AGENDA PAPER

Meeting of the Monitoring Board with the IFRS Foundation Trustees

Zurich	2 February 2015	Agenda paper MBP3
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IFRS: Truly Global Accounting Standards

The Vision of Global Accounting Standards

The vision of global accounting standards has been publicly supported by many international organisations, including the G20, World Bank, IMF, Basel Committee, IOSCO, and IFAC.

In their Strategy Review Report published in February 2012, the Trustees of the IFRS Foundation reaffirmed their commitment to achieving that vision. The Report said:

> "We remain committed to the belief that a single set of International Financial Reporting Standards (IFRS) is in the best interests of the global economy, and that any divergence from a single set of standards, once transition to IFRS is complete, can undermine confidence in financial reporting."

The Trustees went on to say:

> "Convergence may be an appropriate short-term strategy for a particular jurisdiction and may facilitate adoption over a transitional period. Convergence, however, is not a substitute for adoption. Adoption mechanisms may differ among countries and may require an appropriate period of time to implement but, whatever the mechanism, it should enable and require relevant entities to state that their financial statements are in full compliance with IFRSs as issued by the IASB."

Assessing Progress toward the Goal of Global Accounting Standards

To assess progress toward the goal of global accounting standards, the Foundation has undertaken a comprehensive project with three related objectives:

1. To develop a central source of information to chart jurisdictional progress toward global adoption of a single set of financial reporting standards.

2. To respond to assertions that there many national variations of IFRS around the world.
3. To identify where IFRS Foundation can help countries progress on their path to adoption of IFRS.

Project to develop IFRS profiles for individual countries and other jurisdictions

To achieve those objectives, the Foundation has developed and posted profiles about the use of IFRS in individual jurisdictions. The project is managed by former IASB Board member Paul Pacter.

The Foundation used information from various sources to develop the profiles. The starting point was the responses provided by standard-setting and other relevant bodies to a survey that the Foundation conducted. The Foundation drafted the profiles and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts. Their comments are reflected.

Update of previous report to Monitoring Board and Trustees

The first batch of profiles was posted in June 2013. We presented an analysis of the profiles to the Monitoring Board and Trustees at their meeting in January 2014. This Agenda Paper is intended to update the Monitoring Board and Trustees based on additional information available since January 2014.

138 profiles are currently posted

Currently, profiles are completed for 138 countries and other jurisdictions, including all of the G20 jurisdictions plus 118 others. The profiles may be found here: http://go.ifrs.org/global-standards

The 138 profiles cover all areas of the world:

Region	Number of jurisdictions	Percent of total
Europe	42	30%
Africa	20	15%
Middle East	7	5%
Asia and Oceania	32	23%
Americas	37	27%
Totals	138	100%

The 138 profiled jurisdictions cover 97% of the global GDP. So while we continue to develop IFRS profiles for a number of additional jurisdictions, we believe that the 138 existing profiles provide a comprehensive view of the use of IFRS around the world.

Content of individual profiles

Each profile shows, among other things:

- Survey participant details.
- Whether the jurisdiction has made a public commitment to global accounting standards.
- Extent of IFRS application: Which companies? Required or permitted? Consolidated only? Unlisted also?
- IFRS endorsement: Process, legal authority, auditor's report.
- Did the jurisdiction eliminate options? Make modifications?
- Process for translation of IFRS.
- Adoption of the IFRS for SMEs.

What We Have Learned – Overall

Overall observation based on the profiles on the use of IFRS in 138 jurisdictions that are now posted on the IFRS Foundation's website:

OVERALL OBSERVATION

Thirteen years after the reform of the IASC and the establishment of the IFRS Foundation and the IASB, the profiles provide firm evidence that the vision of global accounting standards is now a reality:

Of the 138 jurisdictions whose profiles have been posted:

- ***114 jurisdictions (83% of the profiles) require IFRS for all or most domestic publicly accountable entities (listed companies and financial institutions).***
- ***Most of the remaining 24 jurisdictions that do not yet <u>require</u> IFRS for all or most domestic publicly accountable entities already <u>permit</u> IFRS for at least some of those entities. Details are provided at Observation #6 below.***

We are not yet at the point in which IFRS adoption is total and complete for publicly accountable entities around the world. But if one considers that just 15 years ago very few jurisdictions even permitted IFRS, we have made extraordinary progress in a short period of time.

