International Financial Reporting Standards (IFRS)

The origins of the urgent need for common accounting standards worldwide can be traced back, fundamentally, to increased regulatory pressure, particularly in terms of fraud controls and reviews, and to the basic requirement of capital markets for comparable, consistent, complete and credible financial information.

All JSE listed companies must convert to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for financial periods beginning from January 2005. Since SA has brought most of its accounting standards into line with IASB over the past 10 years, non-listed companies will be affected too, as the IASB improves and issues new standards. This improvement process is precisely what makes the conversion not necessarily a once-off event, with far reaching consequences.

The complex conversion process involves not only the implementation of new accounting systems and processes but, as precursors in the case of most large organizations, careful diagnostics and assessment of key technical issues supported by a robust stakeholder communications strategy to manage and avert market uncertainty.

Initially, the change is likely to cause investor confusion and may even hurt share prices. Some venture it might affect dividend payment. Investment analysts will have to adjust basic valuation techniques. The numbers will look different, with income statements becoming more volatile.

The result? In the short to medium term, increased management time and level of effort, higher accounting and auditing costs, and, according to some; if not properly managed; ***accounting Armageddon !***

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