



Transition to International Financial Reporting Standards (IFRS) in the Americas

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Transition to International Financial Reporting Standards (IFRS) in the Americas

Section I: Introduction

In the last few decades, the global markets have experienced an intense transformation in their development, covering the financial system as well. This transformation has been characterized by more competition, a growing interaction among capital markets and financial intermediaries, as well as increased innovation in financial products and technologies. This group of characteristics has led to an international level consensus regarding the need to obtain high quality financial information that is comparable, coherent, and transparent¹. The International Financial Reporting Standards (IFRS) have emerged as a response to such needs, by providing a group of standards for the preparation and presentation of financial information that are harmonized and internationally accepted.

Aware of the importance of this initiative in the agenda of various countries, the Association of Supervisors of Banks in the Americas (ASBA) considers it is necessary to promote a discussion regarding the application of IFRS among its Associate Members^a. Therefore, the current report has been drafted based on the results of the “Transition to International Financial Reporting Standards (IFRS) in the Americas” survey, which was designed for the purpose of conducting an assessment of the implementation of IFRS in ASBA’s Member countries. In particular, the following document highlights the application of IFRS in the regulated banking sector, through the revision of the transition processes to IFRS in countries which have started implementing IFRS or are in the process of doing so.

The survey was distributed to the Members during the month of September 2010 with the objective of learning about their practical experiences and analyzing the trends in the Region^b. ASBA received eighteen responses^c (See annex 1), which were tabulated and constitute the basis of this report. The experiences of the different countries show that the transition process is more complex and takes longer than initially foreseen. However, the countries that are still in the process of transition can take advantage of the lessons learnt from their predecessors.

The current document is organized as follows:

- Section II presents a general description of IFRS and the organization that establishes them.
- Section III presents the institutional framework for establishing accounting standards in the Region.
- Section IV covers the transition processes established by the various Member countries.
- Section V elaborates on the technical considerations regarding the application of IFRS.
- Section VI includes a summary of the main findings and recommendations.

^a Associate Members are defined as those institutions in charge of the surveillance and supervision of banking institutions in the Americas.

^b The Region is defined as the geographical area corresponding to the Associate Member countries of ASBA. For more details visit www.asba-supervision.org

^c Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Spain, Guatemala, Honduras, México, Nicaragua, Panama, Paraguay, Peru, Uruguay and the United States of America.

Section II: Regarding the International Financial Reporting Standards

International Financial Reporting Standards (IFRS) guide the preparation of general purpose financial statements by establishing requirements for the recognition, measurement, presentation and disclosure of economic events. IFRS are presented as a response to the need of reliable financial reporting, achieved through the harmonization of accounting procedures so that financial information is reliable, objective, relevant, and comparable at an international level.

In 1973, the International Accounting Standards Committee (IASC) was created with the purpose of achieving comparable accounting and financial information. Under this mandate, the IASC established the International Accounting Standards (IAS) and their corresponding interpretations known as the SIC (Standing Interpretations Committee). IASC was a private independent organization, founded based on an agreement among the accounting standard-setting bodies in Germany, Australia, Canada, United States, France, The Netherlands, Japan, México, United Kingdom, and Ireland.

In 2001 the International Accounting Standards Board (IASB) was founded as the successor to the IASC. The latter delegated the power to establish accounting standards to IASB, which adopted the standards established by the IASC and continued developing these through the International Financial Reporting Standards (IFRS). The IASB is composed of 14 board members, which must reach 16 members no later than July 1, 2012. To ensure a broad international diversity by that date, the board must include: four members from the Asian/Oceania region, four from Europe, four from North America, one from Africa, and one from South America. In addition, two members belonging to any one of the previously mentioned areas shall be designated in order to maintain the overall geographical balance⁶.

IASB's main objectives are²:

- To develop a single set of high quality, understandable, enforceable and globally accepted international accounting standards
- To promote the use and rigorous application of those standards
- To consider, as needed, the special needs of emerging economies and small and medium-sized entities (SME's)
- To support the convergence efforts of local accounting standards to those proposed by the IASB

In 2002 the SIC changed their name to International Financial Reporting Interpretations Committee (IFRIC) with a mandate to not only interpret the current IAS and IFRS, but to also provide timely guidance regarding issues that are not dealt within an existing IAS or IFRS.

In 2010 the IASC changed its name to IFRS Foundation, while the IFRIC Committee, in charge of issuing interpretations, changed its name to IFRS Interpretations Committee.

For a complete list of IFRS and their corresponding objectives refer to Annex 2. The following chart includes a list of IFRS that were identified, in the survey, as the most relevant for the financial sector:

International Financial Reporting Standards

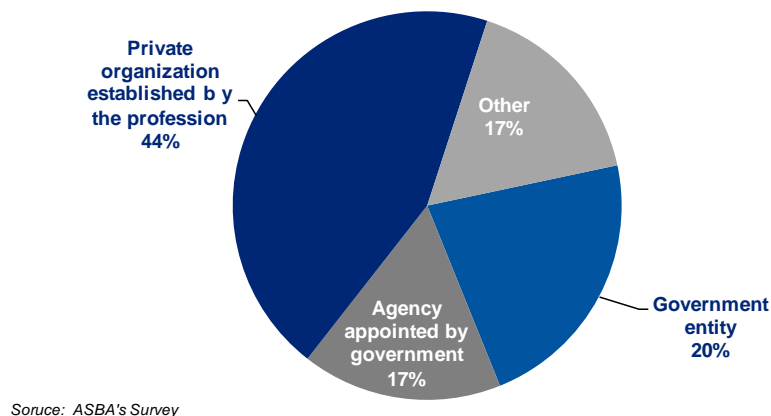
IFRS 1 – First-time adoption of IFRS	IAS 19 – Employee benefits
IFRS 3 (2008) – Business Combinations	IAS 21 – The effects of changes in foreign exchange rates
IFRS 4 – Insurance contracts	IAS 23 (2007) – Borrowing costs
IFRS 5 – Non-current assets held for sale and discontinued operations	IAS 24 – Related party disclosures
IFRS 7 – Financial instruments: Disclosures	IAS 27 (2008) – Consolidated and separate financial statements
IFRS 8 – Operating segments	IAS 28 – Investments in associates
IFRS 9 – Financial instruments: Classification and measurement	IAS 31 – Interests in joint ventures
IAS 1 – Presentation of financial statements	IAS 32 – Financial instruments: Presentation
IAS 8 – Accounting policies, changes in accounting estimates and errors	IAS 36 – Impairment of assets
IAS 12 – Income taxes	IAS 37 – Provisions, contingent liabilities, and contingent assets
IAS 16 – Property, plant and equipment	IAS 38 – Intangible assets
IAS 17 – Leases	IAS 39 – Financial instruments: Recognition and measurement
IAS 18 – Revenue	

Section III: Accounting Standards' Institutional Framework

Accounting standards provide a framework of reference comprised of a series of guidelines known as generally accepted accounting principles (GAAP). The main objective of these guidelines is to provide useful, reliable, and timely information to support the decision making processes of the various economic stakeholders. Each country has its own standard-setting body in charge of establishing accounting standards to be applied in its own jurisdiction for both public and private entities.

In 44% of the surveyed countries, the body in charge of establishing the accounting standards for the industry in general, takes the form of a private organization set up by the profession, mostly in the form of an Association of Chartered Accountants (Graph 1). At the same time, the next two most common types of standard-setting bodies are a government entity and an agency designated by the government. Many of the surveyed countries have separate bodies in charge of setting accounting standards for specific sectors, such as the government, financial and public sector. In particular, in the case of the financial intermediation sector, the organization in charge of establishing the accounting standards for this sector is the Regulatory/Supervisory Agency.

Graph 1: Nature of the Standard-setting Body



III.I Regulatory Standards in the Financial Sector

Given the importance of the financial sector in maintaining a country's economic stability and promoting an efficient allocation of resources, most countries in the Region have set up specific accounting standards for the sector. For the purpose of this survey, we consider the financial sector to be comprised of the following sub-sectors: i) banks and financial intermediaries, ii) publicly listed companies, iii) fund managers and iv) insurance. The survey showed that 17 of the surveyed countries (94%) have specific standards for the financial intermediation sector. At the same time, 89% have specific standards for the insurance sector. Regarding publicly listed companies and pension fund managers, both sectors have specific standards in 67% and 44% of the surveyed countries, respectively.

Based on the composition of ASBA's Associate Members, this report is focuses on the accounting standards for the regulated financial intermediation sector. However, the fact that the institutional

structure of Regulatory Agencies varies from one country to another should be considered, as a single Regulatory Agency might regulate various financial sub-sectors. In addition, the type of regulated entities under the financial intermediation sub-sector varies from one jurisdiction to another^d.

