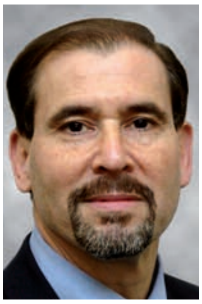
IFRS News

Emerging issues and practical guidance*

Issue 67 – October 2008



SEC's proposal to adopt IFRS – what does it mean?

The SEC has taken one step closer to the acceptance of IFRS for US companies. PwC has welcomed the announcement in August that the SEC will be seeking comments on a proposed roadmap for the mandatory adoption of IFRS by US issuers. Dave Kaplan and David Schmid look at some of the detail.

The SEC last month announced that it would seek public comments on a release that will include:

- a proposed roadmap for the potential mandatory adoption of IFRS beginning in 2014 by issuers in the US; and
- a proposed rule that would allow the optional use of IFRS by certain qualifying domestic issuers.

Mandatory IFRS adoption may include a 'phased in' approach. For example, 2014 – the roadmap's target date for mandatory adoption – could be the deadline for large accelerated filers, 2015 the deadline for accelerated filers and 2016 the deadline for all other entities.

Another significant date is 2011, when the SEC anticipates deciding whether to go ahead with a mandatory IFRS implementation date beginning in 2014, or to accelerate or slow the adoption process. The SEC will be looking at certain milestones before it decides to set the mandatory transition date, such as:

- improvements to IFRSs, through progress on the Memorandum of Understanding between the IASB and FASB (see p3);
- the IASB funding mechanism and accountability;
- the interface between XBRL and IFRS; and
- improvements in IFRS education and training.

The roadmap would also allow certain companies to early adopt IFRS as soon as 2009. The SEC would have two criteria to determine which entities can early adopt. First, the entity has to be one of the 20 largest companies in its industry globally by market capitalisation. Entities that qualify need then to assess if there is a 'plurality' of competitors already publicly issuing IFRS (as issued by the IASB) financial statements. If an issuer meets these criteria and wishes to have the option to early adopt IFRS, it would also need

In this issue...

1 SEC roadmap

2 New IASB member

3 IASB/FASB Memorandum of Understanding

4 Financial reporting haiku competition

5 Cash flow reporting in credit crisis

6 Beginner's guide Share-based payments

8 Industry issues Software

9 Contacts

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to obtain a letter of no objection from the SEC's Division of Corporation Finance. Using this criteria, the SEC estimates that at least 110 US companies in 34 different industries would qualify for early adoption. We do not expect the SEC to release a list of these companies, as it is urging companies to think through and form their own analysis and conclusions on their company and the industry in which they operate.

PwC's view

PwC has long supported a moving to a single set of high-quality, transparent global accounting standards. IFRS is the best opportunity to meet this goal, and we believe its eventual adoption in the US is inevitable.

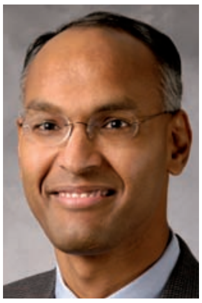
We support the roadmap as being directionally appropriate; however, we have some concerns.

- We do not believe all the milestones are necessary, especially the linkage to further improvements in IFRS. We believe that improvements are needed in both IFRS and US GAAP and that the needed improvements in IFRS will occur as a matter of course. Rushing to complete improvements without careful consideration could result in lower quality standards being issued. As to the other milestones, we believe they will occur naturally as a matter of course, and therefore we do not see them as roadblocks toward the US movement to IFRS.
- We would like to see the SEC set a mandatory date for transitioning to IFRS, as this will motivate capital market participants in moving forward with the various macro- and micro-level steps that need to take place to prepare for an mandated change to IFRS.
- By allowing early adoption by some companies, the SEC hopes to gain valuable insight into market reactions to IFRS conversions and the use of IFRS by domestic companies in the US. However, given that a mandatory date has not yet been established, and the narrow criteria to qualify for early adoption, we believe that very few companies will early adopt and the SEC will not be able to obtain any real insight.
- The SEC is also contemplating requiring all early adopters to provide an unaudited reconciliation from IFRS to US GAAP. We believe this will be costly and a significant disincentive for companies to early adopt.

Next steps for management

Switching to IFRS will be a bigger change for some companies than others. Regardless of when entities plan to convert, it makes sense for management to start sizing up the volume and variety of financial, business, tax and operational changes – the objective being to avoid a resource-intensive effort at the eleventh hour. Regardless of whether or not your company is on the early-adopter list, everyone can benefit from this initial assessment. With sufficient lead-time, companies will be in a better position to reap the benefits of IFRS.

