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What exactly does the IFRS transition entail?

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Editor's Corner:

We've noted recently that a massive amount of prep work [1] will have to be done by companies as they prepare to transition to International Financial Reporting Standards (IFRS). To put some muscle on that bone and to respond to those who wanted some specifics, we turned to Baskar Venkatraman, CPA, a project director at WithumSmith+Brown Global Assurance.

He offers the following:

- Update all of the data input sources to adhere to the new standard.
- Plan the enhancement of legacy systems.
- Prepare GL systems to adapt to the changes.
- Revise to the Chart of Accounts, if needed.
- Map systems between subsystems and GL.
- Support the new disclosure requirement and templates for external reporting.
- Improve infrastructure to handle the capacity to maintain additional transaction details.

He stresses that "transitioning to IFRS is not an exercise that will be isolated to the company's financial team. On the contrary, IT systems support will be required in a number of critical areas."

To make all of this even more complex, we should note that the SEC has done nothing to indicate that it is backing away from its move to Extensible Business Reporting Language (XBRL), a new high-tech reporting format that will yield lots of benefits to investors. Companies will have to make sure they tweak their processes to re-tag as necessary to support the new standard, which qualifies as more of pain than a real problem. For a while they may have to effectively support XBRL for GAAP and IFRS.

The frank fact of the matter is that IFRS looms as a huge business opportunity for many vendors, IT and other. You should expect a pick-up in marketing. It might be worthwhile to seriously consider third-party help. There's a lot on the line.

While the road map to IFRS has not been definitively stated--the SEC certainly has a lot on its plate right now--we shouldn't assume that move isn't going to happen. It's only a matter of time. Time that should be spent preparing. - Jim [2]

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