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A Study of the Adoption and Implementation of International Financial Reporting Standards in the Two EU Countries of Denmark and Ireland and New Zealand, a Non EU Country

Accounting
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A STUDY OF THE ADOPTION AND IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN THE TWO EU COUNTRIES OF DENMARK AND IRELAND AND NEW ZEALAND, A NON EU COUNTRY

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ABSTRACT

The International Accounting Standards Board has as its mission the development of a singlet set of high quality standards to be applied consistently by companies globally. The purpose of this paper is to examine the implementation process to integrate IFRS in the smaller and developed countries of Denmark, Ireland and New Zealand. The paper examines the enablers for successful IFRS implementation, namely, Legislative changes, Accounting profession, Stock exchanges, Enforcement, Early adopters in 2004, and Adopters in 2005. An examination of the top 30 companies' annual reports for the three countries was made to test for voluntary compliance of IFRS in 2004 and mandatory compliance in 2005. The results show that Denmark is the only country with early adopters in 2004. All 30 Danish companies complied in 2005, with 24 in Ireland, and 9 in New Zealand.

1. INTRODUCTION

European Union Regulation 1606/2002 is aimed at improving the quality of financial reporting and developing a single market in Europe. As a result of this regulation, listed companies in the European Union (EU) have been required to apply International Financial Reporting Standards (IFRS) in the preparation of their consolidated accounts commencing from the 1st January, 2005.

IFRS are principles-based accounting standards – those developed by the International Accounting Standards Board (IASB). IFRS has been accepted by over 100 countries and capital markets around the world except the US.[1] IFRS is principles-based rather than rule-based precisely because it does not try to anticipate every business situation and spell out detailed exceptions for each of them (Ball, 2006).

Outside the EU, New Zealand reporting entities, in accordance with the decision of the Accounting Standards Review Board (ASRB, December 2004), are required to use New Zealand equivalents to IFRS (NZIFRS) in the preparation of their general purpose financial statements for periods commencing on or after 1st January, 2007 with the option to adopt IFRS early from 1st January 2005. New Zealand equivalents to IFRS are standards and interpretations approved by the ASRB

Advantages

The advantages of IFRS for investors are numerous and include according to Ball (2006):

a) more accurate, comprehensive and timely information, relative to the national standards they replace in the countries adopting them, including Continental Europe.

b) Improving financial reporting quality allowing the reduction of risk.

c) By eliminating many international differences in accounting standards and standardizing reporting formats, IFRS may eliminate many of the adjustments that analysts make to make companies financial statements more comparable internationally.

d) More timely information is brought to the market thereby increasing market efficiency.

e) Increased comparability and reduced information costs.

f) Greater willingness on the part of investors to invest across national borders (for example, investing and raising capital in other European Stock Markets and in US Stock Markets).

Convergence

However, before these benefits can be fully realized there must be greater convergence to one set of globally accepted high quality standards. Achieving international convergence of IFRS requires more than theoretical support. It requires reaching consensus about how IFRS will serve as a foundation for financial reporting globally, determining how to facilitate the adoption of those standards and ultimately taking the actions necessary to implement them (Wong, 2004).

Convergence refers to the process of narrowing differences between IFRS and the accounting standards of countries that retain their own standards. Several countries that have not adopted IFRS at this point have established convergence projects that most likely will lead to their acceptance of IFRS in the not too distant future (Ball, 2006). Since October 2002, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have been working towards convergence of IFRS and US GAAP. The Securities and Exchange Commission (SEC) in the United States (US) has set a target date no later than 2009 for accepting financial statements that comply with IFRS (Tokar, 2005; Schipper, 2005)[2].

Denmark and Ireland are smaller European countries striving to attract foreign capital to be invested in them through low company taxes and favourable conditions for doing business. Furthermore, Denmark and Ireland do have a tradition of fast implementation of EU directives. New Zealand is also a smaller country (Non-EU) trying to attract foreign capital, but New Zealand is in a different region of the world. Both Ireland and New Zealand are influenced by the United Kingdom (UK) (being former colonies) and do have a "common law" accounting tradition (Nobes, 1983; Ball et al., 2000). Denmark has traditionally had links with the UK and has followed the Anglo-Saxon tradition with quite flexible financial reporting regulations (Hansen, 2001; Chalmers et al., 2007). Accounting in the Anglo-Saxon group has been marked by the compliance with accounting standards rather than law and a concern for communicating relevant and timely information to investors for decision-making (Bebbington and Song, 2003).