As many US companies have already discovered from their IFRS conversion projects, transition-related changes have the potential to deliver future dividends, such as streamlined operations and reduced costs. With this outlook, companies should approach their conversion efforts strategically (for example, overhaul an inflexible information technology system or rethink accounting policy choices), not just treat conversion as a compliance exercise. The earlier companies begin, the greater the benefits are likely to be.



IASB appoints member with emerging markets experience

Prabhakar Kalavacherla has been appointed a full-time member of the IASB. His term runs from 1 January 2009 to 30 June 2013.

Mr Kalavacherla is an audit partner at KPMG, based in San Francisco. He is originally from India and led KPMG's US GAAP practice there. He has also worked extensively in Europe.

He is currently a reviewing partner for clients preparing IFRS financial statements and filings with the SEC. He has also specialised in the technology and biotechnology fields.

Mr Kalavacherla has a Masters degree in accountancy from California State University-Chico and is a member of the Institute of Chartered Accountants of India and the American Institute of Certified Public Accountants. He is also a board member of not-for-profit organisation, Food for Life.

The IASB has welcomed Mr Kalavacherla's 'wealth of experience and technical expertise in the application of IFRSs within both developed and emerging markets' and within the technology and biotechnology sectors.

IASB/FASB Memorandum of Understanding – progress update

The IASB and FASB published an update of their 2006 Memorandum of Understanding (MoU) last month. They report on the progress made since 2006 and set out their aims to complete a number of major joint projects by 2011. The highlights are provided below.

Short-term projects completed

- **Fair value options (SFAS 159):** the FASB issued a new standard that introduces a fair value option, converging IFRS.
- **Research and development assets acquired in a business combination (SFAS 141R):** the FASB adopted the IFRS approach to accounting for R&D in a business combination.
- **Borrowing costs:** the IASB published a new standard on borrowing costs (IAS 23 revised), converging with US GAAP.
- **Segment reporting:** the IASB issued (IFRS 8) to bring segment reporting in line with US GAAP.

Short-term projects ongoing

- **Joint ventures/arrangements:** the IASB published an ED on joint arrangements in September 2007. It is considering the comments to the proposal soon and expects to release a final standard at the beginning of 2009.
- **Income taxes:** the IASB plans to publish a proposed standard on income taxes that would improve IAS 12, 'Income taxes', and eliminate some differences between IFRSs and US GAAP.
- **Accounting and reporting for subsequent events:** the FASB plans to publish proposed standards in the second half of 2008.

The FASB also plans to review its strategy for short-term convergence projects in the second half of 2008. This is a response to the SEC announcement that it will permit or require US public companies to adopt IFRS in the future.

The FASB will invite comments from US constituents on the IASB's proposed replacement of IAS 12. It will then decide whether to undertake projects that would eliminate differences in the accounting for taxes, investment properties, and research and development, by adopting IFRS IAS 12 Revised, IAS 40, and IAS 38 respectively.

Projects deferred

Work on government grants and impairment has been deferred until other projects are complete.

Major joint projects

The Boards agreed, at their joint meeting in April 2008, the milestones to be achieved by 2011 for the major joint projects. They have so far either completed a common standard, reached similar conclusions, or are working together to develop a common standard in seven of the 11 areas identified in the MoU.

In the other four areas, the Boards are at different stages of developing their approach to address areas of concern. They are following each other's progress to minimise differences in the short term and ease development of common standards over the longer term.

For example, the Boards are working separately to deliver improvements to their standards on consolidations and derecognition in response to the credit crisis.

Timeline

September 2002: FASB and IASB issue Norwalk Agreement:

- Acknowledging their commitment to the development of high-quality, compatible accounting standards for domestic and cross-border financial reporting; and
- Pledging to make their existing financial reporting standards compatible as soon as is possible and to maintain compatibility.

April and October 2005: FASB and the IASB reaffirm that developing a common set of high-quality global standards remains a strategic priority.

February 2006: the FASB and IASB issue Memorandum of Understanding (MoU), setting out the milestones of the FASB-IASB joint work programme to be reached by 2008. MoU principles include converging existing standards and replacing standards in need of improvement with jointly developed new standards.

December 2007: SEC removes the reconciliation requirement for non-US companies that are registered in the US and apply IFRS.

