Community College of Beaver County
Brussels Study Tour 2016
European Union and IFRS Module
Paul Rogers

	Course Title/Module Title: Managerial Accounting / IFRS and the European Union Discipline: Business
Course/Module Narrative:	Course Narrative: This course is a continuation of Financial Accounting with emphasis on corporate financial structure, accounting data in decision making, cost accounting, statement analysis, international business and partnership accounting. Module Narrative: This module provides information about the application of IFRS Standards in the European Union. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board. The Board is the standard-setting body , an independent, private sector, not-for-profit organization.

Course Objectives:

Upon completion of this course, students will be able to:

A. Record the journal entries to establish a corporation, payment of dividends, issuance of stocks and bonds for a corporation.
B. Calculate entries for the investment in stock, and entries covering the recording of transactions requiring currency exchanges.
C. Use the indirect method of determining cash flow.
D. Perform financial statement analysis, including solvency analysis, and profitability analysis.
E. Describe International Financial Accounting Standards (IFRS) and their use in the European Union and international businesses
F. Master the job order and process cost system through the use of journal entries, and a cost of production report.
G. Calculate and explain variances under the standard cost system.
H. Master the principles of planning and control.
I. Explain cost behavior using various systems.
J. Perform calculations using the standard cost system, and dispose of the standard cost variances.
K. Perform differential analysis, product pricing, and the analysis involved in capital investment analysis.

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Module Objectives/Learning Objectives:

Upon completion of this module, students will be able to:

A. Describe a brief history of international accounting standards
B. Describe IFRS and their use in the European Union and international business organizations
C. Identify the governing bodies of the European Union and IASB (International Accounting Standards Board)
D. Research the European Commission and describe its function in determining accounting standards
E. Identify differences in reporting for SME (Small and Medium Enterprises) and major conglomerates
F. Provide examples of reporting differences in annual reports and financial statements including the Income Statement, Balance Sheet, Statement of Stockholder Equity and Cash Flow.

Assigned Readings

→ See below

Content & Delivery

Course Content	Instruction & Delivery (lecture, discussion, group work, etc.)
→ See attached	→ PowerPoint of IFRS → → PowerPoint of EU → http://europa.eu/publications/slide-presentations/index_en.htm → → Discussion of International Business → Work group of comparative reports

Assessment

→ Homework assignment

→ Multiple choice and problem exam

→

Resources and Materials

→ See attached

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http://www.iasplus.com/en/resources/ifrs-topics/europe

Adoption of IFRSs for use in the European Union

The EU Accounting Regime requires that IFRSs be adopted individually for use in the European Union. The adoption process is sometimes referred to as 'endorsement'. The process is as follows, as described by the European Commission – click for Diagram Prepared by the Commission(PDF 85k):

1. The IASB (The International Accounting Standards Board) issues a standard.
2. EFRAG (the European Financial Reporting Advisory Group) holds consultations with interest groups
3. EFRAG delivers its advice to the Commission whether the standard meets the criteria of endorsement. The criteria examined are set forth in Article 3(2) in the IAS Regulation (not contrary to the true and fair view principle set out in the 4th and 7th Company Law Directives, conducive to the European public good, understandability, relevance, reliability and comparability). EFRAG also prepares in cooperation with the Commission an effect study about the potential economic effects of the given standard's application in the EU. EFRAG is mentioned in recital (10) of the IAS Regulation.
4. SARG (the Standards Advice Review Group) issues its opinion whether EFRAG's endorsement advice is well-balanced and objective. The legal basis of this body and its opinion is Commission Decision No. 2006/505/EC 3.
5. Based on the advice of EFRAG and the opinion of SARG, the Commission prepares a draft endorsement Regulation. The adoption of the Regulation follows a regulatory comitology procedure with scrutiny, in accordance with Articles 5a and 8 of the Council Decision 1999/468. This means in practice that:
6. ARC (Accounting Regulatory Committee), set up in accordance with Article 6 of the IAS Regulation votes on the Commission proposal. The qualified majority rule applies. If the vote is favourable (which is the case for the vast majority of the standards to be endorsed),
7. The European Parliament and
8. The Council of the European Union have 3 months to oppose the adoption of the draft Regulation by the Commission.
9. If the European Parliament and the Council give their favourable opinion on the adoption or the 3 months elapsed without opposition from their side, the Commission adopts the draft

Regulation. After adoption, it is published in the *Official Journal* and enters into force on the day laid down in the Regulation itself.

http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156304264

Comparability in
International Accounting Standards—
A Brief History

International convergence of accounting standards is not a new idea. The concept of convergence first arose in the late 1950s in response to post World War II economic integration and related increases in cross-border capital flows.

Initial efforts focused on *harmonization*—reducing differences among the accounting principles used in major capital markets around the world. By the 1990s, the notion of harmonization was replaced by the concept of *convergence*—the development of a unified set of high-quality, international accounting standards that would be used in at least all major capital markets.

The International Accounting Standards Committee, formed in 1973, was the first international standards-setting body. It was reorganized in 2001 and became an independent international standard setter, the International Accounting Standards Board (IASB). Since then, the use of international standards has progressed. As of 2013, the European Union and more than 100 other countries either require or permit the use of international financial reporting standards (IFRSs) issued by the IASB or a local variant of them.

The FASB and the IASB have been working together since 2002 to improve and converge U.S. generally accepted accounting principles (GAAP) and IFRS. As of 2013, Japan and China were also working to converge their standards with IFRSs. The Securities and Exchange Commission (SEC) consistently has supported convergence of global accounting standards. However, the Commission has not yet decided whether to incorporate International Financial Reporting Standards (IFRS) into the U.S. financial reporting system. The Commission staff issued its final report on the issue in July 2012 without making a recommendation.

The following is a chronology of some of the key events in the evolution of the international convergence of accounting standards.

- The 1960s—Calls for International Standards and Some Early Steps
- The 1970s and 1980s—An International Standard-Setting Body Takes Root
- The 1990s—The FASB Formalizes and Expands its International Activities

- The 2000s—The Pace of Convergence Accelerates: Use of International Standards Grows Rapidly, the FASB and IASB Formally Collaborate, and the U.S. Explores Adopting International Accounting Standards http://ec.europa.eu/finance/company-reporting/index_en.htm

Company Reporting

The European Commission manages rules on information prepared and disclosed by EU companies, that is financial statements and non-financial information. We aim for comparable and high-quality financial information that gives a true and fair view and to enhance transparency of non-financial information, including environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues.