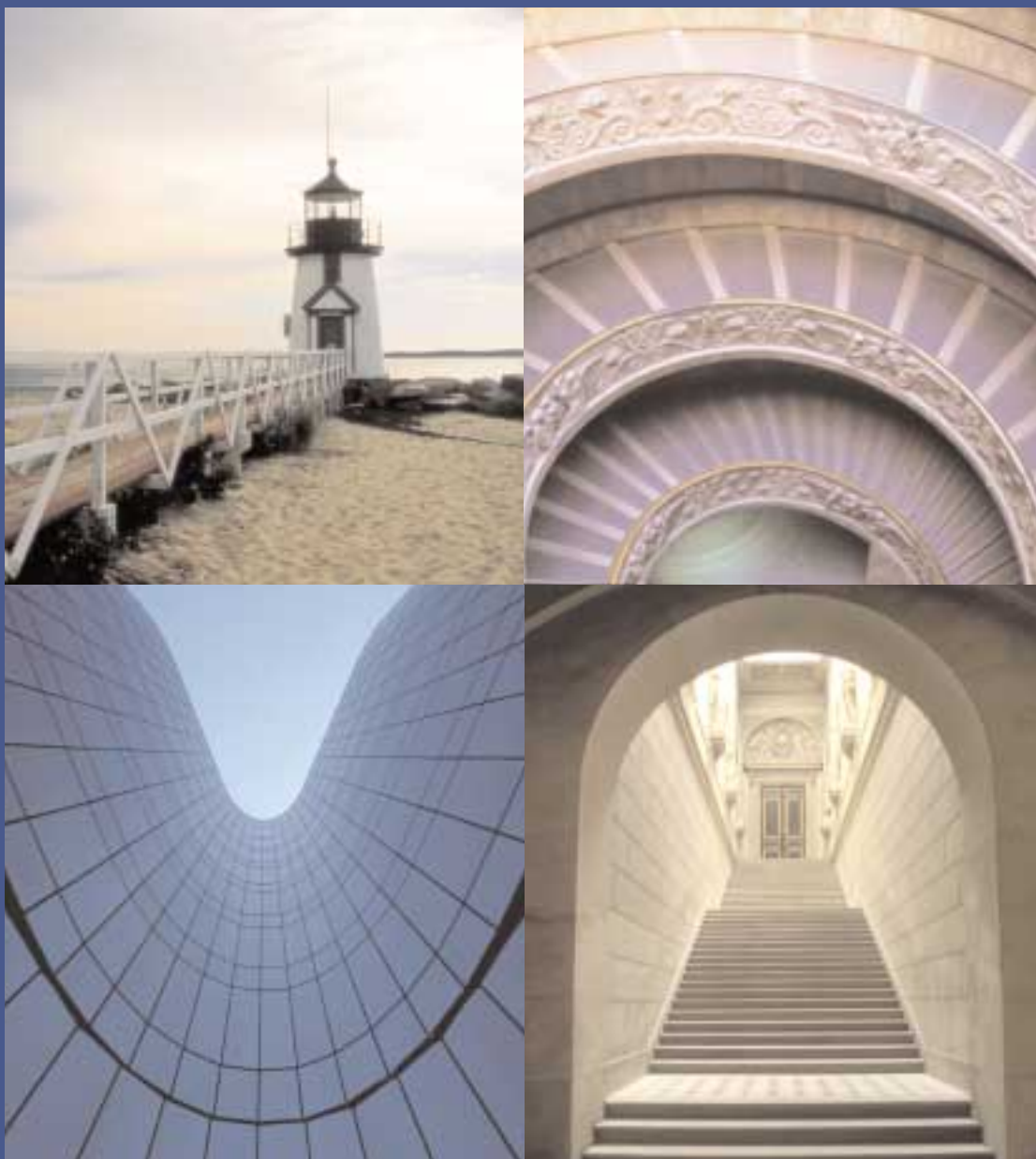


Making the change to  
International Accounting Standards



PricewaterhouseCoopers ([www.pwcglobal.com](http://www.pwcglobal.com)), is the world's largest professional services organisation. Drawing on the knowledge and skills of 150,000 people in 150 countries, we help our clients solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance. PricewaterhouseCoopers refers to the member firms of the worldwide PricewaterhouseCoopers organisation.

# Making the change to International Accounting Standards

Companies with global ambitions need to be heard and understood globally.

Companies making the change to International Accounting Standards (IAS) are choosing a leading global financial reporting framework. IAS helps them to access the world's capital markets and position themselves to be principal players in the global marketplace.

This publication will help you consider if IAS is right for your company. If IAS is your choice, PricewaterhouseCoopers can help you make that change, as we have helped other companies around the world. Our experience and our proven methodology, described in this publication, will accelerate the learning curve for you and reduce lead time.

## Contents

The changing financial reporting environment	2
Why you should consider IAS	4
Making the change to IAS: overview	6
The four stages	8
Case studies, products and services	10
Your decision	12
Contacting PricewaterhouseCoopers	12

This publication highlights several of the services that PricewaterhouseCoopers can provide during the change to International Accounting Standards. We may be prevented by local regulations in certain countries from offering some of those services to audit clients.

*Global companies need to present their performance in a way that is easily understood by the competitive global markets.*

# The changing financial reporting environment

Financial reporting reaches a wider audience than ever before, an audience that demands relevance, transparency and credibility in financial reporting.

Some of the significant factors influencing the financial reporting environment include:

## **Investor demand**

Growth in cross-border investment over the last twenty years is creating demand for high-quality, uniform financial reporting.

Investment decisions are made primarily using publicly available information.

Credible and transparent financial reporting is therefore critical to the effectiveness of the capital markets.

## **Technology**

The barriers of physical distance are falling, driven down by cheaper yet more powerful computing, together with dramatic telecommunications improvements.

Unclear or unreliable information draws a swift and punishing response from the investment community.

## **Globalisation**

The world's industries and economies are undergoing a radical transformation, with the pace of change accelerating.

Major industries are converging and global leaders are emerging.

Financial resources move swiftly and readily across borders, replacing isolated national economies with a new global economy.

## **Global Benchmarking**

Investors look at the financial information of a company's competitors too, whether based in the same country or in other parts of the world.

Financial reporting that is not easily understood by global users is unlikely to bring new business or capital to a company.

## Consumer demand

Consumers of financial information can increasingly ignore national boundaries, thanks to the benefits of technology.

Clear information on a company's performance, financial or other, is necessary for customers' purchasing decisions.

Demand for clarity comes not just from customers: employees, suppliers and other stakeholders are consumers of financial reporting too.

**Investors and consumers demand world class financial reporting**



*Changing to IAS can deliver enhanced investor confidence and finance raising capabilities, improved comparability with your peers and consistent financial information to effectively manage your business*

# Why you should consider IAS

Global considerations rather than local regulations increasingly drive the development of financial reporting. Using IAS reflects those global reporting needs, rather than the specific issues of any one country.

IAS is accepted as a financial reporting framework for companies seeking admission to almost all of the world's stock exchanges.

Domestic filing using IAS is allowed in an increasing number of countries, reducing the burden of dual reporting.

IAS allows multinational groups to have a common accounting language, improving internal communication.

## **Does your capital structure meet the current and future finance needs of your company?**

Are you likely to want to raise finance? A global reporting framework may be beneficial or mandatory. Financial advisers working in many capital markets insist that companies use IAS if they are planning a public offering.

## **Can you effectively benchmark your company against its competitors?**

Companies are fighting for survival in increasingly competitive markets. Competition is not only for customers, but for financial capital and human resources as well. Your competitors may well be rethinking their financial reporting approach. Indeed, many companies have already made the change to IAS.

## **Does your company's current financial reporting help you manage effectively?**

Do you receive timely and relevant financial information? Or does your central finance team receive information under a multitude of local GAAPs for group reporting? Does the financial reporting facilitate appropriate capital allocation decisions to optimise shareholder value? Having IAS as a common financial language for the whole group can improve management reporting and decision making.

PricewaterhouseCoopers has considerable expertise and experience world wide with helping clients address these issues. Our clients include a broad range of companies in many regions and industries, from developed markets to emerging economies, from energy giants to major international banks.

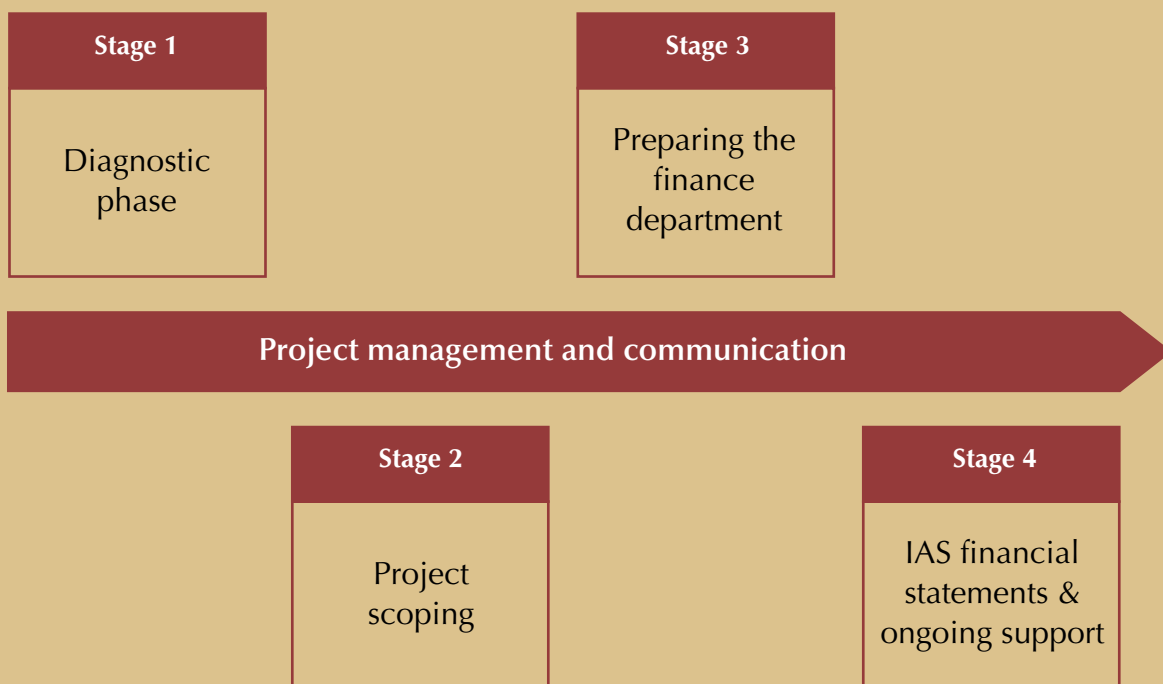
We have helped to provide solutions to their unique business problems through successful adoptions of IAS. You do not need to re-invent the wheel – PricewaterhouseCoopers brings you the benefit of extensive experience and the knowledge of our global network of IAS specialists.

**PricewaterhouseCoopers' global ability to provide practical help to companies changing to IAS is second to none.**



*PricewaterhouseCoopers provides you with practical assistance in implementing IAS. We work in partnership with you to ensure a cost-effective change process.*

# Making the change to IAS overview



PricewaterhouseCoopers has a proven methodology for companies making the change to IAS. Through our presence in 150 countries we offer local expertise, supported by our international network of specialists, to provide the best solution for your unique needs.

The four key stages of the change process are discussed in detail on the following pages. Not every company will need to go through the whole project cycle – some may have systems and processes ready to adopt IAS but need help in a single area such as training.

The duration of each stage depends on factors unique to each company, including the complexity of the group, the capabilities of your existing accounting systems and the divergence of your current accounting principles from IAS.



# Making the change to IAS: **the four stages**

## Stage 1

### **Diagnostic phase – is IAS right for my company?**

The first step in making the change to IAS is the diagnostic phase to evaluate your options. For example, US GAAP may be a better choice for your company. We help you make the right choice.

Your company's strategy should maximise shareholder value with your financial reporting measuring the shareholder value drivers behind that strategy. We help you decide if changing to IAS can improve performance measurement in your financial statements.

How does your financial reporting compare to that of your competitors? We benchmark your financial reporting to appropriate peers, including assessment of your accounting policies, disclosures, narrative reporting and corporate governance.

The accounting issues that arise on adoption of IAS may be significant. We help you prepare proforma financial statements and estimate the effects of significant changes.

We review your computerised systems to assess whether they will support a change to IAS. We also advise on any necessary changes.

If you make the decision to change to IAS, we prepare with you a project plan with a timetable and resource requirements.



## Stage 2

### **Project scoping – detailed planning**

Project scoping is the development of a detailed project plan, including project management teams, training, resources and timetable.

Managing complex change projects is a challenge. Leadership is important and team members must communicate effectively and resolve issues quickly. Management, finance and operations people need to be involved. We help you identify the right people from your own staff or other sources.

There may be training needs, for example for controllers and internal audit, if there is limited knowledge of IAS. Our Client Training Group identify your training needs and deliver training worldwide.

Some recruitment may be necessary, to manage the project or extend the skills base of your finance team. We help you assess if your current staff can achieve the change to IAS in the required timetable.

Changing to IAS is a complex project and every company is unique. The project length varies; some of the main factors are the complexity of the group, the current accounting systems, differences between local GAAP and IAS and the level of knowledge of IAS within your central and local finance staff. It can take several months of preparation to change to IAS. It may be more than a year before the first full set of IAS financial statements are produced.

### Stage 3

## Preparing the finance department

Preparation of finance staff throughout your group is vital.

Together we define the information needed for your financial reporting. We have published illustrative financial statements to help in judging the information required.

Choices of accounting policies can impact the company's reported performance. We help you perform a detailed and thorough review of current policies. The troublesome accounting areas vary from company to company but often include business combinations, employee benefits, leases, deferred taxation, foreign currency and financial instruments.

Good communication is key to group wide consistent understanding of new accounting policies. We help you compile an accounting manual, group reporting forms and instructions for all staff.

Our group reporting experts help you build a computerised accounting system and reporting infrastructure to support the change to IAS.

We have experts to help you with information that may not have been previously required or important. They cover areas such as actuarial valuations, asset valuations, taxation and legal issues.



### Stage 4

## IAS financial statements and ongoing support

Now it is time to prepare the IAS financial statements. Information is collected and you compile the first full set of financial statements under IAS and review the results. Our IAS specialists provide assistance to local finance departments and support to the central finance department. Alternatively, you might consider the benefits of outsourcing.

It can be difficult to judge the impact of IAS on the company's reported performance. Before the IAS financial statements are released we help you consider whether the accounting policies chosen properly reflect your company's performance.

Your investors and analysts may have been unable to quantify in advance the effect of your change to IAS. We help you analyse the results of the change and help you to prepare for questions from interested parties.

We continue to provide comprehensive ongoing support to keep you up to date with developments in IAS. We have outstanding IAS experts worldwide and are the leading professional services firm in the development of implementation guidance on IAS, including a number of publications.

Case studies of how we have helped multinational clients to implement IAS follow.



