two sessions at the conference. The first presentation formed part of larger session dedicated to improving the effectiveness of IFRS teaching. It was attended by about 70 regional IFRS academics. The second presentation focussed on the *IFRS for SMEs*. It was attended by about 40 local practitioners and academics.

In June, the education initiative cobranded a joint IAAER/ANPCONT⁵ conference in Sao Paulo, Brazil. Mike Wells and Mary Barth (IASB member) presented parts of a larger session dedicated to improving the effectiveness of IFRS teaching and research. The session was attended by about 250 regional IFRS academics.

In November, the Foundation will cobrand Ernst & Young's Russian-language IFRS conference in Moscow. The 2009 conference will be the third year in which this now well established regional conference will be held.

¹ Continuing professional education (sometimes called continuing professional development or CPD)

² Reports on the Observance of Standards and Codes

³ International Association for Accounting Education and Research

⁴ Accounting and Management Information Systems International conference

⁵ Associação Nacional dos Programas de Pós-Graduação em Ciências Contábeis

In November, Mike will present to IOSCO Emerging Markets Committee Working Group Number 1 meeting in Bucharest, Romania.

In November, Mike and the French speaking IASB members will meet with senior officials from Conseil Comptable Ouest Africain (CCOA) in London, UK. The purpose of the meeting is to discuss possible ways for the Foundation to support the CCOA's plans for the adoption and implementation of IFRSs (including the *IFRS for SMEs*) in West Africa.

IFRS Material

The 2008 edition of the text *A Guide through IFRSs* was reprinted in India in a less glossy format, so that the text could be sold in the emerging economy at a cheaper price.

The education initiative prepared technical summaries of each IFRS in the English, Portuguese and Spanish languages. These free to download pages are the most frequently visited pages on the IASB's website. The French-language summaries will be added to the IASB's website when the French speaking IASB members complete their review of the summaries.

IFRS for SMEs training

The IASB issued the *IFRS for Small and Medium-sized Entities (SMEs)* in July 2009. The Foundation's education initiative is developing comprehensive free-to-download English-language training material to support the implementation of the *IFRS for SMEs*.

In late December, the education initiative expects to publish 35 English-language training modules on the *IFRS for SMEs* (ie one training module for each section of the *IFRS for SMEs*). Each module includes:

- Introduction—an overview of the module, including, learning objectives, a description of the *IFRS for SMEs* and the material that accompanies, but does not form part of, the IFRS and an overview of the requirements of the section.
- the full text of the section of the *IFRS for SMEs* with added notes and worked examples. The notes and examples are designed to clarify and illustrate the requirements.
- a discussion of significant estimates and other judgements in accounting for transactions and events in accordance with that section of the *IFRS for SMEs*.
- a high-level summary of the main differences between that section of the *IFRS for SMEs* and the corresponding full IFRS.

- a collection of multiple choice questions designed to test the learner’s knowledge of the requirements of the section of the *IFRS for SMEs*.
- a collection of case studies designed to develop the learner’s ability to account for transactions and events in accordance with the section of the *IFRS for SMEs*.

To help ensure that there is sufficient capacity for the successful implementation of the *IFRS for SMEs*, especially in emerging economies, the IASC Foundation’s education initiative is forging partnerships with the world’s development agencies and others. In particular, the education initiative is seeking support for two important initiatives:

(1) *Funding for the translation of training material into local languages*

To be effective, particularly in developing economies, the training material needs to be provided free of charge in a language that is well understood locally.

(2) *Funding and organisational support for the provision of training for the trainers, to develop their capacity to train others in their region in use of the training material*

The availability of comprehensive free-to-download local-language training material is unlikely, on its own, to result in the satisfactory implementation of the *IFRS for SMEs* in many jurisdictions. This is particularly true for emerging economies where the accountancy profession is less developed. The education initiative believes that regional workshops to ‘train the trainers’ to train others in the use of the local-language training material would greatly help the application of the *IFRS for SMEs*, particularly in the world’s emerging economies.

In response to a proposal developed by the education initiative and sent to the world’s development agencies and regional professional associations, the education initiative is committed to providing workshop facilitators to a number of regional *IFRS for SMEs* ‘train the trainer’ workshops in emerging economies, including South Asia, South East Asia, Latin America and the Caribbean. It is expected that much of the education initiative’s time will be devoted to these activities in 2010.

Conclusion

In fulfilling its objective of developing IFRSs and in promoting their use, the Foundation took account of emerging economies in 2009 in a number of ways. In particular, the Director of International Activities and the Director of IFRS Education Initiative dedicated much of

their time to activities in emerging economies. Furthermore, the IASB actively participated in regional standard-setters meetings and other IFRSs related activities in emerging economies. Moreover, many significant IASC Foundation IFRS capacity building exercises are planned for emerging economies in 2010 and beyond.