Ongoing: European Commission is proposing that the European Union remove the requirement for US companies with securities registered in European capital markets and reporting under US GAAP to reconcile their accounts to IFRS.

April 2008: the Boards re-affirm their commitment to the MoU and agree a pathway to completing the MoU projects, including projected completion dates

Detail of major joint projects

Convergence topic	Progress to be achieved by 2008, as set out in MoU	Current status	Next step(s)
Business combinations (amendment to existing standards)	To issue converged standards in 2007. Contents and effective dates to be determined after taking account of comments received in response to EDs.	Project completed: FAS 141R issued in 2007; IFRS 3R issued in 2008.	Post-implementation review after the revised standards have been applied for two years. Review planned for the first half of 2012.
Financial instruments (replacement of existing standards)	To issue one or more due process documents.	**IASB:** Discussion paper published in 2008. **FASB:** Invitation to comment published on IASB discussion paper. ED issued to simplify hedge accounting in mid-2008.	Decision by late 2008 on nature and scope of proposed improvements to US GAAP and IFRS, after considering comments on the IASB DP and the FASB ED on hedge accounting.
Financial statements	To issue one or more due process documents on all topics in this project.	IASB project completed: IAS 1R issued in 2007. Joint board deliberations ongoing.	Preliminary views/DP in Q3 2008. Estimated completion: 2011
Intangible assets	To consider results of IASB research project and make decision about scope and timing of possible project.	IASB and FASB decided in 2007 not to add joint project to agenda.	N/A
Leases	To make decision about scope and timing of possible project.	Joint project added to agenda. Board deliberations ongoing.	Preliminary views/DP to be published second half of 2008. Estimated completion: 2011
Liabilities and equity distinctions	To issue one or more due process documents on proposed standard	Preliminary views/discussion paper published first half of 2008.	ED in 2009. Estimated completion: 2011
Revenue recognition	To issue one or more due process documents on proposed comprehensive standard.	Joint deliberations ongoing.	Preliminary views/DP to be published Q4 2008. Estimated completion: 2011

Financial reporting haiku competition – result

IFRS News last month launched a competition inviting readers to send us a financial reporting haiku. We have been impressed and entertained by the responses. But the final decision rests with our judge, IASB member Tatsumi Yamada. He has chosen the following haiku as the winner.

Fair value sometimes
Clear day, historical cost
Mixed attribute fog

Congratulations to Kelley Wall. Tatsumi chose this entry as being an excellent example of the genre but also because of its truthfulness.

The runner-up is Scott Bandura with his entry:
Dawn breaks,
IASB rejoices
Worldwide harmony

Tatsumi said this might have been the winner had Scott used 'adoption' instead of 'harmony'.

"I really enjoyed reading all the haikus," he said. "At first I wondered if there could a relationship between accounting and haiku, but now I realise there can. I admire all the participants' efforts to express something related to current accounting in haiku. It was a very hard decision for me to choose only two."

Kelley will receive a signed copy of PricewaterhouseCoopers' *IFRS Manual of Accounting 2009*. Many thanks to all entrants. We will publish all the submissions in a supplement to the December edition of *IFRS News*.

Is cash flow reporting sufficient in a credit crisis?

There is a perception that analysts are always after more information. In the current environment, increased cash flow information does seem like a good idea, particularly as it is an important indicator of a company's long-term prospects. Companies should use this as a prompt to re-examine their cash flow disclosure and to consider including a reconciliation of net debt. Frances Bennett of PwC's Accounting Consulting Services in the UK looks at the detail.

The current market turmoil and global liquidity crisis is causing management and investors to focus increasingly on cash. Profits are usually the headline figure of any business, but if profits cannot be turned into cash, a business will fail. This places even more emphasis on the underlying liquidity of a company and its ability to generate its own cash.

PwC's survey of over 260 analysts and investors (*Corporate reporting: is it what investment professionals expect?* November 2007) highlights the importance of cash flow information when deciding whether or not to invest in the business. This raises the question, does the level of cash flow information currently provided meet users' needs?

What is current practice?

There is currently minimal cash flow reporting in typical annual reports: one cash flow statement and one or two cash-related notes. This is compared with the remainder of an annual report, which may have up to 30 notes to the accounts spread over 100 or so pages.

Cash flow reporting is governed by IAS 7, 'Statement of cash flows'. Cash flows for the period are split between operating, investing and financing activities. The guidance for classifying cash flows allows a reasonable amount of discretion. This enables preparers to present a cash flow statement tailored to their business. This can, however, lead to diversity in practice and make comparisons between companies more difficult.

Cash flows from operating activities can be reported using either the direct method (encouraged by the standard) or the indirect method. Preparers have a choice, but in practice there is some degree of uniformity in particular geographical regions; for example, the indirect method is commonly used in the UK; Australia principally uses the direct method. Our research suggests that opinion is divided on which method is most useful to investors; many suggest that a 'hybrid' of the two approaches is the preferred route.

The main disclosures include the amount of dividends and interest received and paid, tax paid and the foreign exchange arising on cash balances. The standard requires a reconciliation of cash and cash equivalents to the balance sheet position, as well as details of any restricted cash.

What else is useful?

Some companies already provide disclosures in addition to those required by IAS 7. One of the items often requested by analysts and sometimes provided by companies is a net debt reconciliation. This shows the changes in cash and net debt over the period. It is an easy way of seeing whether a company that on the surface looks to have had a significant increase in cash, has in reality seen a corresponding increase in debt.

IAS 7 also suggests some 'voluntary' disclosures that may be relevant to users in understanding the financial position and liquidity of an entity. These include segmental cash flow and a split of cash flows representing an increase in operating activity from those required to maintain operating capacity. Few companies appear to have made these voluntary disclosures.

Another item that is not currently required to be disclosed but that may help the users is separate cash flow information relating to acquisitions and disposals. This enables users to undertake an accurate historic trend analysis. An accurate picture of the underlying cash flow trend of an acquisitive group can be difficult, if not impossible, to determine from the information currently provided.

In addition, assumed debt is often not separately disclosed. The standard requires disclosure of 'the amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarised by each major category' [IAS 7 para 40(d)]. Some companies will show acquired debt within another category – for example, within current liabilities – making it not separately identifiable.

Other items not always readily available in the financial statements include the impact of foreign exchange on an entity's borrowings. IFRS 7, 'Financial instruments: Disclosures', requires the disclosure of '…information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date' [IFRS 7 para 31]. This disclosure may include the carrying amounts of the group's borrowings denominated in other currencies; however, it is still up to the user to use the entity's exchange rate to calculate the foreign exchange movement arising on its borrowings.

Some companies do already provide further cash flow information. This can include items such as 'free cash flow' and 'underlying cash flow'. These can be useful, but only if it is clearly defined and reconciled to the underlying statutory numbers.

Manage the message

The presentation of additional cash flow information needs to be balanced with the users' needs. Providing too much information can reduce the impact of financial reporting and the messages it aims to convey. Companies should use the current economic climate as a prompt to re-examine their cash flow disclosure.

Beginner's guide: share-based payments

Companies have been using shares, options and bonuses based on movements in the share price for many years to pay employees and to acquire goods and services. IFRS 2 was issued in 2004 and sets out guidelines on how to measure and account for all forms of share-based payment. Gary Berchowitz explores the why's and wherefore's of share-based payments and gives an overview of the accounting.

Companies use share-based payments in two ways: to acquire goods and services from third parties and to remunerate employees.

Share-based payments to third parties

Companies often use share-based payments to acquire goods or services from third parties. For example, a start-up business might pay its professional advisors, such as lawyers and investment bankers, in shares. It is an attractive way to remunerate third parties both because it is a non-cash transaction and because the advisors might be willing to accept less value in shares today for the upside potential in the shares. It can also be an implicit expression of confidence in the potential of the business.

Share-based payments to non-employees are recognised when the goods or services are received and measured at the fair value of those good or services.

Share-based payments to employees

Companies more frequently use share-based payments to compensate, incentivise and retain employees. Management and directors often receive the majority of employee share-based compensation, and it will be a higher proportion of their total compensation. The significance and relative value of cash compensation and share-based payments in the US is illustrated by the following example.

> The former chief executive of Lehman Brothers was reported to have earned a 'cash' salary and bonus of $5 million in 2007. He also received $35 million in share-based compensation. In addition, he realised $66 million on exercise of options awarded in prior years. The shares or options exercised in 2007 may well have been 'earned' in earlier years, but this example illustrates that the non-cash element of pay can far outweigh the cash element for a senior executive.

Senior management and directors of companies outside the US also can earn substantial sums from share-based payments but seldom to the same level as US counterparts. These compensation arrangements can be very complex, and it is the nature of the arrangement that creates accounting complexity as much as the financial reporting requirements.

Share-based payments are often given to employees and directors to align the interests of the employees with the interests of the shareholders. A share-based payment becomes more lucrative to the employee as the performance of the company improves and the share price increases. Share-based payments can also encourage employees to stay with a company; some shares may be forfeited if an employee leaves before the end of a fixed period (the 'vesting period').

Common features of employee share-based payments – equity- or cash-settled?

Employee share-based payments are classified as either 'equity-settled' or 'cash-settled'. An 'equity-settled' arrangement gives an employee shares in the company or the right to acquire shares in the company. A 'cash-settled' arrangement gives an employee a cash award based on changes in the value of the company's shares. Cash-settled plans tend to result in more volatility in the income statement (see further discussion of the accounting below) than equity-settled plans. A cash-settled plan might be as simple as a promise by the company to pay employees the difference between the share price today and the share price in three years' time. All employees that remain in employment during the three-year period receive the 'appreciation' in the share price at the end of the period. This type of simple cash plan is often described as 'share appreciation rights'.

How a share-based payment plan is classified (cash-settled versus equity settled) drives the accounting, so it's important to understand the substance of what has been granted or promised to employees. These arrangements can be complex and must be analysed carefully to determine the correct classification.

Option plans

An equity-settled plan might involve the award of shares to employees, the sale of shares at a discount from current market price or, most commonly, the award of options. Option plans often include a vesting period where the options are only exercisable in the future or the options might revert to the company if the employee leaves.

A simple example is an entity saying to employees, "Here are 50 shares. The market price today is £10. Thank you very much for your hard work this year". Alternatively, it might say "You have the opportunity to buy 50 shares (currently worth £10 per share) at £8 per share". There is clearly a gain here to employees of either £10 per share when the shares are received, in the first scenario, or £2 per share on the date that they purchase the shares, in the second scenario. However, the employee has received their awards (there is no vesting period) and is 'at risk' of a fall in market prices until they sell the shares. Also, the employee has to have the capital to invest in the shares in the second scenario. The total expense to the company would be £10 in the first scenario and £2 in the second scenario, and would be recognised immediately.

Most equity-settled plans, however, are structured in the form of a call option. Keen readers of the 'Beginners' guide' series will know that a call option gives one party the choice, but not the obligation, to purchase an item for a fixed price at a future time (see *IFRS News*, September 2008, p6). Management says to employees, "Our shares today are worth £10 per share. You have the opportunity (but not the obligation) in three years' time, to buy our shares for £9 per share."

There are two elements of value in the award that the company has given:

- The £1 intrinsic value of the option (current price less the purchase price); and
- The opportunity to take advantage of share price increases, thus increasing the value of the award that the employee has received.

For example, if the share price is £11 in three years, the employee will pay the company £9 and make a gain of £2 on purchasing the share. However, if the share price is £7, the employee will walk away. As the employee did not need to pay anything for the option initially, there is no cash loss to the employee – ie, they can only win.

The option has a fair value that incorporates the intrinsic value and the possibility that the share price might increase. If management offered the options to a non-employee, it would require the other party to pay an amount equal to the fair value of the call option (there is no such thing as a free lunch). The total expense to the company is therefore the fair value of the option on the date it is awarded. This expense will be spread over the vesting period that may be several accounting periods. The period of 'spreading' is driven by the service conditions – see more on this below.

Strings attached?

Most share-based payments to employees come with some strings attached. Management commonly uses share-based payments to lock employees into providing service for a period of time. For example, management might require employees to remain employed for a period of three years for the employees to become entitled to the buy the shares at a discount.

There may also be performance conditions or market conditions attached to awards. A performance condition might be closely related to the employee's role, such as sales. For example, management might say to an employee, "Work for me for the next four years. If you sell more than 1,000 widgets in this time, we will then give you 50 shares for free." The vesting period for this award is four years.

There may also be market conditions. For example, options might not be exercisable unless the share price remains 10% above the current price for all of the last year of the vesting period.

How do the accounting and the economics come together?

The accounting for employee share-based payments depends on what the entity has promised: shares (equity-settled award) or cash (cash-settled award). Both are fair-value-based measures, with the total cost recognised over the vesting period. Beyond that there are some significant differences.

Market conditions will impact the fair value of the option or award. Performance conditions will impact the probability that an employee will be able to exercise the option or take up the award. Both impact the amount of expense that will be recognised, but in different ways. The impact of a market condition is included in the measurement of fair value, and there is no adjustment for any failure to meet the condition. The possibility of failing to meet a performance condition is reflected in the number of awards that are expected to vest and is adjusted throughout the vesting period.