Case study

## World's largest gas company

### Background

World's largest gas company

Produces approximately 30% of the world's annual gas production

Operates 150,000 km high-pressure pipeline system

Sought funding for strategic expansion

### How we helped

Across our international network 60 of our IAS staff helped the company by:

- giving technical advice on applying IAS in a challenging environment;
- providing technical training in IAS to their staff;
- designing group reporting forms for collecting relevant information from the 75 principal group enterprises; and
- overcoming considerable logistical and technical problems during the project.

### The result

The group's first IAS financial statements were issued in August 1996, setting a new standard for financial reporting in their country.

These financial statements are used:

- as the basis for financial covenants required by banks for large syndicated loans used to finance major capital projects;
- in the prospectus for the company's \$400m ADR program; and
- regularly in road shows for analysts.



Case study

## Major European air travel group

### Background

Major European airline and provider of air-travel related services

In 1998 operated 142 commercial aircraft, 83 catering facilities, 284 retail outlets, 22 hotels and 31 ground handling stations worldwide

Sought financial comparability for global investors and group management

### How we helped

A multidisciplinary team with systems, IAS and industry expertise supported the company in:

- selecting and implementing a groupwide planning and reporting system;
- project managing IAS restatement of consolidated financial reporting;
- providing technical accounting advice including leasing, financial instruments, deferred taxation and goodwill; and
- drafting a revised accounting manual with practical examples.

### The result

Launched IAS financial planning, budgeting and reporting system in 1996. Their IAS financial statements are used:

- for financial comparability for global investors and shareholders. for example, in debt and equity listings and annual reporting;
- to give management a consistent financial planning and reporting framework for group companies in over 35 countries; and
- to benchmark operating units' performance against competitors.

### How we continue to help

Support the company in maintaining the leading quality of its financial reporting, for example, as one of the first companies to produce interim IAS financial statements;

Provide audit services on the IAS statements; and

Provide technical advice on applying IAS, for example, IAS 29 'Financial Reporting in Hyperinflationary Economies', a challenging standard to apply in their country.

### How we continue to help

Provide technical advice on implementing revised or newly issued standards;

Audit consolidated IAS financial statements; and

Give ongoing support in revisions of group reporting forms and accounting manual.

## Selected PricewaterhouseCoopers' products and services

### Global Capital Markets Group

Multidisciplinary teams advising on cross border transactions

### Shareholder Value Services

Working with you to identify and develop responses to the critical issues impacting value across your organisation

### Global Corporate Reporting Group

Global network of more than 100 IAS specialists, offering financial reporting critiques, technical advice and practical assistance in changing to IAS.

### Enterprise Group Reporting Services

Global network of over 350 specialist consultants, advising world's leading organisations on group reporting systems and processes

### Client Training Group

Training experts supporting clients on major global projects

### Executive Search and Selection

Managerial and executive recruitment services provided in over 65 countries, with success rates of over 95%

### Illustrative Financial Statements

Comprehensive corporate and bank disclosure examples

### Proforma Group Accounting Manual and Proforma Group Instructions

Consistent communication with finance teams

### Employee Benefits Specialists

More than 200 actuarial specialists provide practical advice on actuarial and accounting issues of pension and other benefit costs

### Business Process Outsourcing

Combining world class people and technology, helping build shareholder value by providing integrated non-core business processes

### ValueReporting™

Comprehensive, tailored financial and non-financial performance measures addressing shareholder value creation

# Making the change to IAS: your decision

Making the change to IAS helps your company communicate with the global investment community. Clear communication can deliver:

**Enhanced investor confidence and finance raising capabilities**

**Improved comparability with your peers**

**Consistent financial information to effectively manage your business**

**Adaptable financial reporting**

PricewaterhouseCoopers has a proven methodology, local experts and global experience that can help you make the change to IAS in a cost-effective and efficient way. We work in partnership with you to create a solution that meets your unique needs.

## Contacting PricewaterhouseCoopers

Please contact your local PricewaterhouseCoopers office to discuss how we can help you make the change to International Accounting Standards.