Here is a list of the 138 jurisdictions for which profiles are posted as of February 2015. The 114 jurisdictions that require IFRS for all or most publicly accountable entities are highlighted in **bold**:

Afghanistan	**Chile**	**Hungary**	**Mongolia**	**South Africa**
Albania	China	**Iceland**	**Montserrat**	**Spain**
Angola	**Colombia**	India	**Myanmar**	**Sri Lanka**
Anguilla	**Costa Rica**	Indonesia	**Nepal**	**St Kitts and Nevis**
Antigua and Barbuda	**Croatia**	**Iraq**	**Netherlands**	**St Vincent and the Grenadines**
Argentina	**Cyprus**	**Ireland**	**New Zealand**	Suriname
Armenia	**Czech Republic**	**Israel**	Nicaragua	**Swaziland**
Australia	**Denmark**	**Italy**	Niger	**Sweden**
Austria	**Dominica**	**Jamaica**	**Nigeria**	Switzerland
Azerbaijan	**Dominican Republic**	Japan	**Norway**	**Taiwan**
Bahamas	**Ecuador**	**Jordan**	**Oman**	**Tanzania**
Bahrain	Egypt	**Kenya**	**Pakistan**	Thailand
Bangladesh	**El Salvador**	**Korea (South)**	Panama	**Trinidad & Tobago**
Barbados	**Estonia**	**Kosovo**	Paraguay	**Turkey**
Belgium	**European Union**	**Latvia**	**Peru**	**Uganda**
Belarus	**Fiji**	**Lesotho**	**Philippines**	**Ukraine**
Belize	**Finland**	**Liechtenstein**	**Poland**	**United Arab Emirates**
Bermuda	**France**	**Lithuania**	**Portugal**	**United Kingdom**
Bhutan	**Georgia**	**Luxembourg**	**Romania**	United States
Bolivia	**Germany**	Macao	**Russia**	**Uruguay**
Bosnia-Herzegovina	**Ghana**	**Macedonia**	**Rwanda**	Uzbekistan
Botswana	**Greece**	Madagascar	**Saint Lucia**	**Venezuela**
Brazil	**Grenada**	**Malaysia**	Saudi Arabia	Vietnam
Brunei Darussalam	Guatemala	**Maldives**	**Serbia**	**Yemen**
Bulgaria	Guinea-Bissau	**Malta**	**Sierra Leone**	**Zambia**
Cambodia	**Guyana**	**Mauritius**	**Singapore**	**Zimbabwe**
Canada	Honduras	**Mexico**	**Slovakia**	
Cayman Islands	**Hong Kong**	**Moldova**	**Slovenia**	

The 114 jurisdictions classified as requiring IFRS for all or most domestic publicly accountable entities include all 31 member states of the European Union and the European Economic Area, where IFRS are required for all European companies whose securities trade in a regulated market. There are around 8,000 such listed companies in Europe, and all but a handful of them use IFRS as issued by the IASB. The much publicised IAS 39 ‘carve-out’ affects fewer than two dozen banks out of the 8,000 IFRS companies whose securities trade on a regulated market in Europe.

The 114 also include several jurisdictions that have adopted IFRS word for word as their national accounting standards for publicly accountable entities (including Australia, Hong Kong, New Zealand, and Singapore).

The 114 also include four jurisdictions that have adopted recent, but not the latest, bound volumes of IFRS: Macedonia (2009); Myanmar (2010); Sri Lanka (2011); and Venezuela (2008). Those jurisdictions are working to update their adoption to the current version.

What We Have Learned – Details from 138 jurisdiction profiles

OBSERVATION #1 – Support for global accounting standards

Nearly all jurisdictions have publicly stated a commitment in support of global accounting standards.

- Yes = 128 of the 138 jurisdictions (93%).
- No = 10 (Albania, Belize, Bermuda, Cayman Islands, Egypt, Macao, Paraguay, Suriname, Switzerland and Vietnam). Note that even though these jurisdictions have not stated a public commitment to a single set of global accounting standards, IFRS is, in fact, used by at least some public entities in many of these 10 jurisdictions.

OBSERVATION #2 – IFRS as the global accounting standards

The relevant authority in nearly all jurisdictions has publicly stated that IFRS should be the global accounting standards.