Countries in the continental tradition, on the other hand, have close ties to their banks, which supply most of their capital needs. Financial accounting is legalistic, and practices tend to be highly conservative. Accounting is primarily oriented towards the capital providers (i.e. banks) and usually it is designed for computing income taxes (Mueller et al, 1991).

Objectives of this Study

The main purpose of this paper is to examine the adoption and the implementation processes that are used to integrate IFRS in the smaller and developed countries of Denmark and Ireland, two EU countries, and New Zealand, a non-EU country.

The adoption and implementation of IFRS in a country takes place in an environment that is affected by factors unique to that country, for example, the economy, politics, laws, regulations, and culture (Gray, 1988; Doupnik and Salter, 1995; Nobes, 2006).

IFRS conversion is a fundamental change in primary GAAP. The ramifications of this cannot be understated, as organizations need to establish a new way of working (Green Paper, 2003). The IFRS implementation can only be successful if there has been appropriate planning of the basic elements that have to be attended before, during and after the implementation process. These three phases are seen as the best way to divide the implementation process. Denmark, Ireland and New Zealand have had to make many changes to facilitate and enable the adoption and implementation of IFRS to meet the deadline of 1st January, 2005. The key enablers examined in this paper include (a) the legislative changes (b) changes made by the accounting profession (c) any guidelines issued by the stock exchanges endorsing IFRS and (d) enforcement of IFRS. The other part of the paper has a practical or empirical aspect. We examined the published audited financial reports of the top 30 listed companies in each country for the years 2004 and 2005. We wished to ascertain whether there were early voluntary adopters in 2004 (or before) and mandatory adopters in 2005 in Denmark and Ireland and voluntary adopters in 2005 in New Zealand because of the early adoption option commencing on 1st January, 2005.

2. LITERATURE REVIEW

There have been several studies on the adoption and implementation of IFRS in EU countries. Some studies have examined the IASB as a global accounting standard setting body (Larson and Kenny, 1998; Zeff 2002; Kwok and Sharp, 2005). Other studies looked at the differences between US GAAP and the IASB standards (Street and Gray,1999; Street and Bryant, 2000; Pacter, 2002). A number of studies has focuses on the convergence process and the problems of convergence within the EU (Larson and Street, 2004; Tokar, 2005; Delvaille et al, 2005;

Schipper, 2005). In addition, some other studies examined the convergence issues in the transition economies of the new members of the EU (Sucher and Jindrichovska, 2004; Vellam, 2004)[3]. Other research examined the implementation of IFRS and how they impacted on the companies (Haller and Eierle, 2004; Jermakowicz, 2004; Ormrod and Taylor, 2004; Weibenberger et al, 2004; Schipper, 2005; Whittington, 2005; Aisbitt, 2006; De Jong et al., 2006).

The adoption of IFRS is supported in many countries because it may improve the quality and comparability of financial reporting. But according to Brown and Tarca (2005), these goals are less likely to be achieved without regulatory oversight and enforcement that promote rigorous and consistent use of IFRS. The authors examined the enforcement bodies in France, Germany, the Netherlands and the UK.

3. METHODOLOGY

The research methods used in this study are archival and empirical.

The literature review gave us some ideas of how to proceed. We examined the documents published by the IASB, the EU, Accounting in Europe, the European Accounting Review and other international and national journals on IFRS adoption and implementation.

Another approach was to make contact with the Research and Information Services (or equivalent) of the Institute of State Authorized Public Accountants in Denmark, the Institute of Chartered Accountants in Ireland (ICAI) and the New Zealand Institute of Chartered Accountants (NZICA).

Also, we examined the internet and the web sites of the "Big 4" accounting firms in each of the respective countries, prior to adoption of IFRS on 1st January, 2005, to see how they helped the companies to prepare for IFRS in the transition period leading up to adoption. Surveys of readiness, or rather the lack of it, were examined on the websites.

Finally, for the empirical part of the research, we obtained the names (and websites) of the top 30 companies listed in the Danish Stock Exchange, the Irish Stock Exchange and the New Zealand Stock Exchange. We examined the financial statements for the years 2004 and 2005. For the year 2004, we wanted to identify if there were any early adopters, and also to ascertain how companies were preparing for the 2005 adoption, implementation and compliance of IFRS. If we needed further information we also contacted the companies.

