For next Monday's class (Sep. 12), you are reading the following article


When I emailed Shyam about his article and told him I planned to use it in my class this fall, he responded with the following:

*Thank you for your kind note. I am glad you found some ideas in the paper of interest, and further discussion and analysis of these issues in student, academic and professional community would be helpful. I would love to hear what your students have to say—both critical as well as supportive. So, if it is not too inconvenient, please feel free to send me any thing they say or write on the subject.*

In accordance with Shyam’s request, please add to this discussion any comments or reactions that you had while reading this paper. I will forward your comments without editing. So, please pay attention to spelling, grammar, etc. Thanks!

**Sep 8, 2011 11:11am**

There is one thread I find throughout the paper that discourages globalized financial information's comparability. That discouragement is evidenced through the various cultures, languages, and people. In the paper, I would have liked to see the kind of world that would help IFRS to succeed. That utopian view will help show the impossibility of its monopolized success. I believe the success of IFRS implementation and its desired result will only come to pass if the whole world had the same culture, language, and maybe even food preference. Though we may look to McDonald’s as hope that everybody can like the same thing, to be sure even a McDonald’s in China will have different sauces and offers. We cannot expect the same success of results in the US and in China using the same accounting “principles” just like McDonald’s can’t expect the same success by offering one menu selection to the whole world. Believe me, I won’t be eating a McSpam burger made in Hawaii in this town anytime soon. If everyone was Hawaiian..then maybe.

**Sep 8, 2011 11:55am**

I enjoyed this reading and think that Sunder explains well the difficulties that will come from a single system as it applied in different regions with different cultures ad languages. These differences will naturally result in differences in implementation and thus in comparability which is the ultimate goal of an international system.

However I think he has too much confidence in a competitive and evolutionary system. I
think that it would be difficult for such a system to exist in reality as they would likely be blamed quickly whenever any economic crisis or problems surfaces regardless of the true cause. There would be panic and entire systems would be abandoned regardless of their merit. Others would contribute to financial crisis, and not many are going to willingly submit to that.

Sep 8, 2011 12:05pm

This article was eye-opening for me because I have not really thought about the possible negative effects of moving to international standards. I had just thought the transition is inevitable and is only a matter of time. It seems clear that there will be many unintended and unforeseen consequences of adopting an international reporting system. It doesn’t seem worth it to me when considering all the uncertainty combined with the costs of conversion.

Sep 8, 2011 12:14pm

I certainly agree that the monopolization of accounting standards setting is a bad idea; however, I see value in striving for global uniformity in financial reporting. Sunder is right on with his arguments against monopolization -- The IASB would become too vulnerable if it became the only standard setter, and the anticipated rewards of a single standard are overblown. I see a continued close partnership of the SEC and IASB as the best outcome. The SEC would be able to align GAAP closer to IFRS, and then still provide needed guidance and regulation. I believe it is impossible for there to be one standard that is truly comparable globally. Accounting standards simply don’t serve the same purpose globally. I foresee an IFRS that has different flavors - the US, Japan, India, Brazil, or Europe flavor. The standards will be similar in many ways, with sound guiding principles, but still tailor to the needs of the users.

Sep 8, 2011 12:27pm

Although this has already been mentioned, I wish to back up the point. The world is far too diverse, with incredibly different cultures, to have a single blanket set of rules work out perfectly for everyone. A principle to one culture may have a completely different application or meaning to another. Academically we haven’t been exposed to many viewpoints of those who oppose IFRS until now, and it is refreshing to see others feel the same way that I do.

Sep 8, 2011 5:04pm

I was grateful for the opportunity to read this article which examined the possible consequences of adopting a worldwide monopoly on standard setting. Although I agree with many of the points Sunder addresses in this article, I can also see the benefits of convergence to a worldwide standard. I understand that convergence to a single set of accounting standards will not be perfectly comparable across different countries, industries, regulatory environments, cultures, etc. This level of perfect comparability is not currently being achieved by any set of accounting standards, including US GAAP. However, I do believe that having a single set of standards across the world will make financial reporting more comparable than it is currently. On the other hand if convergence does occur at some
point in the future, I would be worried about the possibility of political pressure and lobbyists having far too great of an influence on the IASB.

Sep 8, 2011 6:06pm

I thought the comparison of an IFRS monopoly to the Euro in Europe was very useful. Especially when contrasted to the idea of the metric system. Ideally I think a set of worldwide standards would be beneficial to comparability of financial statements across the globe, and has the potential to help worldwide businesses in many ways. However I agree with Sunder in that the complexities of various countries and their individual nation's agendas would make it very difficult to come to a set of standards that all countries agree to follow. I feel like one of the biggest challenges would be finding a governing/enforcing body that would have the ability and backbone to enforce IFRS across the globe.

Sep 8, 2011 6:54pm

I found this paper to be very insightful and informative. It gave me a new way to look at IFRS that I had not previously thought about. Ever since my first accounting class in college (2008), the perception of adopting global accounting standards has been overwhelmingly positive. It makes sense and is logical in theory, but most likely impossible in implementation and practice. Monopolies are never good in the long run. I believe no matter what the IASB does, there will always be differences in the application of the principle guidelines due to cultural differences and language barriers. I also found it insightful and agree that there is some implication that if IFRS is accepted by everyone, then the current global financial crises will disappear, when in fact they are not really related. I also agree that over time IFRS standards will become as detailed as US GAAP simply due to the fact that countries will seek clarification of the principles. If IFRS is adopted by most countries, I anticipate that as soon as something is done in favor of one country upsets another, they will leave. As noble a pursuit global accounting standards are, I believe the accounting profession could only ruled by principles in a perfect world where everyone is 100% honest, which unfortunately is not the world we live in.