- Yes = 130 of the 138 jurisdictions (94%).
- No = 8 (Belize, Bermuda, Cayman Islands, Egypt, Macao, Suriname, Switzerland and Vietnam). Although Switzerland has not made a formal public statement that IFRS should be the global accounting standards, the Swiss Government accepts IFRS as issued by the IASB (in addition to the IFRS for SMEs, US GAAP, IPSASs, and Swiss GAAP FER) as an acknowledged accounting framework in accordance with the Swiss Code of Obligations. And 84% of the companies on the main board of the Swiss stock exchange use IFRS. Similarly, although Belize, Bermuda and Cayman Islands have not made a formal public statement that IFRS should be the global accounting standards, IFRS are permitted and are frequently used.

OBSERVATION #3 – IFRS requirement for domestic listed companies and financial institutions

IFRS is required for all or most domestic publicly accountable entities (listed companies and financial institutions) in 114 jurisdictions (83%) of the 138 jurisdictions profiled.

- Yes = 114 of 138 jurisdictions (83%).
- No = 24 jurisdictions. But, as explained in Observation #6 below, IFRS is permitted or required for at least some publicly accountable entities in most of those 24 jurisdictions.

The 114 includes 7 jurisdictions that do not have stock exchanges but that require IFRS for banks and other publicly accountable entities: Afghanistan, Angola, Belize, Brunei, Kosovo, Lesotho, Yemen.

Note that 6 jurisdictions that do have stock exchanges and that are included in the 114 do not require IFRS for listed financial institutions (Argentina, El Salvador, Israel, Mexico, Peru, Uruguay) though they do require IFRS for all other listed companies. This is generally because the bank regulator, rather than the securities regulator, has jurisdiction over published bank financial statements, and the bank regulator's focus is on prudential reporting rather than investor reporting.

OBSERVATION #4 – IFRS required for more than just listed companies

Around 60% of the 114 that require IFRS for domestic listed companies also require IFRS for unlisted financial institutions and/or large unlisted companies.

OBSERVATION #5 – IFRS permitted for unlisted companies

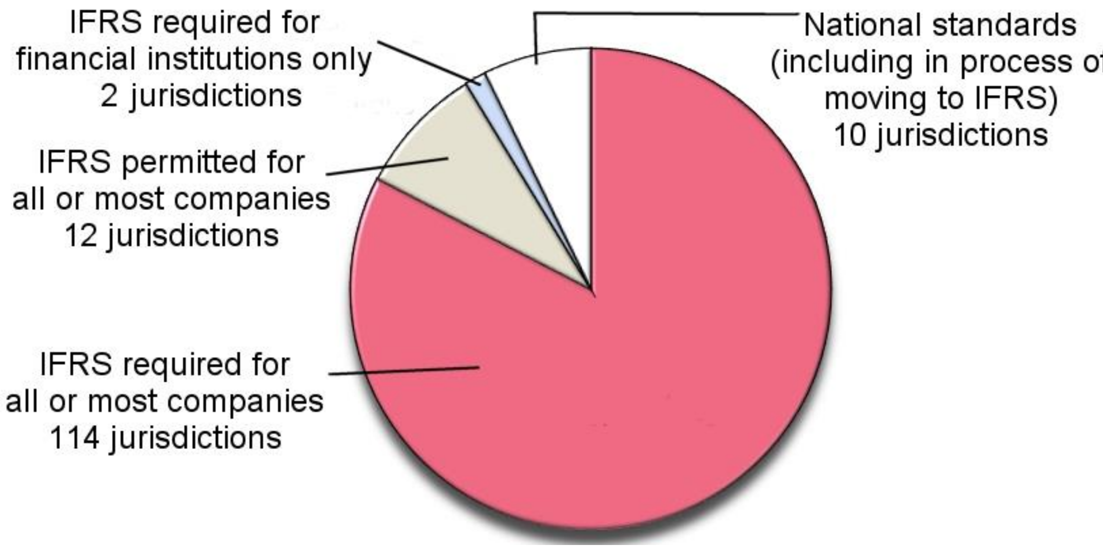
Around 90% of the 114 that require IFRS for domestic listed companies also require or permit IFRS for many unlisted companies.