From the previous discussion, we learned that 94% of the surveyed countries have specific accounting standards for regulated financial intermediation entities. The main differences identified between the established accounting system for the industry in general and the specific one for the regulated financial intermediation sector are the following:

- *Provisions for the loan and investment portfolio.* Such provisions are not determined based on historical experience or incurred losses, but rather on considering factors that determine the loan's credit risk, including an assessment of the borrower's ability for repayment and the percentage of eligible collateral to cover the risk of default. Likewise, certain countries have provision percentages established for the different levels of credit risk defined by the Regulatory Agency. Others require both generic as well as specific provisions on the loan portfolio.
- *Revenue recognition on non-performing loans.* Regulatory accounting standards usually require that delinquent loans must be placed on the non-performing portfolio, which automatically suspends the recognition of interest income and fees for these loans. The accounting of non-performing loans is suspended until such loans are collected.
- *Fair value and effective rate use.* Regulatory Agencies stipulate that accounting for financial instruments should be carried out at fair value, and make use of the effective rate to calculate the value of certain assets, including loans.
- *Treatment of fixed assets.* Certain countries have specific guidelines for the accounting treatment of fixed assets, including restrictions on the use of depreciation methods, the accounting of capital surplus as a result of asset revaluation, and the depreciation of unused assets.
- *Notes to the Financial Statements.* Regulatory entities tend to require a higher level of detail in the notes to the financial statement under the precept of fostering discipline and transparency in the market; objectives established in Pillar 3 of the Basel Accord II.
- *Others.* Additional differences relate to the accounting treatment of goodwill, securitization, derecognition and sale of financial assets, derivative financial instruments, financial leasing, consolidation, repossessed and recovered assets.

In most of the surveyed countries, the responsibility of establishing standards for the recording of transactions, drafting, presentation and publication of financial statements for the regulated financial intermediation sector falls on the Supervisory Agency. This authority is generally given to the Supervisory Agency through specific legislation for the financial or financial intermediation sector.

^d The regulated entities in the financial intermediation sub-sector include: government-owned banks, private banks, savings banks, savings and loans credit unions, mutuals, microfinance institutions, development banks, leasing entities, factoring entities, currency exchange, and credit card issuing entities, among others.

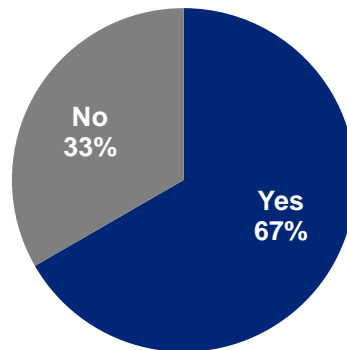
The accounting standards' approval or implementation process in the Region presents a wide variety of stages comprising the process. In most countries, the accounting standards approval or implementation process includes the following steps:

- Identifying an accounting need, which is subjected to a rigorous analysis that considers the characteristics and potential responses according to expert advice.
- Once the best alternative has been selected, an accounting standard draft is written and submitted to an internal and external consultation period.
- As the consultation period ends, the comments received are analyzed and the necessary adjustments made so that it can be enacted as an established accounting standard.
- Finally, the entities under supervision are informed about the new accounting standard and its implementation.

III.II Transition Plans to IFRS

Regarding the transition plans to IFRS in the banking sector, the survey showed that 12 countries (67%) have transition plans or have already applied IFRS in their locations for the regulated financial intermediation sector (Graph 2).

Graph 2: Transition Plans to IFRS

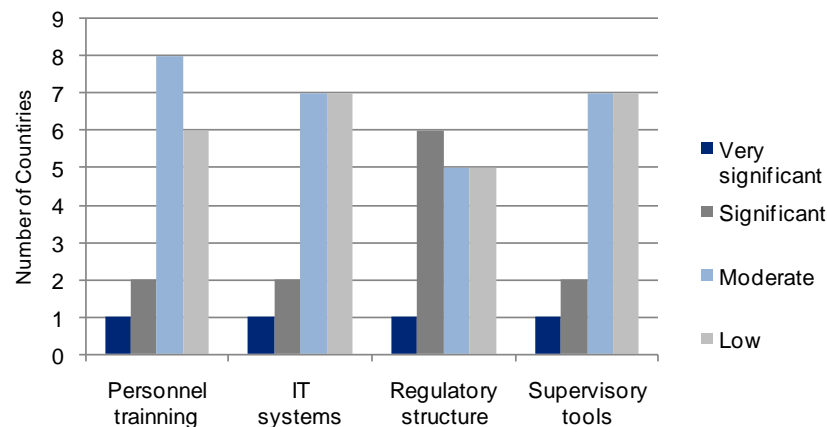


Source: ASBA's survey

However, the survey showed that Supervisory Agencies consider the level of preparation for their transition to IFRS to be between moderate and low. A 41% of the surveyed countries consider that their preparation regarding the adequacy and development of supervisory tools, as well as the adaptation of IT systems is low (Graph 3). This group is made up of countries that have not carried out the transition to IFRS, although a couple of countries that applies them are included. A similar percentage (41%) considers that the level of preparation in these two same categories is moderate (Graph 3). Likewise, 35% of those surveyed (6 countries) rate staff training in their institutions as low, while 47% (8 countries) rate it as moderate.

The results show that the most important progress achieved by the Supervisory Agencies in preparation for the transition to IFRS is in the development of a regulatory structure. This is because 35% of those surveyed (6 countries) consider that the progress made in regulatory structures is important (Graph 3). It is important to mention that most countries that consider their preparation towards IFRS as having a very significant or significant headway are those that already apply IFRS in their jurisdictions. These results reflect both the importance and need for Supervisory Agencies to develop comprehensive transition plans, not only taking into account the changes in the accounting standards but also in other aspects of the Agency that might be affected by a change of this magnitude.

Graph 3: Supervisor's Preparedness for the Transition to IFRS



Source: ASBA's survey

Moreover, surveyed countries were asked to cite the main institutional challenges that must be overcome in the transition to IFRS. The survey showed that 67% of the respondents (11 countries) agree that the main challenges were related to developing a transition strategy or plan, and obtaining the necessary knowledge and resources for applying the plan (Graph 4). A transition plan must cover two sides, which might conflict with one another:

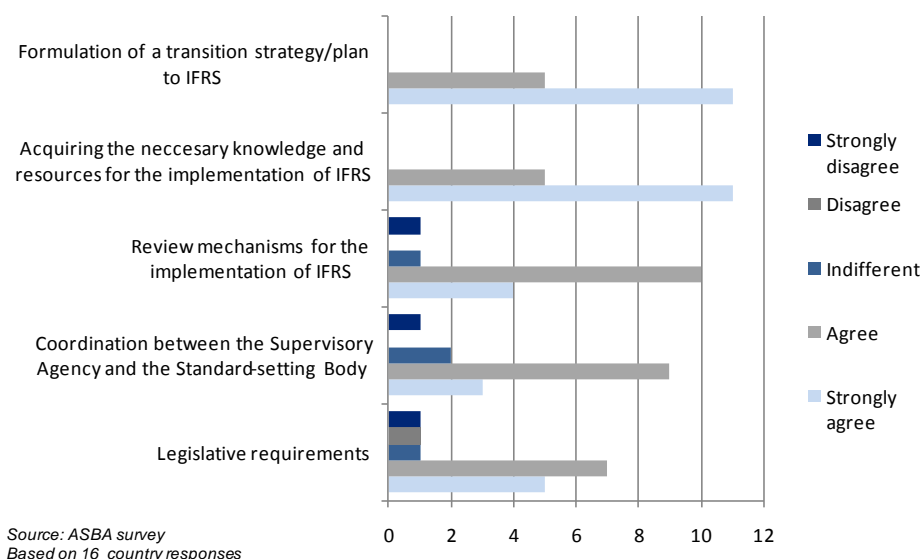
- i) It must be consistent with the IASB strategy and keep in mind that the IFRS are characterized by a process of constant change
- ii) The plan must facilitate a compatible internalization and practical application of IFRS in order to avoid possible conflicts with current regulations³.

In second place, 63% of the surveyed countries consider that the development of “review mechanisms for IFRS approval” in the regulated sector is a significant challenge and another 25% considers it to be very significant (Graph 4). This challenge, in particular, is very important since most of the countries in the Region demand additional requirements in terms of accounting practices from their regulated entities. Therefore, once IFRS are applied in a country, the corresponding Supervisory Agency should have processes in place to evaluate IFRS issued by the IASB and adapt them to comply with the requirements of the regulated sector. To a large degree, this institutional challenge is based on the

need to have sufficient knowledge and resources so that the standards review process can be effective².

Finally, the application of IFRS implies the need to coordinate any legislative requirements related to or affected by IFRS. There is no doubt about the importance of this challenge, since 33% of those surveyed (5 countries) agree that the coordination of legislative requirements represents a very significant challenge while 47% consider it to be significant (Graph 4). IFRS application could have consequences in various areas of legislation. The more complex a country’s regulatory framework is, the greater the efforts to achieve consistency among the legislative requirements at domestic level needs to be². Therefore, it is important to clearly define the hierarchy that IFRS regulatory reporting requirements have in relation to other reporting requirements.