Sep 8, 2011 7:15pm

A very interesting read. As stated by others, I have had the impression that the adopting IFRS standards worldwide would be a good thing. However, I agree that an IFRS "monopoly would make it virtually impossible to make cross-sectional comparisons of alternative accounting regimes and of their consequences on the basis of field data, because no such data would be available in such a regime." This drawback alone has helped me to change my perception of how to look at the debate of whether or not to adopt IFRS. I will definitely be more cautious in expressing my opinion about how to solve the problem of different standards being used in various countries throughout the world.

Sep 8, 2011 7:55pm

One idea I got out of this article that made a lot of sense was that having the IFRS be the only standard setter would be similar to the federal government setting all state and local laws...it just isn't feasible. There are too many variables including cultures, circumstances, and needs of the people. I like his ideas and arguments. I would like to see more about how
to maintain both the FASB and the IASB and how they could learn from each other and make an effort to continue to converge on issues that could and should be standardized to enhance comparability and efficiency. The trick will be for them to do that while maintaining separate standards that won’t be an unnecessary cost to financial statement preparers, auditors, and users.

Sep 8, 2011 9:01pm

I found very interesting the idea that IFRS has remained more principles-based only because it has not been around nearly as long as GAAP. As pointed out in the article, as more and more accountants request guidance on the application of specific principles, the standards will become more and more rules-based, which has been one argument for switching to IFRS in the first place. This is definitely something more to consider about the benefits of switching to IFRS.

Sep 8, 2011 10:03pm

As others have mentioned, this article brought much insight into the complexity of converging to a global set of accounting standards. I agree with Sunder that certain aspects of our lives benefit more from quality sets of standards than do others. It is apparent that the field of accounting would benefit from a quality set of global standards, whether through IFRS or through the SEC-IASB partnership [another student] mentioned. However, this article touched on only a small portion of the issues that would arise in a global convergence. Our current system of U.S. GAAP is flawed, but so would be any other system.

Sep 9, 2011 9:22am

I appreciated the opportunity to study a different view of the GAAP-IFRS convergence issue. It is always refreshing to hear differing opinions and learn about other alternatives. While I generally agree with the ideas presented in this paper, I still find myself with one persistent nagging thought in the back of my mind: something must be done to modify the current situation of US GAAP. It is obviously true that a “one size fits all” approach to setting accounting standards would not be effective across a global scene; yet the convergence of US and international standards provides a great starting point to revamping the mess we’ve created for ourselves in the infinite details and rules of GAAP. I would love to hear more ideas about ways to modify GAAP by gradually and partially implementing certain IFRS standards.

Sep 9, 2011 11:17am

Professor Sunder, thank you for your article. It would be interesting to study the early years of what now is GAAP. Like mentioned in this article, there might be potential for the IFRS to become so complex that the principals (seemingly one of the main driving forces behind its implementation) might become hidden by the many exceptions. Did GAAP start this way as well? A potential question I might want to look into. However, As I research different accounting issues and run into the (unorganized) complexity of US GAAP with it's thousands of pages of exceptions, I do believe that something should be done; perhaps this is why convergence is so appealing to many. I appreciate the different opinions brought in to this paper and this discussion.
I believe this publication is really opened my eyes to the problems we can face if we adopt IFRS. Principles aren’t enough in establishing standards for the whole world to follow, and I liked the comment that “The reason IFRS rulebook is thinner than FAS is not because one believes in principles, and the other in rules; it is simply that IASB has not been around for as long as the FASB has been.” The different cultures, governments, and nations will have many questions when trying to apply the principles. Rules will eventually be needed by each different nation and the IFRS rulebook will grow and adapt to each nation.

I did find interesting the comment that Sunder said about Europe, U.S., Japan, and India having doubts about IFRS implementation. I recently thought that IFRS was good to go, and I had no idea that some nations were now doubting the implementation of IFRS. I would like to know more about the nations’ current positions on IFRS.

The part that I did find really difficult to follow was the “Correlation between accounting and stock market data” part of the publication.

Professor Sunder, thank you for the valuable perspective you have shared in your article. I found the piece to be very enlightening. I am particularly interested in the topic of principles vs. rules, and I appreciate the way in which you were able to explain this important idea. I love how you point out that the IASB’s "principles" are regarded as such simply because they have not been around long enough to need to be clarified further. After more clarification, will these principles be regarded as rules? It is an interesting thought. You point out that the IASB’s processes are similar to those the FASB uses to write GAAP. To me, it seems that the IASB’s "principles" will one day look more like GAAP’s "rules." I also appreciated your comparison to "fractal geometry", and I think it applies very much to this topic. Thank you again for your ideas.

This was a very insightful article. The main theme that I picked up was that IFRS as the only alternative could have more negative consequences than positive. However, I came out of the reading feeling like switching to IFRS is completely pointless. Allowing their use in the US is an option, although it could complicate the situation within the US and cause investors to have to learn both systems, or at least the most important differences. I fail to see what advantage "US IFRS" (IFRS with the necessary changes to work in the US) would have over US GAAP in terms of comparability across borders. Why take the time and effort and money to switch accounting standards only to tweak them to US needs when it would be easier and less costly to keep using US GAAP and make whatever remaining changes that are feasible to align US GAAP as much as possible with IFRS? Global comparability is a good thing, but it is important to remember that perfect comparability is not possible is such a diverse world and international investors will always have to work a bit harder to understand the differences between jurisdictions.
This is an very interesting take on the current IFRS issues at hand. At first glance it would appear that moving toward a worldwide set of standards would be a “no brainer”. However, I think Sunder highlights some interesting views that could and should be considered when talking about US convergence to IFRS. The mainstream idea that IFRS is based on principles and US GAAP is based on rules is somewhat thrown out the window in his argument. I am sure that when US GAAP started it was mostly based on principles, but because so many questions and judgment calls arose, those principles had to be amended with rules. Who’s to say that will not happen with IFRS? Because each country will have their own interpretations of IFRS principles, there might be even more rules to be written with IFRS in the future.