OBSERVATION #6 – IFRS permitted for listed companies

Most of the remaining 24 jurisdictions that do not yet <u>require</u> IFRS for all or most domestic listed companies already <u>permit</u> IFRS for at least some domestic listed companies:

- ***12 other jurisdictions permit, rather than require, IFRS: Bermuda, Cayman Islands, Guatemala, Honduras, India, Japan, Madagascar, Nicaragua, Panama, Paraguay, Suriname, Switzerland.***
- ***2 require IFRS for financial institutions but not for other listed companies: Saudi Arabia and Uzbekistan.***
- ***1 is in process of adopting IFRS in full: Thailand.***
- ***1 is in process of converging its national standards substantially (but not entirely) with IFRS: Indonesia.***
- ***8 use national standards: Bolivia, China, Egypt, Guinea-Bissau, Macao, Niger, United States, Vietnam. Note that China's standards, while not IFRS, are substantially converged with IFRS.***

Observation #6 can be visualized as follows:



The following table analyses the above data by region of the world:

Region	Number of jurisdictions in the region	Number of jurisdictions that require IFRS for all or most domestic publicly accountable entities	Number of jurisdictions that require IFRS as % of total jurisdictions in the region	Number of jurisdictions that permit or require IFRS for at least some domestic publicly accountable entities, but not for all or most entities	Number of jurisdictions that neither require nor permit IFRS for any domestic publicly accountable entities	Total
Europe	42	41	97.6%	1	0	42
Africa	20	16	80.0%	1	3	20
Middle East	7	6	85.7%	1	0	7
Asia-Oceania	32	24	75.0%	3	5	32
Americas	37	27	73.0%	8	2	37
Totals	**138**	**114**	82.6%	**14**	**10**	138

Following are comments on the larger of the 24 jurisdictions that do not yet require IFRS for all or most domestic listed companies:

China

- National standards are substantially converged with IFRS.
- While Chinese companies that trade on Mainland China stock exchanges use national standards, it should be noted that Chinese companies whose securities trade on the Stock Exchange of Hong Kong may choose among IFRS, Hong Kong Financial Reporting Standards (HKFRS), and Chinese Accounting Standards (ASBEs) for purposes of financial reporting to Hong Kong investors. Those financial reports are in addition to the ASBE financial reports that the Chinese companies issue within mainland China. At 30 June 2014, a total of 296 Chinese companies (known as 'Red Chip' and 'H-Share' companies) trade in Hong Kong. The financial reporting frameworks used by those companies in Hong Kong are as follows:

Which standards?	Number of companies	Per cent of companies	Market capitalisation (US Dollars)	Per cent of market capitalisation
IFRS and HKFRS (HKFRS is identical to IFRS)	251	85%	1,160,864,702,816	95%
ASBE	45	15%	57,268,715,905	5%
Total	296	100%	1,218,133,418,721	100%

- There are also a number of Chinese companies that use IFRS for the purpose of trading in the United States and in Europe.

India

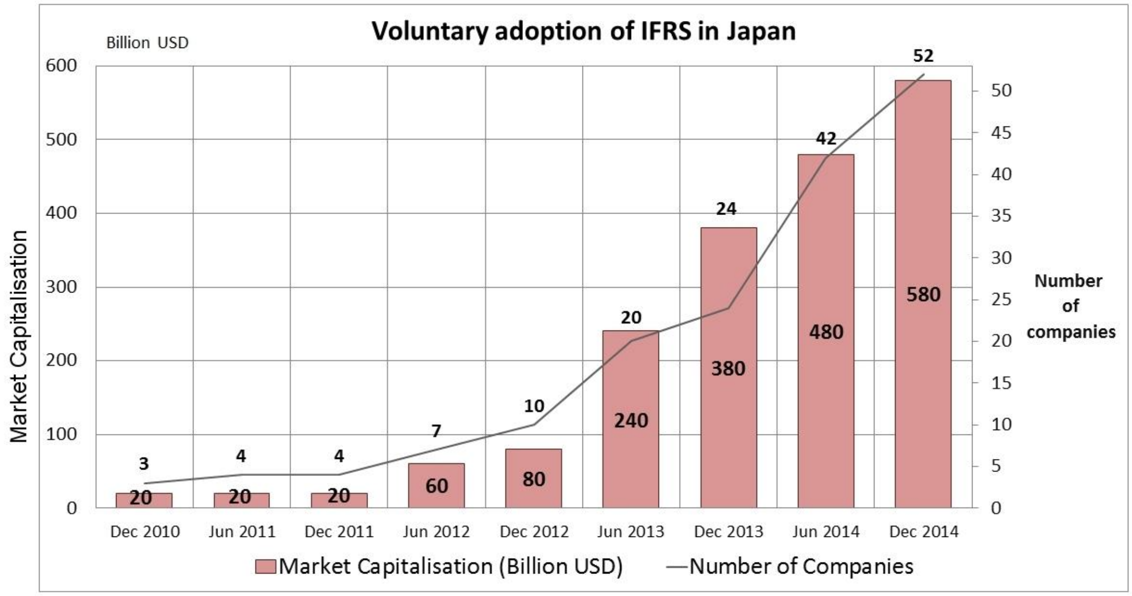
- IFRS is currently permitted on limited voluntary basis. A few listed companies (approximately 11 companies) now use IFRS.
- India is in process of adopting a new set of accounting standards for listed and large companies that is generally converged with IFRS, but with some modifications. These will be known as Indian Accounting Standards (Ind AS).