Graph 4: Institutional Challenges in the Transition to IFRS



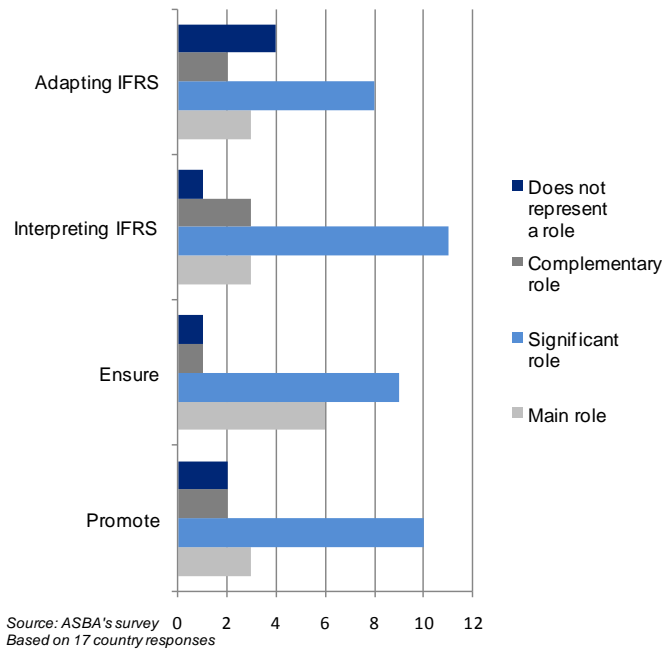
III.III Role of the Supervisor

Respondents were asked to rate the Supervisory Agency’s main role in the application of IFRS in regulated entities. A 35% of those surveyed (6 countries) consider that the main role of the Supervisory Agency is “to ensure adequate compliance with IFRS” by the regulated entities, while 53% (9 countries) consider it to be a significant task (Graph 5). Based on these results, [the task of verifying compliance with IFRS is a fundamental task of the Supervisory Agency and is high on its priority list. In second place on the list of priorities, surveyed countries have placed the role of “interpreting IFRS to guide its application in regulated entities”, which was considered a significant role by 61% and the main role by 17%.](#)

Regarding the task of “promoting the application of IFRS”, this role is considered to be the main one by 18% of the surveyed countries and significant by 59% (10 countries). Finally, a discrepancy has been detected regarding the task of the Supervisory Agency in “Adapting IFRS so that the regulated entities can apply them”. On the one hand, 47% of those surveyed consider the task to be significant; but on the other hand, 24% of the countries consider that this does not represent a task to be carried out by the Supervisory Agency. Nevertheless, most countries in the Region place specific accounting

requirements on their regulated entities and the responsibility for establishing these lies within the Supervisory Agency.

Graph 5: Rol of the Supervisory Agency in the Implementation of IFRS



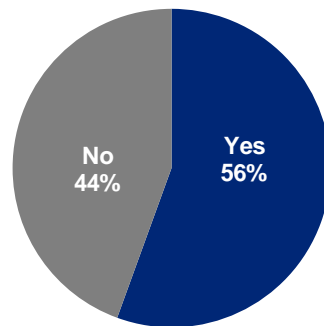
Section IV: Transition Processes to IFRS

For many years, countries developed their own accounting standards. These were based on rules, principles, and business or tax-oriented, making them all different. However, with the internationalization of the economy, the existence of multinational firms and the growing interrelation among capital markets, there was a need to harmonize these standards in order to achieve greater comparability between countries⁴.

IV.I Application of IFRS in the Region

The graph presented below shows that as of December 31st, 2009 only 10 countries in the Region (56%) allowed the use of IFRS in entities that not necessarily belong to the regulated banking sector.

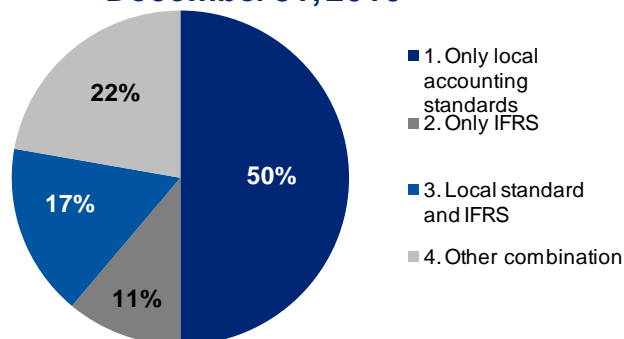
Graph 6: Use of IFRS in the industry in general as of December 31, 2009



Source: ASBA's survey

Regarding the use of IFRS in regulated financial intermediation entities, Supervisory Agencies were asked about the accounting standards used by their regulated entities in the preparation of public financial statement as of December 31, 2009. The survey showed that 50% of the countries use local accounting standards for this purpose. **There is considerable discrepancy between the use of IFRS in the industry in general and in the regulated financial intermediation entities. According to graph 6, IFRS are allowed for the industry in general in 56% of the surveyed countries, while only 28% (5 countries) allow them to for use in regulated entities (Graph 5-groups 2 and 3).**

Graph 7: Use of IFRS in the Regulated Banking Sector as of December 31, 2010

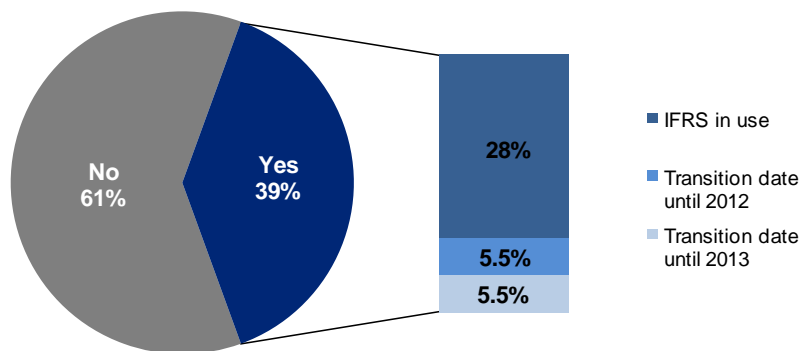


Source: ASBA's survey

In section III.II we observed that 67% of the repondents, equivalent to 12 countries, have transition plans to IFRS. However, only 7 (39%) of these 12 countries have formally set date for the transition in regulated entities.

The following chart illustrates the fact that five countries^e, that is to say 28%, already apply IFRS as of December 31st, 2009. Notwithstanding, there is only one country with a transition date set until 2012, this is the case of Honduras wich has set its transition date as December 31st, 2012. On the other hand, El Salvador has a transition date set for December 31st, 2013. Finally, countries such as Brazil, Ecuador, México, Nicaragua, and Peru have established transition dates for publicly listed entities or small and medium size enterprises, but not for regulated banking entities. Peru is currently assessing the adaptation of its accounting provisions to those proposed by IFRS for financial statements that correspond to the 2012 period. Furthermore, Ecuador considers the adaptation to IFRS as a strategic plan; however, a transition date has not been formally established. Thus, Ecuador was considered within the group of countries that have not formally set a transition date.

Graph 8: Transition Date Established for Regulated Entities



Source: ASBA's survey

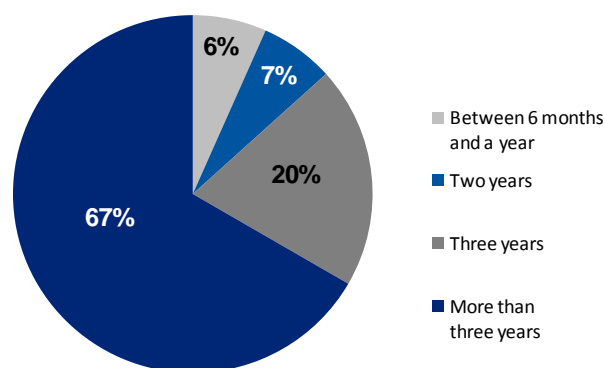
As for early application of IFRS in regulated entities, this is only permitted in Brazil and Honduras where the early application date has been set one year before the established transition date. In the case of El Salvador, the transition date has not been specified; therefore the early application date also remains open.

IV.II Transition Processes to IFRS

As part of the survey, countries were asked about the appropriate time frame for regulated entities to carry out their transition process to IFRS. Graph 9 shows that 10 countries (67%) consider that an appropriate time frame to complete a transition process to IFRS should be more than three and a half years, taking into account that such period starts with an impact analysis and ends with the implementation of IFRS. The figure presented increases to 87% if we consider that the period should be more than three years.

^e Chile, Costa Rica, Spain, Guatemala and Panamá.

Graph 9: Appropriate Time Frame for an Effective Transition Process



Source: ASBA's survey
Based on 15 country responses

Although there may be similarities between the countries that have decided to transition to IFRS, each country must design its own approach according to the particular characteristics of its jurisdiction. These characteristics include: the level of similarities between the local standards and the ones proposed by IFRS, the specific characteristics of the regulated sector, how quickly the transition needs to be completed, the transition strategy defined by Supervisory Agency, and the potential cultural, legal, or political barriers that could exist, among other considerations. Based on the experiences in the Region, the following are generic steps that must be considered in drafting a transition plan to IFRS:

1. Review the accounting standards issued by the Supervisory Agency to identify the key differences between these and the accounting standards established by the IASB.
2. Conduct a rigorous analysis of the differences identified in the previous step, focusing on accounting standards set by the Agency that need to be adapted to comply with IFRS, if considered prudent from a regulatory and supervisory point of view. In the case of Peru, "working groups" are set up, with representatives from the Supervisory Agency, the regulated entities and the external auditors to share opinions and comment on the Supervisory Agency's standards that must be adapted to IFRS requirements.
3. Analyze the impact of the changes in accounting treatment on the regulated entities' financial statements and IT systems.
4. Drafting the accounting standard together with its corresponding application manual.
5. Establish a consultation period or discussion with the regulated entities and other stakeholders.
6. Enact and implement the accounting standard.
7. In-house as well as external training of personnel on the application of the new standard.
8. IFRS implementation follow-up, including the review of external auditor's reports based on IFRS.

In order to learn about the transition process stage of each of the countries in the Region, the survey defined three generic stages. Based on Graph 10, five countries (28%) have already carried out the transition, while most of the countries representing 50% are still in the process of developing a transition plan or strategy. Finally, four countries are still considering if they should transition to IFRS or not.