Sep 9, 2011 1:43pm

I greatly appreciated the insight of this article. It was truly eye-opening for me. I agree that their are too many potential issues with IFRS-as-Monopoly and I appreciated all of the examples and comparisons (the euro, selling potatoes, buying different cars, the Dvorak keyboard, etc.) that helped me to understand each point. The way I see accounting standards developing in the future is similar to what a few have already said. I think the best scenario will be to have separate accounting boards, that can each tailor standards to their individual economies, working closely to try and provide similar standards so that comparability can be as closely achieved as possible while still taking into account the different economic environments that exist throughout the globe. Once again, this was a very insightful article and I learned a great deal. Thank you.

Sep 9, 2011 3:37pm

Up to this point in my accounting education I’ve felt that switching over to IFRS was the correct thing to do, that it made the most sense. After reading this article however, I now feel completely different. This article has opened my eyes to the other side of the argument of adopting IFRS and making it a monopoly. I feel that the point that stood out to me the most was the fact that there are different legal and economic jurisdictions in the world today. Because of this, it seems like it would be impossible for perfect comparability to exist. Also, I’ve never before thought about the effects that translating a set of financial statements into another language could have on the reliability of financial statements. I used to work as a translator and know from experience how difficult it is to not only translate words, but translate ideas. It would be very difficult to translate the correct ideas associated with a set of financial statements. I am very grateful for the opportunity to read this article.

Sep 9, 2011 4:25pm

I appreciated this article and the new issues that it exposed me to. I do have one concern.

You asserted that a more useful IFRS would be implemented bottom-up and slowly with time for a sort of Darwinism to weed out useless principles. Might this process defeat the purpose of implementing a set of global standards because of the variations which would evolve from the significantly different economic and legal systems employed by IFRS constituents?
Despite my criticism, the article was helpful as I form my opinions in the debate surrounding a global financial system of financial reporting. Many of the points are original ideas to me, and increased my knowledge basis of the pros and cons of a global system. My criticism should be taken with a grain of salt because of my lack of experience and knowledge. Thanks Professor Sunder.

Sep 9, 2011 4:33pm

I really enjoyed reading the paper. Many of the suggestions and comments seemed unbiased and free from outside influences. One suggestion that I though very compelling was the proposal of having a competing set of standards. Managers can choose which standards they would like to follow, and if they choose "cheap" standards their cost of capital may increase because of the increased risk. Are there any examples of competing standards in history (accounting or non-accounting related)?

Sep 9, 2011 6:23pm

I appreciate the idea that alternative sets of standards would be healthiest for the global economy, with IFRS being one alternative standard. Market participants clearly benefit in any industry or setting when options are available. I hoped for more elaboration on this theme than I found. As I read the article, most questions that came to mind were answered by the author. However, I do have this question.

Can there can ever be a true IFRS Monopoly without a global enforcer of the standards? Left to regulate themselves, surely the participant countries would eventually create their own versions of IFRS based on the intensity and style of their regulations. (i.e. IFRS-Japan, IFRS-U.S., IFRS-Brazil) Any principles which the country is not accustomed to complying with would simply be ignored or fall below the scrutiny of regulators. A situation in which the IASB has all control as a monopoly to set standards does not seem plausible, since most countries would be unwilling to relegate enforcement of the standards to an outside body.

Sep 9, 2011 6:27pm

I found the article very interesting and thought-provoking. I also loved the author's use of analogies to explain his points. I especially liked his thoughts on the crippling effects of guidance on reporting standards, how firms do not fulfill their obligations to exercise judgment but instead ask for guidance. I can understand the position of the firms being nervous about exercising judgment, however, due the sue-happy nature of the US. I also believe the IASB, if given a standard setting monopoly would end up bowing to requests for guidance, which would increase the size of IFRS, as stated in the article. Until something is done to protect auditors from so much litigation, I doubt they will ever exercise as much professional judgment as desired by the standards, out of fear.

I also thought his comments were valid regarding the financial picture taken of companies through financial reporting. Companies, just like teachers being observed, will do all they can to give a nice picture of their operations. A candid picture of operations will never happen.

One area I struggled with in this article was the lack of facts behind what the author was
saying. At times his argument seemed more to be a contest between his logic and supporters of IFRS as monopoly standards. His arguments are convincing but would be more so if more evidence backed his argument up. Also, I also honestly do not know how experimentation of finding superior standards would work.

Sep 9, 2011 7:18pm

I really enjoyed this paper and the ideas that were discussed. I had just naturally assumed that switching to IFRS was the right action to take. Having one set of standards seemed ideal for most companies who are preparing financial statements with two different sets of standards. This paper made me think about all the problems that would arise due to switching to one set of standards. Since IFRS is principle based the preparers of the financial statements and the auditors will have to use a lot more professional judgment which makes the financial statements less comparable to one another. Also, since they mostly are principle based, it seems like people would want more interpretations on how to apply the principles that pretty soon, its not based on principles at all but more like the rules, like GAAP. Which brings us back to the question of is it really worth all the time and money to switch to IFRS when most people are just fine with sticking with GAAP.