Indonesia

- Listed companies follow Indonesian Financial Reporting Standards (SAK). Currently, SAK is substantially in line with IFRS as at 1 January 2009, but there are a number of differences, and several IFRSs and IFRIC Interpretations do not have SAK equivalents.
- The standard-setter is currently working toward bringing SAK substantially in line with IFRS as at 1 January 2014, again with some exceptions.

Japan

- Listed companies may use Japanese Accounting Standards, IFRS or US GAAP.
- In Japan, IFRS adopters and their market capitalisation are growing rapidly:



- At 31 December 2014, 52 Japanese companies use IFRS. Together, those companies constitute around 14% of the total market cap of the Tokyo Stock Exchange.

Saudi Arabia

- IFRS is now required for banks and insurance companies.
- Plan to adopt IFRS for all listed companies and financial institutions, most likely to be effective in 2017.

Switzerland

- IFRS permitted. Swiss GAAP FER, US GAAP and statutory bank standards may also be used. SMEs may also use the IFRS for SMEs.
- The following table shows the financial reporting framework used by the 266 companies whose securities traded on the SIX Swiss Exchange in October 2013, by segment of the Exchange. Note that 84% of the companies listed on the main board of the Exchange use IFRS:

Which GAAP?	Main standard (Note 1)	Domestic standard (Note 2)	Investment companies	Real estate companies	Total number and % of companies
IFRS	138	5	17	9	169 (64%)
Swiss GAAP FER	0	47	0	3	50 (19%)
US GAAP	27	0	0	0	27 (10%)
Bank law	0	20	0	0	20 (7%)
Total	165	72	17	12	266 (100%)

Note 1: the main standard is the segment of the Exchange intended for companies seeking capital from 'international investors'.

Note 2: the domestic standard is the segment of the Exchange intended for companies seeking capital only from 'Swiss domestic investors'.

United States:

- SEC Concept Release (2007), Roadmap (2008), Staff Report (2012).
- IFRS permitted for non-US companies without reconciliation to US GAAP. Around 500 cross-border SEC registrants now use IFRS.

OBSERVATION #7 – Modifications of IFRS

Modifications to IFRS are rare.

The 138 jurisdictions made very few modifications to IFRS, and the few that were made are generally regarded as temporary steps in the jurisdiction's plans to adopt IFRS. This finding is important because it responds to the incorrect assertions that there many national variations of IFRS around the world.

What kinds of modifications did we find?

European Union: the much-publicised IAS 39 carve-out

- EC itself describes the carve-out as 'temporary'.
- It is used by fewer than two dozen out of 8,000 listed companies in the EU.
- 99.5% of EU listed companies use IFRS as issued by the IASB.

Effective dates:

- A few jurisdictions deferred dates of several standards, notably IFRSs 10, 11, 12. Most of those deferrals terminated on 1 January 2014.

Modifications or deferrals pending completion of IASB projects:

- Modification to permit the use of equity method in separate financial statements: Argentina, Brazil, Taiwan, Uruguay. The IASB has recently amended IAS 27 *Separate Financial Statements* to permit the use of the equity method in separate financial statements, so this modification is no longer an issue.

- Loan loss provisions of financial institutions: Chile, Pakistan, Serbia, Uzbekistan. The IASB has recently issued IFRS 9 *Financial Instruments*, which addresses loan loss provisions of financial institutions. It is likely that jurisdictions will reconsider these modifications in light of IFRS 9.
- Rate regulated activities: Canada has deferred mandatory adoption of IFRS by rate-regulated companies until 2015. This is an active project on the IASB's agenda.
- Bearer plants such as groves and plantations: Several jurisdictions had modified IFRS to require or permit perennial bearer plants to be accounted for as property, plant and equipment (amortised cost plus impairment) rather than as agricultural assets (fair value through profit or loss). The IASB has recently amended IAS 41 *Agriculture* to treat perennial bearer plants as property, plant and equipment. At least one jurisdiction (Malaysia) has already withdrawn its modification.