Graph 10: Transition Stage in the Implementation of IFRS



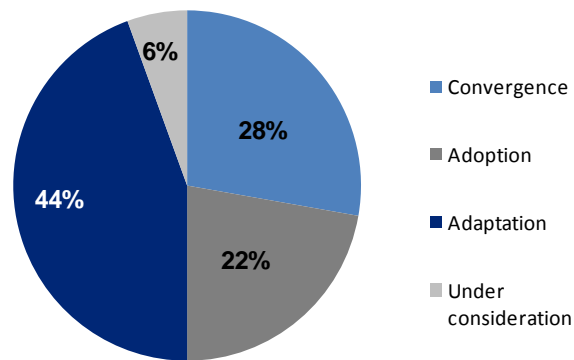
Source: ASBA's survey

In the Region, countries have chosen different strategies to transition to IFRS. For the purposes of this survey, three main strategies have been determined for the application of IFRS: *adoption*, *convergence* and *adaptation*.

- i. A country is considered to have **adopted** IFRS when it applies the full set of IFRS in just one step exactly as they were issued by the IASB. According to Upton⁵, this approach is considered the simplest, less costly and easiest to adopt. It is important to consider that this is the most desired level of application, because it is the only one that ensures financial statement comparability at an international level.
- ii. The following application strategy is **convergence** where the objective is to gradually take the local standards up to a point where the amounts reported under both standards are the same.
- iii. Finally, the **adaptation** strategy to IFRS includes an assessment of the standards issued by the IASB and its subsequent adjustment process so that these can reflect and overcome the specific needs of the sector.

The following graph shows that 44% (9 countries), describe their IFRS application strategy as *adaptation*, while 28% describes it as *convergence*. This is a troubling result since an *adaptation to IFRS* does not allow countries to fully benefit from the comparability offered under an *adoption* scheme.

Graph 11: Transition Strategy to IFRS



Source: ASBA's survey

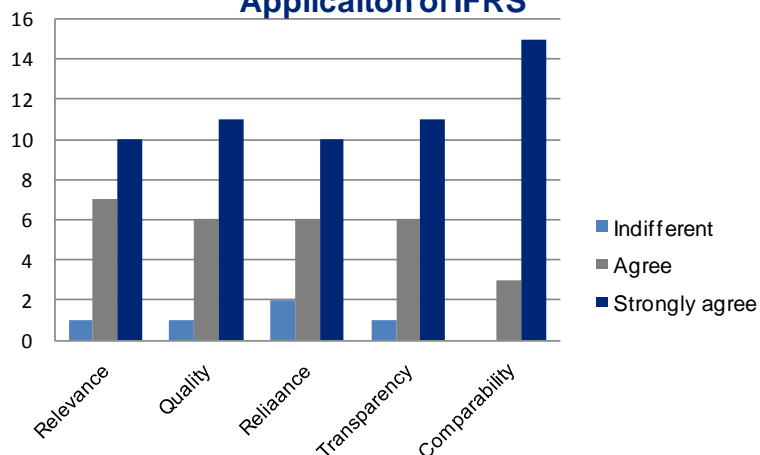
IV.III Benefits and Costs of Transitioning to IFRS

The following include some of the main benefits of a transition to IFRS:

- Increased international comparability of financial information.
- More transparency in the process of preparing consolidated information.
- Higher quality accounting information presented by regulated entities.
- Greater reliability on the information provided by the entities.
- More relevant accounting information for the Supervisory Agencies.

Based on survey results, the main benefit from the application of IFRS is the comparability of financial reporting among international locations; however, it is important to remember that most countries described their IFRS application process as an *adaptation*, which is contrary to the main benefit identified here. The following two most relevant benefits are the improvement in the quality and transparency of information issued under IFRS standards (Graph 12).

Graph 12: Principal Benefits in the Application of IFRS



Source: ASBA's survey

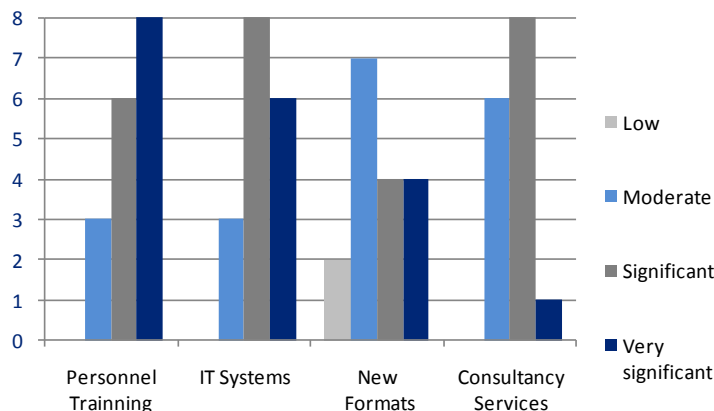
Undoubtedly, the application of IFRS entails an important change in accounting standards and financial statements alike. However, the way in which non-financial aspects such as human resources, IT systems, and legal aspects, among others, are handled will determine the success of an adequate IFRS transition⁶. The main costs associated to the application of IFRS in the region are the following:

- Personnel training
- Adaptation of IT systems
- Design and drafting of new formats for regulated entities' requirements.
- Hiring of external consulting services
- Changes in the existing accounting standards and legislation of the country

The survey asked Members to score^f each one of the costs related to the application of IFRS. Based on the results shown in graph 13, **the highest cost of an IFRS application is personnel training, followed by IT systems adaptation**. Focusing on personnel training costs, 82% of the surveyed countries considered these significant. Also, a similar percentage of the surveyed Members (82%) considered the cost of adapting their IT systems as significant. A 41% of those surveyed agreed that the cost designing and drafting new formats is moderate. In the case of external consulting, the answers were divided between those that considered this cost as significant (53%) and those that considered it moderate (40%).

^f The survey includes a five level scoring scale (null, low, moderate, important, very important) which is applied to each one of the categories.

Graph 13: Costs in the Application of IFRS



Source: ASBA's survey
Based on 17 country responses

In a similar matter, the Members were asked to score and identify additional challenges that Supervisory Agencies face during the design or implementation process. The following is a list of the main challenges:

- *The complexity posed by IFRS standards.* Under IFRS regulated entities must develop and disclose a larger volume of information. In addition, these standards imply a greater level of complexity regarding the use of fair value and accounting estimates. In countries where IFRS are applied, Supervisory Agencies have noted errors in the issued financial statements, insufficient disclosures, and incorrect interpretation of the standards.
- *Personnel training*, both in the regulated entities as well as within the Supervisory Agency. Furthermore, countries mentioned that university programs do not include training on IFRS, as part of their programs. Supervisory personnel not only have to develop the ability to interpret the new standards, but also have to develop additional abilities such as languages, since most IFRS literature is in English.
- *IT system adaptation.* This challenge covers potential problems that arise during a system adaptation process, as well as those arising from the development of a new platform to share information. The possible effects on the system's applications and interfaces must be considered, from the data entering source to the reporting tools. This aspect implies the need for a considerable amount of time and resources⁴.
- *Changes in the legal framework and the existing accounting standards in the country.* See Section III.II for more details.
- *Adapting to the dynamism and philosophy of IFRS.* IFRS were designed under a principle-based standards framework. An inherent characteristic of such a framework is the possibility of different interpretations for similar transactions. This situation implies the use of professional judgement in determining accounting estimates and tends to create uncertainty, demanding more detailed information in the forms of disclosures in the financial statements. Principles-based standards result in fewer exceptions than a rules-based accounting standards system,

issues that require further interpretation or discussion can be clarified, in the case of the regulated entities, by the Regulatory Agency. This section also includes the lack of technical-accounting guidelines as IFRS have no clearly defined rules. In addition, IFRS are dynamic which is clearly reflected in the amount of current projects, including the new IFRS, the interpretations (SIC and IFRIC), changes, additions and modifications to the current standards⁷.

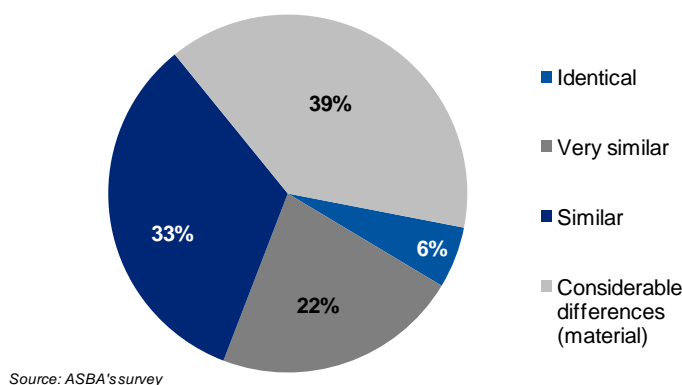
- *Resistance to IFRS adoption by regulated entities*, considering the transition costs and changes in the use of systems and philosophy proposed by IFRS.
- *Lack of financial resources*, both for carrying out personnel training programs needed to ensure an adequate transition, as well as for requiring and monitoring the application of the standards and sanctioning those entities that do not comply.

Section V: Technical Considerations in the Application of IFRS

One of the main challenges in the IFRS transition process was the complexity of that these standards pose especially regarding the technical aspects. Therefore, this section provides a detailed framework of the technical issues arising from an implementation of IFRS.

The survey asked Members about their perception of the level of similarity between the local accounting standards and IFRS. A 39% consider that there are considerable differences between them⁹. While 33% of the countries including Colombia, Costa Rica, El Salvador, Guatemala, Ecuador and the United States consider that these are similar. Finally, another 22% that corresponds to four countries (Chile, Mexico, Panama and Peru) consider both standards to be very similar. The only country that considered both standards identical is Spain.

Graph 14: Degree of Similarity Between IFRS and Local Standards



V.1 Effects on the Financial Statements and their Accounts

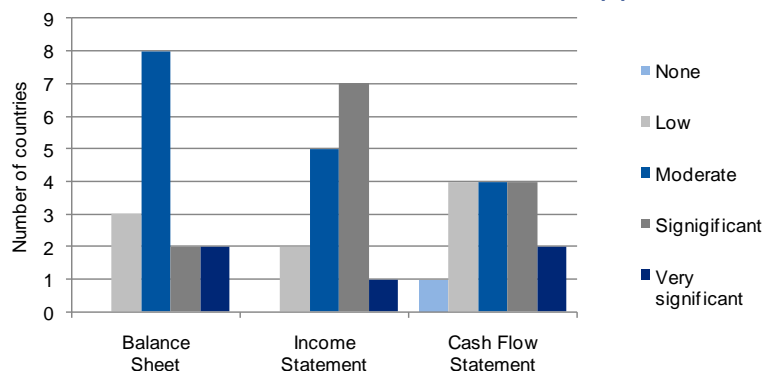
To focus on the technical discussion, respondents were asked about the level of change they expect to see in the regulated entities' financial statements once the transition to IFRS has been completed. In general, surveyed countries considered that the most important change will take place in the Notes to the financial statements, mainly due to the additional disclosure requirements imposed by IFRS. In particular, in the case of financial entities *IAS 32 – Financial Instruments: Presentation* details the requirements that regulated entities must disclose regarding financial instruments, which are inherent to the financial intermediation business. With respect to the remaining the financial statements, the respondents expect significant changes in the Income Statement and the Management and Discussion Analysis.

Focusing on the three main financial statements, eight of the surveyed countries (53%) agree that the application of IFRS will have a moderate effect in the Balance Sheet, while 26% consider it to be between important and very significant. On the other hand, in the case of the Income Statement 33% of the respondents (5 countries) expect the changes to be moderate and 47% expect them to be significant (7 countries). Finally, there is no consensus regarding the level of changes expected in the

⁹ Argentina, Bolivia, Brazil, Honduras, Nicaragua, Paraguay and Uruguay considered that the differences between both standards were considerable.

Cash Flow Statement, the opinion of the majority of those surveyed is divided among low, moderate and significant changes.

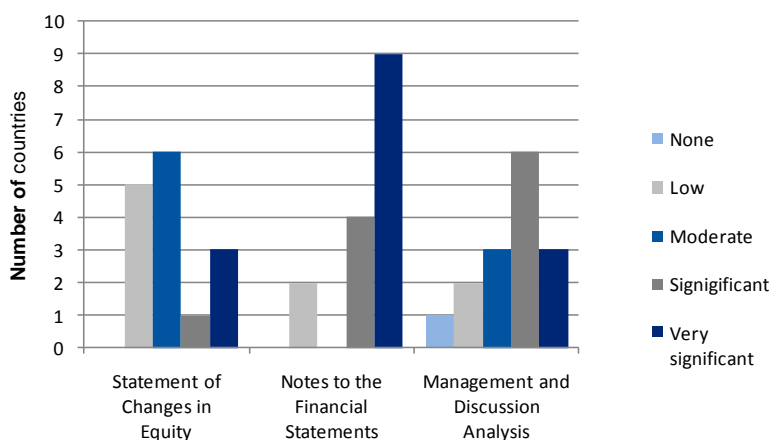
Graph 15: Expected Degree of Change in the Format of the Financial Statements (1)



Source: ASBA's survey
Based on 15 country responses

Graph 16 shows the expected change for the remaining three financial statements. It is expected that the Statement of Changes in Equity will have moderate changes once IFRS have been applied. As previously mentioned, 57% of the respondents considered that the most important changes will take place in the Notes to the financial statements. Finally, the Management and Discussion Analysis is expected to undergo moderate changes based on a consensus of 43%.

Graph 16: Expected Degree of Change in the Format of the Financial Statements (2)

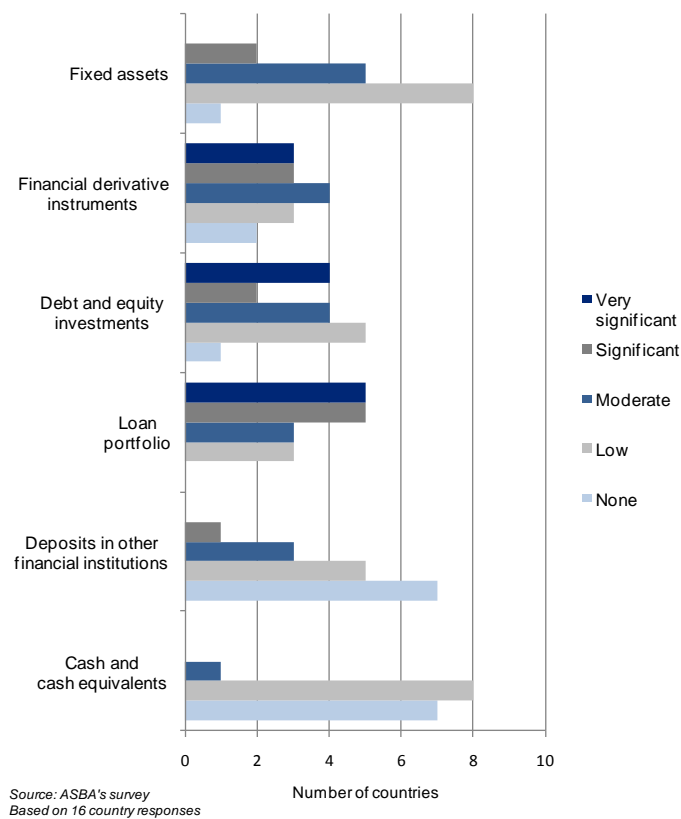


Source: ASBA's survey
Based on 15 country responses

In order to learn about the expected effect that the application of IFRS is expected to have at a more detailed level, the survey inquired about the effects of each one of the main accounts both in the Balance Sheet and the Income Statement. As for the Balance Sheet, the effects in the asset accounts are presented separately from the liability and equity accounts. [The most important changes in the asset accounts are expected in the “loan portfolio,” where 62% of the respondents believe the effect will be at least significant.](#) [The following two accounts where greater changes are expected are the](#)

“investment portfolio” and the “derivative financial instruments” where 25% and 20% of those surveyed considered that these will be significant, respectively.

Graph 17: Expected Changes in Balance Sheet Accounts: Assets



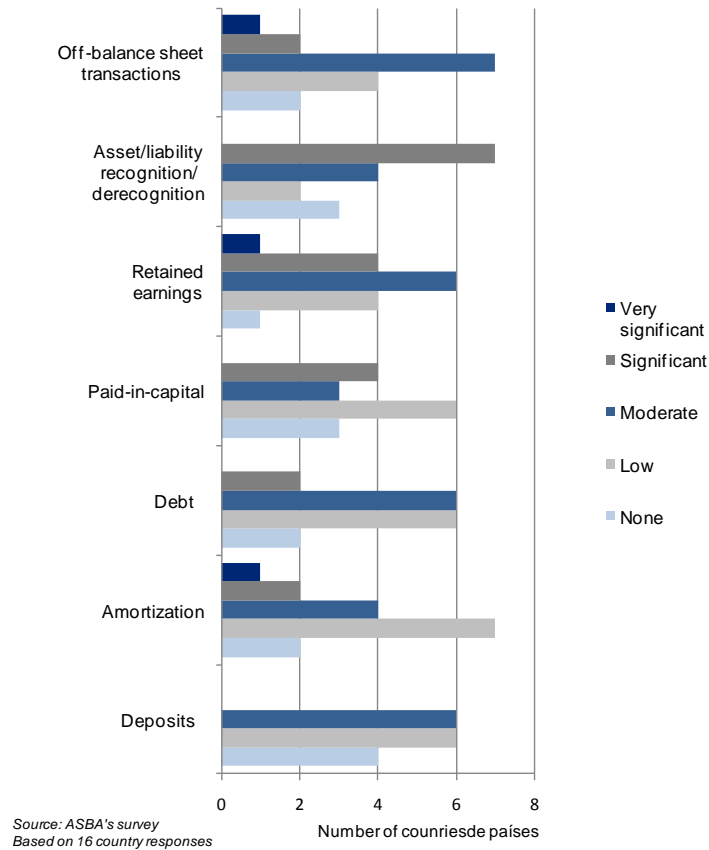
Regarding the liability and equity accounts, as well as other related considerations, the respondents agree that the principal changes will be related to “off-balance sheet items” and the criteria for asset and liability “recognition/derecognition”. Both concepts are closely related as the result a recognition or derecognition assessment will determine if this is an off-balance sheet transaction or not.

IAS 39 and IFRS 9 prescribe the accounting treatment of financial asset transfers and securitizations. The approach proposed by both standards requires an evaluation of the substance or motivation that causes the transaction, instead of only meeting specific criteria usually required by rule-based GAAPs. IAS 39 dictates that a transaction is not considered a transfer or sale, and thus is not removed from the Balance Sheet, if the transferor retains: i) substantially all the **risks and rewards** of the transferred asset or of part of the asset, or ii) retains **control** of the asset or part of the asset for which substantially all the risks and rewards⁸ have been transferred. In addition, the consolidation principle defined by *SIC 12 – Consolidation of Special Purpose Entities (SPE)*, requires that the entity consolidates those SPEs under its control. An entity controls an SPE when the entity retains most of the rewards or is exposed to a significant level of risk⁹.