Sep 9, 2011 7:32pm

The discussion about a monopolized IFRS made me think about the structure of the US government. The Federal Government is in place to make laws that apply to the population as a whole. The states are free to make laws and impose policy that is specific to its own needs. In a way, the states are allowed to experiment with different ideas. Once the state has had time to experiment with a new policy, and it has been proven through application, the Federal government is at liberty to learn and apply those laws and policy.

Applying these ideas to the IASB and IFRS might offer additional insight. As IFRS are principle based, those principles could act as an overarching guideline for all countries who are willing accept them; in a way they would be acting like the US Federal Government. As long as the guidance stays fairly broad and does not attempt to cover every detail of financial reporting, the individual countries should be free to act within that framework to add sufficient policy to meet their own economic demands. As the article explains, the IASB is subject to great political pressures. Why not approach it like a governmental entity?

Additionally, I believe communication between standard setters would be key in promoting a healthy progression in standard setting. One of the concerns brought up in the article is whether the IASB “can withstand the pressure to furnish professionally crippling guidance to accountants.” If the IASB were to act as a conduit of information sharing, and refer to other standard setters opinions on hot topics, it could serve as a safeguard against them offering “crippling guidance.”

These are my initial thoughts after reading the article, and I freely admit there are probably holes in my logic and pieces of the puzzle that are not addressed.

Sep 10, 2011 10:05am

I enjoyed the weights and measures discussion. It can be easy to take a comparison that
most people can relate to and use that simple analogy to skew the truth of another situation through comparison. I think that comparing the implementation of the Euro is a better analogy to IFRS convergence than a common weights and measures comparison. In addition, as we see what has happened to many European economies that are tied to the Euro as a result of Greece's debt default, a full-blown conversion to IFRS makes me nervous.

Sep 10, 2011 12:17pm

This article provided many strong arguments to consider as we move forward. With the global economies as integrated as they are, the idea of adopting a common set of financial reporting standards is not likely to go away anytime soon. There needs to be lots of discussion to see if we can find a way that will feasibly satisfy the various markets that exist in different countries. In the past, I have not really thought that a common set of financial reporting standards could possibly be a bad idea, but this article gave me a lot of food for thought.

Sep 10, 2011 12:30pm

The main argument made against supporters of IFRS as a global standard surrounds comparability. Those who promote IFRS claim the principles based standards will lead to more comparability between countries. The author, however, disagrees and states that because different countries have different economies and different reporting needs, the principles will be interpreted a myriad of ways and thus lead to poor comparability. It appears that one of the main reasons the author does not support IFRS is because it does not establish comparability.

The solution given by the author is to allow countries to choose among several different reporting standards. While I can see how having different alternatives could fix many of the other issues brought up in the analysis, I fail to see how this issue fixes comparability. It seems to me that there would be just as many comparability issues, though due to different causes.

I think most people would agree that neither IFRS nor GAAP are standards systems that have potential for a global fit. However, I think that we are on the right track as we attempt to converge into one worldwide standard. Perhaps IFRS isn't the answer, but going to a multitude of possible options to choose from seems like a huge mess, and a step in the wrong direction. As the world becomes more connected, it will be increasingly necessary for us to share financial information that is based on one common set of standards.

Sep 10, 2011 1:02pm

I agree with much of what has been said here, and also much of what was brought up in the article. With that said, In my opinion convergence cannot be a single event, or even a terminal process that culminates in the establishment of one single set of ruling standards. "One standard to rule them all" kind of thing. I think rather that convergence and international comparability should be a continually ongoing objective and goal of the standard-setting bodies of the world. With this attitude, comparability can be sought after without sacrificing quality, and hopefully the public will begin to recognize that comparability between US reported statements and those of entities in other nations...
depends not only on the standards used but also on the culture and intended purpose of those preparing the financial statements. In short, we should neither abandon efforts to converge, nor set a deadline for complete convergence, but rather commit to a goal of increased quality as well as and objective of greater comparability by working together without the pressure of timelines, deadlines and binding agreements.

Sep 10, 2011 2:15pm

I really enjoyed the article. As I read the article I tried to come up with examples of worldwide standards that everyone agrees on. The only truly international standards that people in many different countries agree on is religion and even then, there are many different religions to which people belong. I suppose some religions can have worldwide followers because they have what you describe: A centralized standard setting council, i.e.; God, messengers to provide consistent guidance, and strict enforcement. But even religion has competition as there are countless different religions to choose from.

Until we have a supreme being to support International Accounting Standards, I think that we can agree that a monopoly would not be best.

In addition, monopolies are more likely to occur in the market when that company can acquire the best technology in its sector. In order for the IFRS to be an acceptable monopoly, it has to show that it can acquire and integrate the best possible accounting principles. So far, there is not evidence that IFRS has done that. There is evidence, however, that IFRS and GAAP have been able to work together and use each other to have clearer and more effective standards.

Thanks for the article.

Sep 10, 2011 3:13pm

I do believe that accounting standards ought to be more uniform across the globe, but the pitfalls Professor Sunder has outlined are too big to ignore. Uniformity should be sought for by the principles of convergence, not by monopolistic bodies. Standards can’t and shouldn’t be exactly the same for every country, and that should be for the country to decide (along with enforcement). However, I believe that each standard setting body should adopt the FASB’s approach and begin to voluntarily align their standards.

My favorite part of the article is the assertion that prescribed guidance by governing bodies is a symptom of failed nerves on the part of accountants. If a governing body were to refuse to "clarify," accountants would be more willing to rely on their own professional judgment, thinking of those to whom they are ultimately accountable.