Older version of IFRS adopted by law or regulation

- Several jurisdictions have not adopted the current versions of IFRS:
  - Macedonia has adopted the 2009 version of IFRS.
  - Myanmar has adopted the 2010 version.
  - Sri Lanka adopted the 2011 version.
  - Venezuela adopted the 2008 version.
- Bangladesh has adopted the 2010 version of IAS 39 but the current versions of other IFRSs.

Other modifications of IFRS

- Pakistan has not adopted IFRS 1 *First-time Adoption of IFRS*, IFRIC 12 *Service Concession Arrangements*, IFRIC 15 *Agreements for the Construction of Real Estate*. For banks Pakistan has not adopted IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 40 *Investment Property*, IFRS 7 *Financial Instruments: Disclosures*.
- Sri Lanka made some modifications to IAS 34 *Interim Financial Reporting* and IAS 40 *Investment Property* and IFRS 7 *Financial Instruments: Disclosures*. Sri Lanka has adopted IFRIC 15 *Agreements for the Construction of Real Estate* but the effective date is deferred.

OBSERVATION #8 – Auditor's report wording

In a majority of jurisdictions, the auditor's report refers to compliance with IFRS.

In 82 of those jurisdictions where IFRS is required or permitted, the auditor's report refers to compliance with IFRS. In another 33 jurisdictions, the auditor's report refers to compliance with IFRS as adopted by the EU (includes 31 EU/EEA members, the EU itself as a G20 member, and an EU candidate country). In the remaining 23 jurisdictions, the auditor's report refers to national standards (in some of those cases, such as Bangladesh, Hong Kong, Malaysia, and Singapore, the national standards are virtually identical to IFRS).

Wording in auditor's report	Number of jurisdictions
IFRS as issued by the IASB	82 jurisdictions
IFRS as adopted by the EU. Some of these also assert compliance with IFRS (dual reporting).	33 jurisdictions
National standards. In some cases the national standards are word-for-word IFRS. In other cases they are not.	23 jurisdictions

OBSERVATION #9 – Endorsement process

Apart from the 33 member countries of the European Union and European Economic Area and EU candidate countries, most (76%) of the remaining 105 jurisdictions that require or permit IFRS for domestic companies do not go through endorsement of individual new or amended IFRSs.

What do we mean by endorsement?

In our profiles, we use the word 'endorsement' to mean an ongoing process by which individual new or amended IFRS (including Interpretations) are formally approved for use in a jurisdiction. This definition does not include the one-time process for original incorporation of IFRS into the laws or regulations of a jurisdiction.

In the February 2012 report of the Strategy Review by the IFRS Foundation Trustees, the Trustees said:

> *As the body tasked with achieving a single set of improved and globally accepted high quality accounting standards, the IFRS Foundation must remain committed to the long-term goal of the global adoption of IFRSs as developed by the IASB, in their entirety and without modification. Convergence may be an appropriate short-term strategy for a particular jurisdiction and may facilitate adoption over a transitional period. Convergence, however, is not a substitute for adoption. Adoption mechanisms may differ among countries and may require an appropriate period of time to implement but, whatever the mechanism, it should*

> *enable and require relevant entities to state that their financial statements are in full compliance with IFRSs as issued by the IASB.*

By saying ‘adoption mechanisms may differ among countries’ the Trustees acknowledge that the endorsement process can differ from one jurisdiction to another.

a. In some jurisdictions, the one-time process for original adoption of IFRS also incorporates all new or amended IFRSs after originally incorporating IFRS into laws or regulations; no subsequent action is needed to adopt each new or amended IFRS.

b. Other jurisdictions will see a need to act on (‘endorse’) each individual new or amended IFRS to incorporate it into laws or regulations.

In some of those jurisdictions that choose approach (b), the endorsement process is relatively perfunctory, particularly because formal endorsement of a final IFRS has been preceded by a local consultation on the IASB’s exposure draft. In other jurisdictions that choose approach (b), the endorsement process re-debates the technical decisions that the IASB debated in issuing the final new or amended IFRS – even if the endorsement process was preceded by a local consultation on the IASB’s exposure draft. Sometimes, a jurisdiction may inject non-technical (eg political) issues into the endorsement process.

