

Why ifrs should be adopted in the place of gaap

Business



Sec Letter

Re: Why IFRS should be adopted in the Place of GAAP

There are convincing reasons on why IFRS should be adopted in the place GAAP. IFRS presents companies with potential benefits that help them demonstrate leadership in such areas. In one way, it is indispensable that the needs of companies that operate globally and require foreign reporting benefit would be catered through the adoption of IFRS. Such companies would be advantaged to achieve streamlined reporting and reduction of related costs. This is possible through the development of financial, regional centers, relocation of finance resources on the basis of their dire requirements and centralization of training, as well as development of efforts (National Professional Service Group).

Secondly, companies that adopt IFRS are able to compare and contrast their financial report to those of their leading international competitors. Use of IFRS creates significant access to foreign investments and capital markets. IFRS facilitates cross-border ventures, acquisitions and spin-offs. The early adoption of IFRS, before its made mandatory, enables companies to have a leading edge. Such companies would experience benefits related to conversion, as their competitors miss out. It is worth noting that the mandatory adoption of IFRS has certain inherent challenges, but not without solutions. Companies must ensure that IFRS adoption is not only treated as an accounting exercise, but also as an enterprise wide and strategic program that requires support and sponsorship of proficient leadership. This is especially because planning up-front and efforts in obtaining buy-in in the organization is uncertain, a condition that may constrain normal business operations. In this regard, there must be application of a company's financial

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knowledge within new policies during adoption to IFRS. Additionally, there is the need for financial measures that will improve the assessment of IFRS reports (National Professional Service Group). .

When such control measures are put in place, there is a high probability that the organization will add more finance personnel that would be well informed about IFRS reporting. Is if not enough, it is expectable that companies are likely to add information to proficient information technology systems. Under IFRS, business contracts that were currently issued and the debts agreement will have to be renegotiated under IFRS rather than the U. S. GAAP. On the other hand, organizations are only supposed to budget for transition to IFRS, as well as for costs associated with external advisors services. Management of the stakeholder expectations, which entails planning, budgeting and investor relations, would also be necessary. On the other hand, GAAP has proven to abound substantial flaws. It is agreeable that GAAP abounds loopholes for fraudulent activities to thrive. This is because the majority of the creditors and investors do not object GAAP results. Investors are commonly advised to focus on the flow of cash; and not GAAP. As a matter of fact, GAAP should only be considered as a standard that has served good to provide the foundation upon which auditing and financial reporting based on IFRS is done. They are four qualities that are fundamental and which GAAP is established on namely reliability, consistency, relevance and comparability. Such standards have often been considered to be rigid. Thus, the adoption of IFRS is a better option, as opposed to GAAP.

Work Cited

National Professional Service Group. IFRS: The right Steps for US Businesses. nd. Web. 30th April, 2012.< <http://www.sdn.sap>.
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