Sep 10, 2011 3:29pm

I agree with this article a lot. The concept of one global set of standards contributing to comparability is very exaggerated. The problem with global comparability is that it will always be an illusion. Even if we set all the obstacles of creating a perfect standards aside and speculate that we could come up with a perfect set of standards, it’s still impossible to compare companies on the level that we want to believe. The reason that Microsoft cannot
be compared to other companies is because there isn’t another Microsoft. An illusion of comparability that IFRS would create, even if the standards were extremely high quality, would be detrimental to markets because investors would think they calculate a few ratios and assume they are safe. Investors already put too much trust in regulations, performing drive-by analysis as if investments were FDIC insured, and don’t pay close enough attention to the true economics of a company at the ground level.

Sep 10, 2011 4:43pm

One point concerning the globally enforced—if true enforcement is actually possible—application of IFRS I have often considered personally relates to the comments Sunder made with respect to the fractal nature of reality. Ever since learning about the IFRS debate, I have often thought IFRS is just a less chronologically advanced version of U.S. GAAP. I believe IFRS becoming the "over-encumbered, painstakingly detailed" picture many have of U.S. GAAP is just a matter of time.

I am admittedly under educated on litigious practices worldwide, but, to me, litigation relating to financial representation will inevitably call for more and more detailed clarification on financial reporting standards regardless of how "principles-based" the reporting standards claim to be at their inception--this because "professional judgment" will not hold up in court. An accounting claiming his best professional judgment has only his word and the agreement of other professionals to defend him in court. The availability of authoritative literature that prescribes exact application rules relating directly to the issue in question is much more defensible if the accountant can prove he applied those rules exactly as written. So, rather than risk professional judgment, accountants will naturally seek authoritative guidance, which results in an ever increasing specificity in accounting standards.

To give IFRS a monopoly on reporting standards will just serve to subject firms, auditors, and governments worldwide to litigation similar to what entities in the United States have already been through on a national scale due to GAAP's historical ambiguity. I believe the end result for IFRS will be the same. The cost of litigation over "judgments" based on "principles" will prove to be too high for the IASB to retain the clarification that will eventually make their code books just as thick as the FAS code book.

The idea of "principles-based" accounting is attractive but unrealistic—at least in the way those in its support are selling it to the real decision makers. Why pay the huge costs of changing what’s in place to conform to a new system when the product we will end up with years down the road will be little better, if at all, than what we have now—a plethora of rules and guidance to help apply theoretically simple accounting principles.

Sep 10, 2011 4:50pm

Monopoly, a term which is perfectly used by Professor Sunder in describing a single worldwide accounting standard, is typically frowned upon in a capitalistic economy in regards to corporations. This is partly because the lack of competition typically results in less than optimal products, we should consider looking at a single global accounting standard in the same light. However, having a competitive market of standards, would allow those best suited for the various economies of the world to prevail.
I found this article a very interesting read. The debate on whether we should participate in a global accounting standard has always interested me since I first heard the idea. For me this article seemed to elaborate on several concerns that I have already pondered. When speaking on the difficulty of interpreting the IFRS in different languages, I too express my concern. When translating standards into other languages, meaning and understanding is altered. My concern would be that savvy companies would find the necessary language that provides for the more beneficial scenario. And after which, they will structure their company in that country. Another scenario would be that they defend their position on the standard using the interpretation of the other languages. Clearly an insightful article thank you.

This was a very insightful article. I think we have heard so much about the benefits of adopting a global set of financial standards, that we fail to recognize the potential pitfalls. I agree with many of the disadvantages outlined in this article, particularly the argument that a single set of international standards "eliminates the opportunity to compare alternative practices and learn from them." I also believe the complex and differing legal, business, and political environments around the globe make a single set of standards practically impossible. Even if the entire international community accepts IFRS, we can never truly reach perfect comparability because of differences in implementation across diverse nations, cultures, and industries.

I understand the argument here, but I still believe that a universal set of accounting standards will be best. As the article clearly addresses, the purpose of changing the accounting standards is not just about better financial reporting, but it is about a better, more prosperous worldwide economy and therefore global prosperity. I believe that a global economy is the answer to global prosperity; giving all (or at least more) people equal opportunities. By using the U.S. markets as an example, we can see the benefit that a set of accounting standards has. The U.S. markets would not be as successful without standardized reporting. Similarly, for a global market to thrive, a global set of standards is necessary. I do agree with the author in that it would be best to allow the market to select the best set of standards, but regardless, we still need a universal set of standards. I am not saying that IFRS will be without its problems. Many of them will be the same issues we face with accounting standards already. But if it is a worldwide market we want, then it is worldwide accounting standards we’ll get.

This article outlines some of the most compelling arguments against the convergence towards IFRS. I found the talking points to be well documented and well supported. My biggest concern with potential U.S. convergence is sovereignty. The U.S. didn’t become an economic world power by letting an external agency dictate how they could or couldn’t govern themselves. Who knows how to help U.S. investors better than those who have to live in the same neighborhoods as them? An external agency that is trying to create "one
“size fits all” standard doesn’t have the ability to tailor to the needs of specific economies, cultures, or nations.

I certainly agree with the author that monopolizing accounting standards does not make sense. The fact that anyone thinks that a uniform set of principles will lead to more comparative financial statements is a farce. Countries and managers will interpret the standards in a way that will enhance the image of their country and companies which will in turn lower their cost of capital.

The only point with which I disagreed was the fact that English-as-a-second-language countries would not get the needed translation or guidance on the new standards. According to this argument, any country that would like to use GAAP to issue in the United States is not following the guidance or principles as well as domestic companies. I would like to see figures supporting the assertion that already companies that have English-as-a-second-language have a harder time trying to follow GAAP than US companies.

