

Costs and Benefits of U.S. adoption of IFRS

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Abstract

The topic of IFRS adoption has been intensely debated during the current decade. Progress has been made to further the coming together of financial statement reporting around the world. Most countries that adopt IFRS experience a significant improvement over their local or domestic GAAP. Adoption by these countries has increased the comparability of financial statements world-wide by using similar accounting, disclosure, and reporting principles and requirements.

The question of the U.S. adopting a different reporting system is difficult to answer. U.S. GAAP possesses many qualities included in IFRS along with significant differences. Both systems are quality reporting systems that are accepted world-wide. One system is rules-based while the other is principles-based.

We attempt to explore and deduce from the research whether or not it is advantageous for the U.S. to adopt IFRS. Opinions on the subject tend to be personal as professionals around the world are strongly entrenched in their beliefs, values, and heritage. While fact is measurable between the two systems, usage of the results by far outweighs the structure used to produce those results.

What is the ultimate goal of the world adopting a universal accounting system? Is it comparability of financial statements? Is it investor comparison of different international companies? Is it politics; the EU impressing its strength (IFRS) on the U.S. in retaliation for EU

countries using U.S. GAAP? All of these could be right or wrong depending on your point of view.

Depending on your perception, feelings of nationalism, or simply your reluctance and fear of change, the question of adoption of IFRS in the U.S. will never be answered unanimously. No matter your opinion, when you consider that capital markets world-wide require investors to contribute capital to acquire ownership in listed companies, you come to the conclusion that investor comparison is the ultimate goal of financial statement comparability; no matter if that investor is an individual or a multinational company and regardless of that investor's nationality, political, religious, or racial belief. No one wants to lose money on an investment.

Do the costs outweigh the benefits for the U.S. to adopt IFRS? We agree that the benefits do outweigh the costs because the concern of the investor is first and foremost in the current financial market composition world-wide.