Equity-settled awards

The grant of shares or options does not require the outflow of cash, so how does it represent a 'cost' to the company? Shares and share options do have a value. A company would not give value away in an arm's length commercial exchange without receiving something in return. The accounting attempts to recognise the value that is received by the entity as the employee provides services over time in order to obtain the award.

The fair value of the award is calculated when it is granted to the employees and is the expense to be recorded by the company. This can be a complex calculation, as it requires a number of assumptions about the future, including an estimate of the volatility of the share price, the future share price and the number of shares that will vest. Involvement of a specialist, often an actuary, is crucial (any time the 'Beginners guide' says 'call the actuary', you know it's a difficult area). The expense is then spread over the vesting period. So, shares or options granted outright are an immediate expense, as no further service is required. The expense of options that can be exercised only if the employee is still working for the company in three years' time (with no other restrictions) is spread evenly over the three years.

Cash-settled awards

An award that will be settled in cash whose value is based on the share price is a more obvious cost to the company. Management calculates the 'grant date fair value' of the award and recognises this value over the vesting period in the same way as an equity-settled award. However, the key difference between an award settled in cash and one settled in shares is that the value of the cash award is re-measured at each reporting date. This is because the services received (the employee's work) will ultimately be purchased with cash. Despite the estimated fair value of the services on day one, they will eventually be paid for with actual cash. This change in the expected cash to be disbursed (the liability) is affected by two conditions:

- The value of the award at the reporting period date. For example, if the expected cash payout is worth £300 after year one, but due to good market conditions, the share price increases at the end of year two resulting in the expected payout value being £600, the liability would increase.
- How much of the award the employee has earned at the reporting date. For example, if employees are required to provide five years of service to obtain their cash award, an employee who has completed two years of service has earned a smaller proportion of the total liability than an employee who has completed four years of service at that time.

This produces the income statement volatility referred to earlier. The value of the awards will increase or decrease based on the share price, and the change goes through the income statement.

The devil is always in the details

Share-based payments, like any complex accounting area, requires scrupulous attention to the details to get the accounting right. The substance of the promise made to employees is crucial, and the classification as equity- or cash-settled can produce real differences in the accounting. Any arrangement involving shares and employees may be captured by IFRS 2, even when an arrangement is not intended to be part of compensation. For example, employees may purchase and hold untraded shares to give them a right to participate in a future IPO or change in control. Often the employee is obliged to sell into an IPO or an acquisition situation, which may result in the arrangement effectively being cash-settled. Depending on the arrangement, these shares may well be intended to be employee compensation and the amount very material once a transaction becomes probable. These arrangements can be overlooked until late in the IPO process when suddenly a very substantial charge might appear in the income statement.

Always seek to understand the substance of the arrangements and use experts when evaluating potential plans or measuring plans.

Shifting software revenue recognition landscape?

PricewaterhouseCoopers' Software Industry Group has published a comparison of IFRS and US GAAP requirements in the area of accounting for software.

US GAAP contains detailed, rules-orientated guidance for software revenue recognition. It takes a prescriptive approach to the subjective challenge of measuring revenue recognition in an industry with complex business practices. The existing US GAAP guidance is also very specific to the legal and business environment of the US.

IFRS contains no specific industry-related revenue recognition guidance, so entities must apply the general revenue guidance in IAS 18, 'Revenue'. IAS 18 requires substantially more judgement than the software revenue recognition guidance in US GAAP. The application of the principles under IFRS may produce a different outcome from US GAAP.

Now that the US capital markets are considering moving to IFRS, it is a good time to look at some revenue recognition practices. US companies need to consider whether they will need to change their historical practices as they transition to IFRS.

PricewaterhouseCoopers' new publication, *A shifting software revenue recognition landscape?* focuses on several areas where IFRS might differ from US GAAP. Some of the key differences are in the areas of written contracts, multiple-element contracts and the treatment of future obligations, extended payment terms, discounts on future product purchases, and non-specific product upgrades. The publication also addresses accounting for post-contract customer support and time-based licences.

"Will all US companies have big changes in revenue recognition under IFRS? Probably not, but it is something that they need to consider as they think about transition," says Mark Lohmann of PwC's Global Accounting Consulting Services Central Team. "This publication will help companies identify the issues and start the process."

Copies of *A shifting software revenue recognition landscape?* can be ordered/downloaded from www.pwc.com/software