I agree with almost all of the points against the adoption of IFRS in the U.S. My main concern, like many others, is that of comparability. As mentioned in the article, this concern may lead to more variation especially across various countries. Where there is a significant amount of professional judgment involved I feel that people’s culture and traditions will lead them to radically different conclusions. People’s culture is too ingrained for people coming from two completely different cultures and upbringing to come to the same conclusions 100% of the time.

Thank you for the article. I found your point on the evolution to US GAAP and the possibility of future evolution of IFRS very intriguing. I found myself asking questions such as "what changes are going to be demanded of the IASB when a major fraud occurs," or "how long will it take for politicians to take over the system and make changes they feel are necessary for their markets."

I enjoyed a push-back opinion against convergence. Up until this point, we have not been exposed to opinions like your own.

I worry about what we as the United States will do now that many countries have already adopted IFRS. The United States does not want to add costs to companies, but need to hold strong to it’s views. A tough decision awaits ahead.

Overall, I completely agree that the world needs to understand that complete comparability is an illusion. We are human-beings do best when we are able to innovate and be creative.
To echo what has been said, this article was very interesting. If I were to choose one area that was addressed, it would be a contradiction in the IFRS movement that Sunder points out. IFRS is known for being based on principles rather than rules, which isn’t necessarily a bad thing, but it does mean that accounting methods are more open to interpretation. With accounting methods open to more interpretation and judgment, it is difficult for me to accept the argument that IFRS will lead to greater comparability between financial statements.

I have to say, it is refreshing to read articles on the IFRS debate that offer a totally new perspective. It seems that earlier, we only read articles that were in support of IFRS implementation, which I’m not saying is the wrong way to go, but being able to hear from both sides better prepares us to form our own opinions on this matter.

Sep 11, 2011 4:13pm

One aspect of this article that caught my attention was the discussion regarding the length of the IFRS and the FAS rulebooks. Professor Sunder states his belief that the difference in length might possibly be related to the amount of time that the IASB has been alive. On this subject, I personally would disagree. While I do believe that the IFRS rulebook will continue to get longer with time, I do not feel that the current IFRS rulebook’s shorter length and fewer rules (as compared with the FAS rulebook) are purely a function of time. I could see the IASB beginning to possibly add more clarification to some of the principles contained in its rulebook, but I do not feel that the IFRS rulebook will ever be comparable to the FAS rulebook in length unless the course of public accounting changes dramatically. Since its creation, the IASB has touted professional judgment based on standards/principles as being far superior to governing each possible variation on the accounting standards with hard fast rules. This, of its very nature, dictates a shorter rulebook than the clarification heavy FAS rulebook. I personally agree with the IASB conceptualization for the future of accounting, but, concurrently, I recognize that this will require greater training and oversight for auditors. In summary, I believe/hope that regardless of the duration of the IASB, the IFRS rulebook will never attain the length or complexity of any comparable version of the FAS rulebook.

Sep 11, 2011 5:45pm

We read plenty on the benefits – almost blessings – that will come from convergence. Exposing the pied piper was both enlightening and refreshing.

I would, however, like to see some discussion on how we can modify GAAP to increase comparability in financial statements. Critics of convergence have done well to expose the flaws of an IFRS monopoly – enforcement issues, the possibility of increased comparability being an illusion, etc. But where are the solutions?

Of course this is a complicated issue with no simple answers. But if one of the primary issues is comparability than in that respect current GAAP may be just as much an illusion. From leases to revenue recognition, bright line rules also lull us into a false sense of comparability. I will be the first to admit I don’t know what the best way to modify/simplify/improve GAAP is. But I do believe the danger in simply repudiating IFRS is settling for business as usual. I would be interested to read your thoughts on improving our
current standards just as I benefitted from your research on the flaws of convergence.

Sep 11, 2011 7:21pm

I greatly appreciated the view point of Sunder. It has always been kind of a mystery to me as to whether or not a "one size fits all" set of accounting standards would actually work. The point I took most seriously from Sunder's article was the idea that there is a fundamental contradiction hidden in the claim that a "single set of principles-base standards... promote comparability." Allowing for more room in individual judgments and interpretations will more than likely result in less comparability, and probably more so than it even does now. Although it sounds nice for a world-wide set of standards, I agree with the points that there are going to be cultural and even language translation problems. I also have a hard time ignoring the fact that eventually down the road, through trial and error, these IFRS standards will become more and more detailed and evolved into a more "rules" based system as U.S. GAAP is claimed to be now.

Sep 11, 2011 7:57pm

I am a big supporter of competition. I believe some of the greatest achievements of human existence have come about because of competition; e.g., space exploration, computer software and programs, etc. I don't understand why this should be any different when it comes to accounting standard setters and their quality of standards. With multiple standard setting bodies working to solve the every changing financial structure, each agency will try to out due its counterparts by deriving a more transparent way of accounting for complicated transactions. Some people would then say that because of pride, the other standard setters wouldn't adopt the superior standards; however, I believe because of outside pressures from investors and the industries, the standard setters would be pressured into adopting the superior principles or loss credibility. The standard makers would not allow that to happen.

The translation of accounting principles to the many languages around the world would be an extremely difficult task. I have taught Spanish for the past three years and there are many words that have particular meanings in Spanish that are very difficult to translate into English. With the complexity of accounting terminology, I could see how it would be difficult to write accounting principles in all the languages and maintain the desired meaning. I believe because of this complexity, there would be any different interpretations of a given principle in different areas of the worlds.