The IFRS Foundation Trustees have not taken a position favouring a particular endorsement process or which type of body should have endorsement responsibility. But whatever a jurisdiction’s endorsement mechanism, the Trustees were clear on what the outcome should be: entities in that jurisdiction should be able and required to assert that their financial statements are in full compliance with IFRS as issued by the IASB.

What endorsement mechanisms do jurisdictions currently use?

One of the issues addressed in each profile is whether the jurisdiction has a process in place for the ‘endorsement’ or ‘adoption’ of new or amended IFRSs (including Interpretations) in place. If the jurisdiction’s response is yes, we ask what is the process. If the jurisdiction’s response is no, we ask how new or amended IFRSs become a requirement in the jurisdiction.

The following table summarises the answers to those questions for the 138 jurisdictions for which profiles are posted.

Endorsement process	Number of jurisdictions
No endorsement required (the one-time process for original adoption of IFRS also incorporates all new or amended IFRSs issued subsequently)	62 jurisdictions
European Union process (endorsement process involves a combination of professional and governmental bodies*)	33 jurisdictions
Endorsement solely by professional accounting body	11 jurisdictions
Endorsement solely by government agency	15 jurisdictions
Involves both professional body and government	6 jurisdictions
IFRS not yet adopted for any domestic or foreign companies (hence no endorsement process)	11 jurisdictions
Total	138 jurisdictions

* The EU/EEA has an endorsement process that involves endorsement advice and an effects study from the European Financial Reporting Advisory Group (EFRAG); a favourable vote of the Accounting Regulatory Committee (ARC); favourable opinions of the European Parliament and the Council of the European Union; and publication in the *Official Journal of the European Union.*

OBSERVATION #10 – IFRS for SMEs

69 ***of the 138 jurisdictions require or permit the IFRS for SMEs. Another 15 are actively considering it.***

Which jurisdictions use the IFRS for SMEs?

The 69 jurisdictions that require or permit the IFRS for SMEs are:

> Anguilla, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Bhutan, Bosnia and Herzegovina, Botswana, Brazil, Cambodia, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Fiji, Georgia, Ghana, Grenada, Guatemala, Guyana, Honduras, Hong Kong, Iraq, Ireland, Israel, Jamaica, Jordan, Kenya, Lesotho, Macedonia, Maldives, Mauritius, Montserrat, Myanmar, Nicaragua, Nigeria, Panama, Peru, Philippines, Rwanda, Saint Lucia, Saudi Arabia, Serbia, Sierra Leone, Singapore, South Africa, Sri Lanka, St Kitts and Nevis, St Vincent and the Grenadines, Swaziland, Switzerland, Tanzania, Trinidad & Tobago, Turkey, Uganda, United Arab Emirates, United Kingdom, Venezuela, Yemen, Zambia, and Zimbabwe.

For the 69 jurisdictions that require or permit the IFRS for SMEs:

- 8 jurisdictions require the IFRS for SMEs for all SMEs that are not required to use full IFRS.
- 44 jurisdictions give an SME a choice to use full IFRS instead of the IFRS for SMEs.
- 16 jurisdictions give an SME a choice to use either full IFRS or local GAAP instead of the IFRS for SMEs.
- 1 jurisdiction requires an SME to use local GAAP if it does not choose the IFRS for SMEs.

Modifications of the IFRS for SMEs

In requiring or permitting the IFRS for SMEs, 61 of the 69 jurisdictions (88%) made no modifications at all to its requirements. Eight jurisdictions made modifications as follows:

- Two jurisdictions (Argentina and Brazil) require use of the equity method to account for investments in subsidiaries in separate financial statements. The IASB has recently made a similar amendment to full IFRS (and this will be considered for the IFRS for SMEs at a future review of the Standard.
- One jurisdiction (Hong Kong) modified Section 29 *Income Tax* to conform to the requirements of IAS 12 *Income Taxes*. The IASB has decided to amend the IFRS for SMEs in this regard as part of the comprehensive review of the IFRS for SMEs currently underway.
- One jurisdiction (Saudi Arabia) has indicated that modifications are under consideration that would be adopted before the planned effective date of the IFRS for SMEs, but it has not yet decided on those modifications.
- Two jurisdictions (Ireland and United Kingdom) made some significant modifications in adopting the IFRS for SMEs, including adding in options allowed under full IFRS that are not allowed in the IFRS for SMEs. Details can be found in the Ireland and United Kingdom profiles on our website.
- One jurisdiction (Bangladesh) did not adopt Section 31 *Hyperinflation* because hyperinflation is not an issue domestically.
- One jurisdiction (Bosnia and Herzegovina) does not require the statements of cash flows or changes in equity in separate financial statements prepared using the IFRS for SMEs.