The survey results also identified moderate (38%) to significant (25%) quantitative changes in the “retained earnings” account. This assertion coincides with the results of the survey that state that the financial statement with the largest changes will be the Income Statement, since retained earnings is

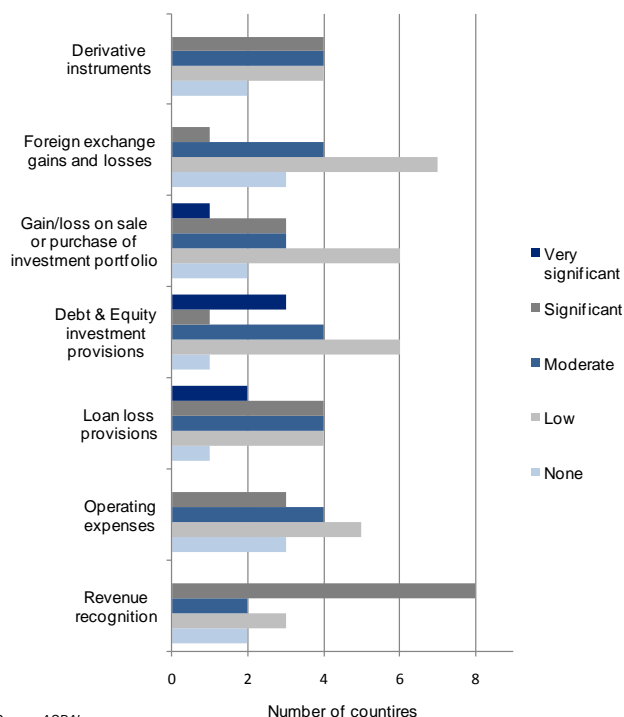
nothing more than the “bottom-line” of the Income Statement. On the contrary, no important changes are expected in the accounting treatment of “debt”, “deposits,” nor “amortizations”.

Graph 18: Expected Changes in Balance Sheet Accounts: Liabilities, Equity, and Others



Generally speaking, the surveyed countries agreed that the Income Statement would present the most important changes among the three basic financial statements. After a more detailed analysis of each of the principal accounts, most changes are expected in relation to provisions, both for the “loan portfolio” as well as in the “investment portfolio.” Likewise, 53% of the respondents consider that the application of IFRS also entails significant changes in “revenue recognition.” Finally, one fourth of those surveyed considered that the effects of “derivative instrument accounting” will have a significant quantitative impact.

Graph 19: Expected Changes in the Income Statement



V.II IFRS complexity aspects

Survey respondents were also asked about the accounting standards that they consider will pose the greatest challenge in their application. The question took into account IFRS standards, International Accounting Standards (IAS), and their respective interpretations. The following table presents the ten most complex accounting standards:

	IFRS Standard	Frequency
1.	IAS 39 - Financial instruments: Recognition and measurement	15
2.	IFRS 7 - Financial instruments: Disclosures	12
3.	IFRS 3 - Business Combinations	9
4.	IAS 32 - Financial instruments: Presentation	8
5.	IAS 12 - Income taxes	8
6.	IFRS 9 - Financial instruments: Classification and measurement	6
7.	IFRS 4 - Insurance contracts	5
8.	IAS 38 - Intangible assets	4
9.	IFRS 1 - First-time adoption of IFRS	4
10.	IAS 36 - Impairment of assets	3

Source: ASBA's survey

Considering that financial instruments comprise the products and services offered by financial intermediation entities, it is not surprising that the principal standards considered as the most complex are those that relate to the accounting treatment of such instruments. In addition, the accounting of

such instruments involves the use of concepts requiring professional judgment on issues such as determining accounting provisions, fair value, and asset and liability recognition/derecognition.

The surveyed countries considered that *IAS 39 – Financial Instruments: Recognition and Measurement* is the most complicated standard to apply. The objective of this standard is to define policies for the recognition and measurement of financial assets and liabilities. It should be noted that in November 2009 the IASB issued standard IFRS 9 – *Financial Instruments* which will eventually replace IAS 39. At the drafting of this report IAS 9, which is in sixth place among the most complex standards, only defines the classification and measurement requirements of financial assets.

On the other hand, *IFRS 7 – Financial Instruments: Disclosures* is considered as the second most difficult standard to apply. The objective of this standard is to prescribe disclosure requirements that will allow users of financial statements to evaluate the relevance of financial instruments for an entity, the nature and scope of its risks, as well as the way to manage these risks⁶. The disclosures required by this standard include those regarding the financial position, performance during the period, related accounting policies, and the associated risks of these instruments.

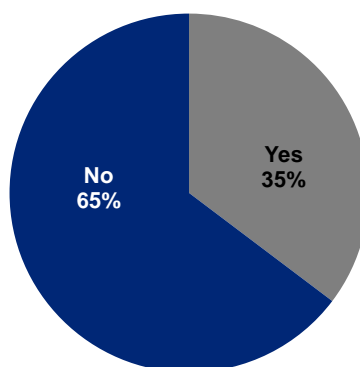
IFRS 7 integrates all the disclosure requirements for financial instruments while leaving the presentation requirements to *IAS 32 – Financial Instruments: Presentation*. Based on the survey, IAS 32 is considered as the fourth most difficult standard to apply. As a whole, the four standards that cover the accounting of financial instruments represent 55% of the standards considered to be most difficult in their application.

Finally, those surveyed considered that *IFRS 3 – Business Combinations* and *IAS 12 – Income Taxes* present considerable challenges in their interpretation and implementation. IFRS 3 states as a basic principle that the buyer in a merger or acquisition transaction should recognize the assets and liabilities acquired at fair value on the date of the transaction. In addition, the buyer must disclose any information that will allow users to evaluate the nature and the financial consequences of the acquisition⁶. On the other hand, the objective of IAS 12 is to define the principles and provide the guidelines to account for deferred taxes that originated from the discrepancy between tax regulations and the accounting standards.

V.III IFRS Prudence for the Regulated Sector

The survey asked countries to state whether they considered valuation conditions proposed by IFRS to be sufficiently prudent from a regulatory point of view. Graph 20 shows that 65% of those surveyed considered that the standards are not sufficiently prudent. Respondents feel that valuation standards of IFRS are prudent in general terms. However, in the case of the financial sector that makes an intense use of financial instruments, the respondents considered that more conservative valuation standards should be provided. The aspects that require a more conservative approach include: the accounting treatment for loans, determination of provisions, revenue recognition for non-performing loans, and different measurement methods for property, plant, and equipment, among others. See details further below.

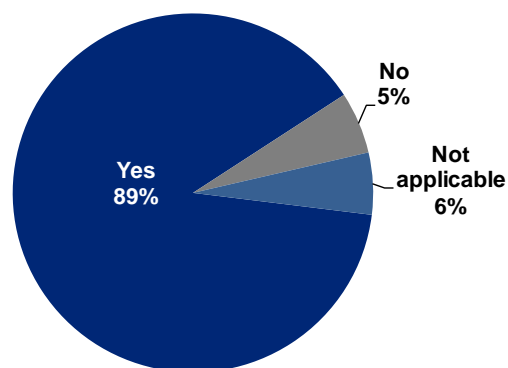
Graph 20: Are IFRS Valuation Standards Sufficiently Prudent?



Source: ASBA's survey
Based on 17 country responses

In order to learn about additional requirements established by Regulatory Agencies, the Members were asked to name and provide a description of the prudential requirements in their jurisdictions. An 89% of the Members mentioned that additional requirements were established in their jurisdictions beyond those established by IFRS, if these are applied, or with respect to the local accounting standard if not (Graph 21).

Graph 21: Additional Requirements to Those Established by IFRS or Local Standards



Source: ASBA's survey

Regulatory Agencies seek the implementation of more conservative measures through two primary means: the establishment of additional requirements, and limited choice in the application of accounting policies. The following is a summary of the most common additional requirements in the Region:

- *Loan portfolio provisions.*
 - In most countries, loan portfolio provisions must be determined based on expected losses rather than on incurred losses, as stipulated by IFRS. Therefore, the regulatory approach provides a future-looking valuation of the portfolio, in addition to allowing for early recognition of losses in the loan portfolio.

- In general, Regulatory Agencies have two types of provisions for the loan portfolio. On one hand, *specific provisions* are used to cover expected losses of those assets identified as non-performing.
- On the other hand, we have *generic provisions*, also known as dynamic or anti-cyclical, whose objective is to cover the portfolio for potential impairments that have not yet come to light. These provisions are set up as a mechanism to accumulate buffers during economic booms, which can later be used in times of low economic activity; thus, working as an anti-cyclical mechanism. Such anti-cyclical provisions are activated during periods of economic growth and are mandatory for all regulated entities.
- *Loan classification.* Regulatory Agencies establish fixed criteria to guide the regulated entities in classifying loans granted to the public, taking into consideration the credit risk that each loan implies.
- *Fair value.* Regulatory Agencies, in the Region, provide specific guidelines to determine the fair value of financial instruments, such as: investment securities, repos, loans, and unlisted derivatives.
- *Repossessed Assets.* These are assets that have been received as payment on credits or that constitute the collateral for a loan. Prudential measures applied to repossessed assets include the provisioning of one hundred percent of the repossessed assets after three years in the bank's books, as well as the stipulation that supervised entities must follow a provisioning scheme not considered under IFRS.
- *Additional capital demands*
 - Regulated entities that grant loans in foreign currency must hold additional capital for loans granted to borrowers that do not generate foreign currency.
 - Additional provisions or higher capital requirements are established for regulated entities that do not meet the minimum standards for overindebtedness nor exchange rate risks.
- *Revenue recognition on loans*
 - Regarding non-performing loans, the regulatory standards prescribe that non-performing loans should not generate revenue neither from interests nor for fees. Similarly, certain countries require consumer loans to be written-off after 181 days and mortgage, commercial, and micro credit loans after 360 days as non-performing.
 - Recovered interests, as a result of a refinancing operation, are not recognized as income; instead revenue recognition is deferred throughout the life of the credit originated by refinancing.
- *Asset sale with an underlying loan.* Profits generated in the transaction are not recognized as income, but deferred throughout the life of the credit originated by sale.