Sep 11, 2011 8:58pm

This article provided several poignant arguments against IFRS adoption that I hadn't previously considered. While I do believe that having a global set of accounting principles would be beneficial to many underdeveloped economies, I am much more hesitant to state that global accounting convergence would benefit the United States. The main concern I have can be summed up by the following statement made by professor Sunder, "It [IASB] cannot adapt its standards to changes in a constrained or limited portion of the global economic environment." The U.S. has the most complex economic environment in the world. Because of this the U.S. will need policies adapted to fit its pressing needs. There is no way that a one size fits all approach can work in a world full of economies of different sizes and
complexities. Though the flex-fit hat is supposed to fit on any sized head, the hat ends up being too tight for some, too loose for others and for those with extreme sized heads, like the U.S., the hats don’t even come close to fitting.

I am all for bettering the economies and capital markets of the world, however, I do not believe that bettering the world needs to come at the expense of the U.S. We already have access to affordable capital. We have a set of standards that is focused on the needs of our capital market. We should not have to sacrifice these privileges in order to move to a system that we have serious doubts would even work. Yes, comparability across global markets would be a wonderful thing, but so would my wife wanting me to golf 18 holes every day. The only problem is neither of those things is realistic. As a country that embraces diversity, I hope the U.S. decides to embrace accounting standards diversity.

Sep 11, 2011 9:35pm

This article opened my eyes to the fact that moving to IFRS may actually cause more problems. One of the arguments in particular that brought new light to the subject of the difference in pages for both standards. While the IFRS has 2,700 pages, GAAP has over 15,000 pages. The author points out that while this may be attributed to the fact that IFRS is more principle based, I believe, as the author stated, that the experience the FASB has in its field will attribute for the amount of excess information.

Also, the concept of who will enforce IFRS is a huge stumbling block in convergence. I'm interested to see what possible solutions will come to light in the future.

Sep 11, 2011 10:21pm

This was an interesting argument, which brought to light many points that I had not previously considered. The argument I found particularly meaningful was the main premise of IFRS-as-Monopoly. Competition in the marketplace encourages improvements and advancement. If IFRS were implemented for US companies, there would be no set of standards with enough influence to make an impact, or provide any alternative to standards set by IASB, which could potentially lead to lower quality standards.

The IASB makes empty threats that the US will be missing if they do not quickly set deadlines for conversion. One of the main points of this argument is that many other countries have already adopted, or have begun to adopt IFRS. In my opinion, this argument is faulty; looking at convergence by country, the largest economies in the world are yet to adopt IFRS. It seems to me that convergence by the US is essential to the IASB's goal of global convergence. If the US converges, others will follow; conversely, if the US does not converge, others will not.

Sep 11, 2011 10:31pm

I enjoyed the comparison between lowering the cost of capital, and lowering the price of produce. It's helped me to look at it from the investors point of view. Lowering the cost of a companies capital can also be phased: "investors receiving a lower return on their investment." In a country that has so many people invested in the stock market, this becomes an important aspect to look at when considering the implications of converging.
I have read many articles that describe the difficulty of enforcing IFRS on a global level. Something that I don't understand is how so many companies are currently using IFRS. I would like to read an article that describes how enforcement is currently being handle in those countries that have already adopted IFRS.

Sep 11, 2011 11:18pm

I thoroughly enjoyed reading this article. I, like many others, have been so blindsided by the many legitimate-sounding upsides and the many well-known supporters of IFRS, that I am ashamed to say I have failed to exercise my own professional judgment and skepticism in considering the move to IFRS in the near future. This article provided me much-needed insight to the many downsides of the move to IFRS I had not previously considered, and also gave me much food for thought.

The two main arguments against IFRS which have stuck with me are as follows:

1. How will IASB enforce the compliance of these seemingly general principles? Can they actually deliver? Who is the governing body? How will they ensure they are able to thoroughly enforce these principles? What about the quality of the principles enforced? Having principles in place means nothing if nothing is done to make sure they are complied to in a timely manner. Also, how will these rules be applied uniformly across cultural and political barriers? As it is, there are differing views on how a rule should be applied within the U.S. What more when culture (conservatism versus liberalism) or the general IFRS principles (which are more open to interpretation) come into play? How will we be able to ensure comparability without impeding local adaptability? Can we ensure comparability across the globe with the lack of implementation guidance in IFRS? Will they refer to the US GAAP rules for guidance on implementation? The answer to these solutions require a very fine balance that will be hard to find. Perhaps convergence to an international and monopolistic standard is too idealistic?

2. What are the alternatives? Instead of considering only two options - IFRS convergence or no change, perhaps we need to open our minds to consider what the other alternatives are. We learned about the KPMG Professional Judgment in our classes. In applying that to this situation, we need to consider: What is the issue at hand we are trying to solve? What are our objectives? In this case - How do we improve global compatibility across financial reporting? Can it be done with differing cultures and political goals? What are the crucial things we need to consider? Secondly: What are our alternatives? Local GAAPs in each country? Each continent? Global monopolizing of standards? How will it work? What are the potential pros and cons? Who should be leading this change, or making this decision? Perhaps by opening up our minds and options to other alternatives we might be able to find a better solution than just merely continuing down the long-drawn IFRS V.S. GAAP debate.

I was stunned to find out how much thought (or the lack thereof) I was giving to the IFRS convergence issue. I will be giving it much more thought. Before this, I had just naively taken whatever the IASB and other IFRS supporters were saying at face value - without critically thinking how they were going to actually deliver on their claim of “single set of principles-based standards... promote comparability.” Thank you for shedding more light on the situation, and provoking more food for thought. I look forward to seeing what will happen in the near future - it will be interesting. Until we figure out what is the best thing to
do perhaps it will be best not to rush things along.