Concluding observations about the extent of use of IFRS

1. ***IFRS provide the financial information for capital markets covering more than half of the world's GDP:***

   Analysis of IFRS jurisdictions by GDP shows that capital market investors and lenders in jurisdictions with 58% of the world's GDP receive IFRS financial statements. IFRS are also used in some of the remaining economies, for example, by nearly 500 foreign companies whose securities trade in the United States.

2. ***While the European Union is the single biggest part of the IFRS usage base, the non-EU/EEA jurisdictions that use IFRS also are a large component of the IFRS users:***
   - All EU/EEA jurisdictions require IFRS for all or most domestic listed companies. The 2012 GDP of those 31 jurisdictions totals $17.2 trillion US dollars.
   - The combined 2012 GDP of the non-EU/EEA jurisdictions that either require or permit IFRS for all or most domestic listed companies is $23.8 trillion.

IFRS as Global Standards: A Pocket Guide

In July 2014, the IFRS Foundation published *IFRS as Global Standards: A Pocket Guide*. Written by former IASB member Paul Pacter, the 196-page full-colour Pocket Guide is primarily a summary of the use of IFRS in each of the 130 countries and other jurisdictions around the world for which profiles were posted by July 2014. Those jurisdictions represent over 96 per cent of the world's Gross Domestic Product (GDP).

The summaries in the Pocket Guide are a condensed version of the full jurisdiction profiles available on the ifrs.org website. They provide a useful snapshot of where and how IFRS is used globally. To provide a perspective on the use of IFRS, in addition to information about the use of IFRS in the 130 jurisdictions, the Pocket Guide also summarises:

- What IFRS is.
- Why countries and other jurisdictions, and companies in those jurisdictions, would want to adopt IFRS (that is, the perceived benefits).
- History of the development of IFRS.
- How IFRS is developed.
- Requirements of each current IAS and IFRS.
- Links to resources.

The 2015 edition is currently under development, for release in March 2015.

IFRS Quiz

In October 2014, the IFRS Foundation launched an online educational quiz as a free-of-charge resource for students, educators and other interested parties to assess their knowledge of the use of IFRS, the IASB as well as the Standards themselves. The online quiz, developed by former IASB Board member Paul Pacter, draws on information available in *IFRS as Global Standards: A Pocket Guide*.

Quiz participants are presented with 10 true or false statements selected randomly from 220 possible questions. The quiz is instantly graded, with answers and explanations provided for the answers shown. The IFRS quiz is available at: http://go.ifrs.org/IFRS-Quiz.

In November 2014, the IFRS Foundation posted a Spanish translation of the quiz online.

To date, the quiz has been taken more than 21,000 times by people from 114 countries. The average score is just above 70% – in other words, seven correct answers for each group of ten questions.

Despite this relatively normal distribution and indication of broad understanding of the work of the Monitoring Board, Foundation, and IASB, our analysis of the quiz results reveals some surprising misconceptions on important issues. These suggest certain areas where better public education seems to be needed.

The misconceptions can be categorised as follows:

a. Misconceptions about how IFRS are developed.
b. Misconceptions about the use of IFRS.
c. Misconceptions about the requirements of IFRS.

A number of the misconceptions relate to the work of the Trustees and the Monitoring Board, including the following:

- 40% of the quiz takers don't know that the IFRS Foundation is publicly accountable to a monitoring board of capital market regulatory authorities.
- More than half of the quiz takers think that IASB's goal is to help countries to design their own national standards based on IFRS.
- Half of the quiz takers think the IFRS Foundation Trustees determine the IASB's agenda of technical projects.
- Half of the quiz takers think IASB Board members are representatives of national accounting standards boards.
- 70% of the quiz takers think IASB is responsible not just for setting standards but also for implementation and enforcement.
- 60% of the quiz takers think countries modify IFRS before adopting them.
- Two-thirds of the quiz takers think American companies can elect to use IFRS.
- Half of the quiz takers think that if a country adopts national accounting standards that are 'broadly consistent' with IFRS, companies using those standards may describe their financial statements as 'in conformity with IFRS'.
- Nearly half of the quiz takers believe that most European countries have their own national accounting standards, making it difficult for investors to compare financial information reported by listed companies across borders.