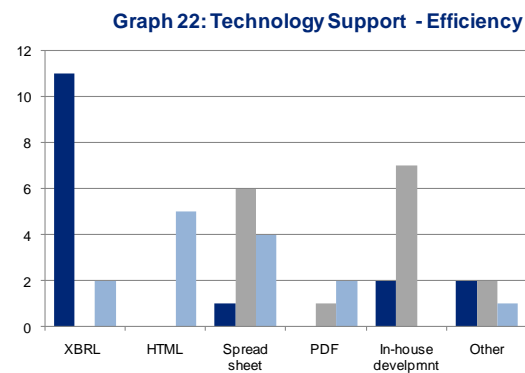
- **Information Disclosure**

- Among the prudential measures regarding information disclosure, some Regulatory Agencies require the publication of annual audited financial statements (both separate as well as consolidated).
- In addition, regulated entities are required to disclose detailed information of specific areas of the financial intermediation business, such as financial instruments and risk management practices and policies.

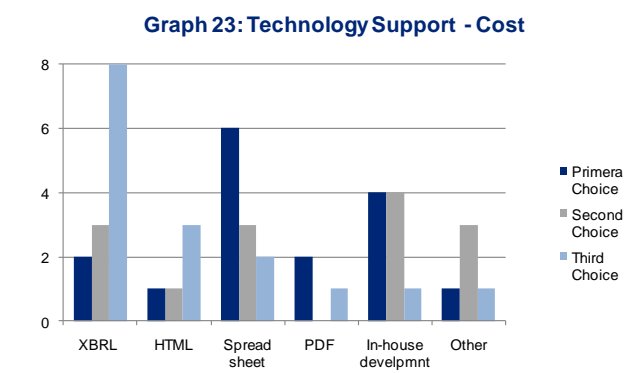
V.IV Technological Alternatives to Support IFRS Application

Respondents were asked to identify the three main technological alternatives that best support their IFRS application processes. The technologies of choice are: i) Extensible Business Reporting Language (XBRL); Hypertext Markup Language (HTML); iii) Spread Sheets; iv) Portable Document Format (PDF), and v) In-house developments.

The following graphs show the respondents' technology choices base on two separate criteria: efficiency and cost.



Source: ASBA's survey
Based on 16 country responses



Source: ASBA's survey
Based on 16 country responses

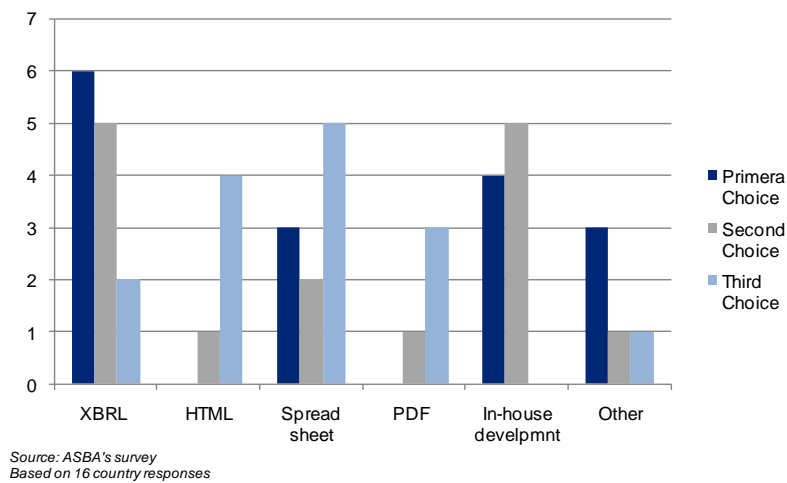
When the evaluation criterion is only efficiency, there is a marked preference for the use of XBRL given that 69% of those surveyed, equivalent to 11 countries, selected this technology (Graph 22). XBRL is considered to be the most effective technology in supporting an IFRS transition, because it entails a standardization of the communication of financial information. XBRL has developed an IFRS taxonomy to label financial concepts which facilitates electronic data exchange, through the internet. Therefore, the main benefit of this technology is the simplification of processes as general controls for data input are set up; thus, reducing the need for an accounting review¹⁰. As a second option, 44% of those surveyed showed a preference for the use of “in-house developments” while 38% preferred the use of “Spread sheets” (Graph 22).

However, when the evaluation criterion is only cost XBRL, which was elected as the first option in terms of efficiency, ends up in third place when considering its cost. It is important to mention that XBRL is an open tool, which means there is no cost for its use or license; nevertheless, it might be that respondents considered other costs related to its implementation. These costs might be related to the configuration of data generating systems and the connectivity between the XBRL applications and the source systems (e.g. enterprise resource planning – ERP systems)¹¹. Additionally, Supervisory Agencies must consider the regulated entity's organizational culture, technological sophistication, staffing level and learning curve ensure that XBRL adds value¹².

Considering the cost of the technology tools, the two main preferred choices are “spread-sheet” and “in-house developments”. A 36% of those surveyed chose the “spread-sheet” as their first option and 25% chose “in-house developments” to support their IFRS application (Graph 23).

Finally, after considering both efficiency and cost together a preference for using XBRL is noted since 38% (6 countries), consider XBRL as their first choice and 33% consider it as their second. In second place, we find “in-house development” technologies as 25% of those surveyed selected it as first choice and 33% as second.

Graph 24: Technology Support - Efficiency + Cost



Section VI: Conclusions

The Region presents a heterogeneous degree of implementation of IFRS in terms of the type of entities that are allowed to use them, the country's chosen transition strategy, and the stage in which countries find themselves in the process of implementing IFRS.

- The requirement of IFRS implementation varies depending on the type of entity, in other words, if the entities: are publicly listed, belong to a regulated sector, are considered small and medium entities, among others. In particular, the survey showed a significant discrepancy between the use of IFRS in the industry in general (56%) and the regulated entities in the financial intermediation sector that apply these in 28% of the surveyed countries.
- Several strategies have been identified in the implementation of IFRS, defined as: "adoption", "convergence", and "adaptation", depending on how similar the rules established by a country are from those proposed by the IASB. In the Region, 44% of the respondents (8 countries) described their implementation process as "adaptation", while 28% described it as a "convergence." This result is worrisome given that an "adaptation" to IFRS does not allow countries to achieve the main benefit offered by IFRS: the comparability of financial information.
- Regulated entities, in the region, are at different stages in their processes of transition: five countries (28%) have already made the transition, while half of the countries are still in the process of developing a plan or strategy to guide their transition to IFRS. Finally, four countries (22%) are in the stage of considering whether to transition to IFRS or not.

Given the diversity described above in terms of the IFRS implementation processes, the Region would benefit from the creation of a reference group to address issues related to the implementation of IFRS in the financial intermediation sector. In particular, such group would promote cooperation between countries relative to their experiences during the transition process. The group would also strive for a harmonization of prudential requirements specific to the sector, in order to minimize regulatory arbitrage opportunities and promote the transparency and quality of financial information.

The IFRS transition process is also characterized by being complex, lengthy, and multifaceted. The success of the transition process will depend largely on the degree of preparedness and commitment of everyone involved in the process.

- In general, Supervisory Agencies consider their level of preparation for a transition to IFRS is between moderate and low. A 41% of the respondents considered that their preparedness regarding the improvement and development of supervisory tools and IT systems' adaptation is low. Also, 35% rated their personnel training as low, while 47% thought it was moderate. However, the greatest advance seems to be the development of a regulatory structure, since 35% believe the preparation in this area is significant.
- The main challenges identified in the application or transition to IFRS were:
 - i) The complexity of IFRS, mainly related to a greater use of professional judgement, determination of accounting estimates, use of fair value, and a continuously changing body of standards.
 - ii) Personnel training in both regulated and regulatory entities.
 - iii) The adaptation of IT systems, including potential problems arising from the adaptation of system applications and interfaces or the development of a platform to transfer information.

- The IFRS transition process may also involve the application of new technologies that support the communication of financial information. The three alternative technologies that best support the application process of IFRS are XBRL, spreadsheets, and in-house developments. When evaluating these technologies for their efficiency, there is a marked preference for the use of XBRL (69%). When considering only the cost, the technologies of choice are spreadsheets (36%) and in-house developments (25%). Finally, when considering efficiency and cost together, the preference is again directed to the use of XBRL (38%).