Sep 12, 2011 1:39am

I found the arguments in this article very informative, and I appreciated hearing a counterargument to the wildly optimistic opinions that I had previously been exposed to. Some very important points are noted in the article. This section that discussed how the IFRS rulebook will in time become as large as the FAS resonated with me. The argument about lack of global enforcement and the IASB being similar to the UN also troubled me.

Reading this article made me realize that adoption of a universal set of standards is much more distant than I had previously thought, and that many of the issues mentioned in the article will have to be addressed before the change can be made.

Sep 12, 2011 8:10am

As I read this article, I found it hard to understand how competition can lead to better standards in a field such as public accounting. In a corporate world it is obvious that competition leads companies (Apple for example) to become more efficient or offer more groundbreaking products in order to gain an advantage and differentiate themselves from others (Microsoft). What is the iPhone/ iPad of public accounting? Because public accounting deals with reporting numbers, the most advantageous system in my mind is one which allows comparability and not a system that provides differentiation.

Having said this, I still see no reason to accept IFRS here in the states. While comparability is the goal, it has become clear to me that regardless of the standard “followed” throughout the world, each country will still vary these standards to meet its own individual agenda. With no way to enforce the standards worldwide, adoption of IFRS provides very little if any comparability between countries. In a world where perfect comparability is impossible, it makes more sense to preserve the current standards and avoid the costs and risks of adopting the new. The FASB and IASB can still strive for convergence between standards to improve comparability, without all the cost and risk of complete adoption.

Sep 12, 2011 8:33am

I as well found this article interesting, and enjoyed reading an article against the adoption of IFRS. Until this point, I don't recall reading or participating in any discussion why IFRS should not be adopted. I thought there were many good arguments made. One argument that stuck out to me was that the IFRS would not necessarily make financial statements comparable. I have often made the assumption that the main difference associated to financial statements prepared under different standards is caused by the accounting and not the environment. This article makes the point that transactions take place in very different environments and economies and to assume that they can be uniformly compared isn't logically possible. Even though everyone may use the same accounting standards, business transactions can be very different from each other, which could make comparability difficult.

I enjoyed reading this article and being exposed to a viewpoint different to what I have previously been exposed to. Before I just assumed uniform accounting standards would be
best because of convenience, but I now understand that a much careful analysis is necessary to make a decision.

Sep 12, 2011 9:22am

I enjoyed reading this article. I know that there are some issue to adopt IFRS, but this article helped me to understand those issue more clearly. one issue which struck me most is who will enforce and govern IFRS. I am afraid that there will be political intervention, and IFRS will lean toward the favor of some countries or political party.

As a student and a future accountant, I need to pay attention to how the convergence is going.

Sep 12, 2011 9:34am

This article was, simply put, the single best argument I have seen in response to purported positive effects of IFRS adoption worldwide. The overall theme that I saw in the article was that we should consider very carefully the different purposes that financial reporting serves in different countries. Accounting standards should be adjusted to fit the environment of each country depending on that country's expectations about what financial reports are supposed to mean.

One aspect that wasn't mentioned directly in the article I think deserves some attention. The legal environment of different countries has a large impact on what the accounting standards look like. The complexity of the U.S. GAAP is a creation of the legal environment surrounding accounting and financial professionals. The rules that have cropped up over the years is just one way to give evidence that professionals exercised due diligence when preparing public data. Think about the consequences of adopting a purely principles-based set of product liability law. Sure, the warning labels may shrink, but what would happen to a company's ability to defend itself when someone spills their coffee?

The most interesting part of the article for me was the section on Financial Engineering. No matter the setup of the accounting standards (call it principles vs. rules), clever management and analysts will engineer financial transactions that aren't addressed in the standards. In this environment, no amount of global uniformity will produce perfect comparability.

Sep 12, 2011 9:40am

I have come to understand that nothing in life is free. It is refreshing to get a view explaining some of the important costs to consider when implementing IFRS. The word monopoly is closely associated with price gouging. This was a brilliant way to start off the article, because it creates suspicion towards switching to IFRS, with the reader wondering what the hidden costs are. I enjoyed the thought that IFRS would make a great alternative option, but it should not be the only standard. This opened my mind to realize that I have been thinking of the options as GAAP, or IFRS. Trying to make a decision between those options I would choose IFRS because of the benefits of a larger investor base. With the option of using IFRS as a potential alternative, I believe this would be beneficial to all because both standards can improve through the work of each other and countries are not
deprived of their freedom to make the choices that are necessary for their culture.

Sep 12, 2011 10:05am

I really enjoyed reading this paper. It provides very clear arguments that helped me understand to a much greater extent many of the dissenting opinions against the global adoption of IFRS. I still believe much benefit could come from globalized standards, but there really is no way to know how great these benefits will be or how long they will last before all kinds of various global "dialects" of the standards will evolve across different cultures and levels of enforcement. It was refreshing and eye opening to read all these ideas, and I'm very interested to see how this IFRS situation will play out and affect the markets of the world as well as my own personal career in years to come.

Sep 12, 2011 1:11pm

I felt that Sunder did an excellent job of describing the potential outcomes of the adoption of IFRS. He seemed to take a step back from the issue in order to grasp the bigger picture; instead of merely focusing on comparability, he pointed out that the contribution to the welfare of society is the ultimate goal and criteria that can be used for financial reporting. It is important to determine the costs associated with the benefits of comparable financial statements, and see if the comparability is worth the price.

With that in mind, it is still important to have standards for financial reporting. Sunder makes the point that he does not think that IFRS-as-monopoly will work, but if GAAP and IFRS are able to compete against each other, perhaps it will lead to innovations and efficiency in financial reporting. Just as capitalism succeeds because competition leads to innovation, financial reporting may be able to reap benefits from competition among high-quality standards.