Beyond any changes in accounting standards resulting from an IFRS transition process, the adequate management of non-accounting aspects such as human resources, information technology systems, and legal aspects will determine the success of this process. Personnel training in both regulated entities and the Supervisory Agency is a key issue to be considered in the process. To meet this challenge, the reference group described above may be in charge of:

- The provision of training courses aimed at developing the necessary skills to prepare for a transition to IFRS, as well as to support and monitor once IFRS has been implemented.
- Promoting technical cooperation among the various countries in the Region.

Finally, one of the main challenges identified in the IFRS transition process was the complexity of the standards, mainly in terms of the implied technical aspects. The following cover the main findings related to IFRS technical issues:

- The IFRS standards that are considered to be the most complex in their application are those related to the accounting treatment of financial instruments. The set of standards that prescribe the accounting of these instruments are: IAS 39 and IFRS 9 which prescribe the recognition and measurement of these instruments; IAS 32 establishes the presentation requirements; and IFRS 7 dictates the disclosure requirements. In second place, the respondents identified the prescriptions set for business combinations (IFRS 3) and income taxes (IAS 12) as complex in their application.
- Respondents also believe that the most significant change in the financial statements will be observed in the Notes to Financial Statements, since IFRS prescribes a detailed level of disclosures as a result of the greater degree of interpretation that characterizes principles-based accounting standards.
- The three largest quantitative impacts on the Income Statement accounts are expected in the provisions for both the “loan” and “equity & debt investment” portfolios, as well as in “revenue recognition.”
- As for the Balance Sheet, changes are expected in the accounting treatment of the “loan portfolio,” for which 62% of the respondents believe the effect will be at least significant. In addition, we expect significant impacts on the accounting treatment of “off-balance sheet transactions” and the criteria asset and liability “Recognition / derecognition”.
- The Supervisory Agencies in the Region establish additional accounting requirements beyond those required by IFRS or the local accounting standards. Such requirements relate mainly to: i) provisions for the loan portfolio, ii) loan classification, iii) fair value calculation, iv) accounting

for foreclosed assets, v) additional capital requirements, vi) non-performing loan revenue recognition, vii) sale of assets under a financing agreement, and viii) information disclosures.


Acronyms

ASBA	Association of Supervisors of Banks of the Americas
GAAP	General Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
SIC	Standing Interpretations Committee
SPE	Special Purpose Entities
	Comité Permanente de Interpretaciones: SIC


Annexes

Annex 1: Participation of the Members of ASBA in the survey



 Countries that participated in the survey

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Spain
Uruguay
United States of America

 Countries that did not participate in the survey

Aruba
British Virgin Islands
Canada
Cayman Islands
Bahamas
Barbados
Belize
Dominican Republic
Guyana
Haiti
Jamaica
Netherlandse Antilles
Organization of Eastern Caribbean States
Suriname
Trinidad and Tobago
Venezuela

Annex 2: Set of applicable IFRS's as of December 31, 2009

International Financial Reporting Standards

Standard	Objective
<i>IFRS 1 – First-time adoption of IFRS</i>	To prescribe procedures when an entity adopts IFRS for the first time as a basis for preparing its general purpose financial statement.
<i>IFRS 2 – Share-based payment</i>	To prescribe the accounting for transactions in which an entity receives or acquires goods or services as consideration for its shares or incurs in liabilities for amounts based on the price of the entity's shares.
<i>IFRS 3 (2008) – Business combination</i>	To specify financial information to be disclosed by an entity when carrying out a merger or acquisition.
<i>IFRS 4 – Insurance contracts</i>	To prescribe the financial reporting to be provided by the insurer until the IASB finishes the second phase of its project.
<i>IFRS 5 – Non-current assets held for sale and discontinued operations</i>	To prescribe the accounting for non-current assets held for sale, as well as the discontinued operations presentation and disclosure.
<i>IFRS 6 – Exploration for and evaluation of mineral resources</i>	To prescribe the financial reporting for the exploration and evaluation of mineral resources until the IASB develops a comprehensive project in this field.
<i>IFRS 7 – Financial instruments: Disclosures</i>	To prescribe the disclosure requirements that will help financial statement users to evaluate the importance of the financial statements to an entity, the nature and extent of their risks, and how the entity manages those risks.
<i>IFRS 8 – Operating segments</i>	Requires disclosures regarding entity segments, including information regarding operating segments and the types of products and services that generate revenues in each segment
<i>IFRS 9 – Financial instruments: Classification and measurement</i>	As completed, this standard stipulates the requirements for classification and measurement of financial assets.
<i>IAS 1 (2007) – Presentation of financial statements</i>	To set out the general framework for presenting general purpose financial statements, including guidelines for their structure and minimum content.
<i>IAS 2 – Inventories</i>	To stipulate the accounting treatment for inventories, including cost determination and expense recognition.
<i>IAS 7 – Statement of Cash Flows</i>	To require the presentation of historical changes on cash and cash equivalents by means of a statement of cash flows that classifies these according to operating, investment, and financing activities.
<i>IAS 8 – Accounting policies, changes in accounting estimates and errors</i>	To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and errors.
<i>IAS 10 – Events after the reporting period</i>	To prescribe <ul style="list-style-type: none"> • When an entity should adjust its financial statements due to events occurring after the end of the reporting period • Disclosures about the date when the financial statements were authorized for issuance, and on events occurring after the end of the reporting period.

<i>IAS 11 - Construction contracts</i>	To prescribe the accounting treatment for revenue and costs associated with construction contracts in the contractor's financial statements.
<i>IAS 12 – Income taxes</i>	To prescribe the accounting treatment of income taxes, as well as stipulating principles and guidelines on the accounting treatment for current and future tax consequences.
<i>IAS 16 – Property, plant, and equipment</i>	To prescribe the accounting principles of initial and subsequent property, plant and equipment recognition.
<i>IAS 17 – Leases</i>	To prescribe the proper accounting policies and disclosures for finance and operating leases.
<i>IAS 18 – Revenue</i>	To prescribe the accounting treatment of revenue arising from the sale of goods, rendering of service, and interest, royalties, and dividends
<i>IAS 19 – Employee benefits</i>	To prescribe the accounting and disclosures for employee benefits, including short-term benefits (wages, annual vacations, sick leave, profit sharing, bonuses, and non-monetary benefits), pensions, life insurance, and post-employment medical benefits, other long-term employee benefits (long-term leave, disability, deferred compensation, long-term profit sharing, and bonuses) as well as termination benefits.
<i>IAS 20 – Accounting for government grants and disclosure of government assistance</i>	To prescribe accounting and disclosure of government grants and other government assistance
<i>IAS 21 – The effects of changes in foreign exchange rates</i>	To prescribe accounting treatment an entity's foreign currency transactions and foreign operations.
<i>IAS 23 (2007) – Borrowing costs</i>	To prescribe the accounting treatment for borrowing costs.
<i>IAS 24 – Related party disclosures</i>	To ensure that financial statements draw attention to the possibility that financial position and operation results could have been affected by the existence of related parties.
<i>IAS 26 – Accounting and reporting of retirement benefit plans</i>	To specify the measurement and disclosure principles for financial reporting of retirement benefit plans.
<i>IAS 27 (2008) – Consolidated and separate financial statements</i>	To prescribe: <ul style="list-style-type: none"> • requirements for preparing and reporting consolidated financial statements for a group of entities under the control of a parent; • how to account for changes in subsidiary property interests, including loss of control of the subsidiary; and • how to account for investments in subsidiaries, jointly controlled entities and associates in separate financial statements.
<i>IAS 28 – Investments in associates</i>	To prescribe the investor's accounting for investments in associates over which he has significant influence.
<i>IAS 29 – Financial reporting in hyperinflationary economies</i>	To prescribe specific guidance for entities reporting in a hyperinflationary currency so that the financial provided is meaningful.
<i>IAS 31 – Interests in joint ventures</i>	To prescribe the accounting treatment required for business interests in joint ventures (JV), regardless of the joint venture structure or legal form.
<i>IAS 32 – Financial instruments: Presentation</i>	To prescribe the principles for financial instrument classification and reporting as liabilities or equity, and for the offsetting of financial assets and liabilities.
<i>IAS 33 – Earnings per share</i>	To prescribe principles for determining and presenting earnings per share (EPS) amounts to improve performance comparisons among different entities in

	the same period and among different accounting periods for the same entity. The focus of IAS 33 is on the denominator of the EPS calculation.
<i>IAS 34 – Interim financial reporting</i>	To prescribe the minimum content of interim financial reporting, as well as the recognition and measurement principles for interim financial reporting.
<i>IAS 36 – Impairment of assets</i>	To ensure that assets are carried at no more than their recoverable amount, and to prescribe how to calculate the recoverable amount.
<i>IAS 37 – Provisions, contingent liabilities and contingent assets</i>	To ensure that the appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets, and that sufficient information is disclosed in financial statement notes to enable users to understand their nature, timing, and amount.
<i>IAS 38 – Intangible assets</i>	To prescribe the accounting treatment of all intangible asset recognition, measurement, and disclosure that has not been specifically covered by another IFRS.
<i>IAS 39 – Financial instruments: Recognition and measurement</i>	To establish principles of recognition, derecognition and measurement for financial assets and liabilities.
<i>IAS 40 – Investment property</i>	To prescribe the accounting treatment for investment property and related disclosures.
<i>IAS 41 – Agriculture</i>	To prescribe the accounting for agricultural activity – the management of the biological transformation of biological assets (plants and live animals) into agricultural products.

Source: Deloitte. “IFRS’s in Your Pocket 2010”. IFRS in effect as of December 31, 2009

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