4. RESULTS

Legislative Changes

Denmark

Danish companies must file accounts in accordance with the Financial Statement Act, which is based on a combination of the 4th and 7th EC Directives. The Financial Statement Act was revised in 2001 and the Danish regulation has, since then, been based extensively on IFRS.

European Union Regulation 1606/2002 (EU Regulation) gives Member States an opportunity to choose which companies have to use the IFRS. In Denmark it is only listed companies with consolidated financial statements from the 1st of January, 2005, and listed companies without consolidated statements from the 1st of January, 2009. For other companies, it is voluntary to use IFRS.

Complying with the EU Regulation, the Danish Parliament has adopted an IFRS executive order. The Danish Commerce and Companies Agency has, after this, issued an IFRS guideline for the listed companies.

For the financial institutions such as banks and other credit institutions, insurance and pension funds and investment companies, the Danish Financial Supervisory Authority, which is an institution under the Danish Ministry of Economic and Business Affairs, regulates and supervises these entities. Again, complying with the EU Regulation, the Danish Financial Supervisory Authority has adopted accounting executive orders, including IFRS implementation requirements.

Ireland

The EU Regulation, referred to above, also transposed this Directive into law in Ireland. To accommodate the EU regulation, not only has Irish company law changed, but these changes impact on both companies that continue to prepare their accounts under the Companies Act and Irish GAAP, and also those listed companies that prepare their consolidated accounts under IFRS from 1st January, 2005.

The principal legislation for all companies' accounts is the Companies Act 1963. Sections 148 to 151 have been amended so that all accounts, for the companies that have adopted IFRS, shall be prepared using IFRS. There have also been amendments to the Companies (Amendment) Act 1986, by substituting "Companies Act Group Accounts" for Group "Accounts". "Companies Act Group Accounts" shall be now read in accordance with Regulation 13 of the Act and not Regulation 2 of the Act as was done previously.

Just before the end of 2004, two statutory instruments transposed into Irish Law the requirements of the EU Fair Value Directive for companies governed by the 1986 Act (Companies (Amendment) Act 1986) and Group Accounts Regulations (European Communities Companies: Group Accounts Regulations) 1992 and also credit institutions governed by the

Credit Institution Regulations (European Communities (Credit Institutions: Accounts) Regulations 1992. Apart from the ability to fair value certain items through profit and loss account, the Fair Value Regulations also amended disclosure requirements in the Directors' Reports of Irish companies (Curtis, 2005).

The Companies Act 1990 is amended in Section 193 dealing with the auditors' scope of work and audit opinions, according to Article 4 of the IAS Regulation. The Act of 2003 means the Companies Auditing and Accounts Act 2003. Within the context of Irish company law, IAS Regulation means Regulation 1606/2002 of the European Parliament of the 19th July, 2002. IFRS means IFRS with the IAS Regulation. Section 48 of the Finance Bill 2005 – Certified Money Bill (Second Stage) makes important changes in Tax Law to accommodate companies in 2005 that adopted IFRS. The Finance Act 2005 states that financial statements prepared in accordance with Irish GAAP or IFRS provide a valid basis for the computation of a company's taxable trading profits for Irish corporation tax purposes from 2005 on (Deloitte & Touche, 2005).

EU Member States are required to use local legislation to implement their options under the EU Regulation. The statutory changes have been made to the various Companies Acts as described earlier. However, the statutory instruments giving effect to the options available in Ireland have been published now[4]. These include the following:

a) European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005, S.I. No 116 of 2005.

b) European Communities (Fair Value Accounting) Regulation 2004, S.I. No 765 of 2004.

c) European Communities (Adjustment of Non-Comparable Amounts in Accounts and Distributions by Certain Investment Companies) Regulation 2005, S.I. No 840 of 2005.

New Zealand

The primary statute governing the establishment of accounting standards in New Zealand is the Financial Reporting Act 1993 (FRA). This act gives legal backing to accounting standards. The ASRB announced on 19th December, 2002 that reporting entities in New Zealand will be required to apply IFRS for periods commencing on or after 1st January, 2007 with the option to adopt early from 1st January, 2005 (Hickey et al., 2003a). IFRS applied to all entities in New Zealand rather than just listed companies as in the EU (Bebbington and Song, 2003). The FRA has been amended to incorporate the changes brought about by the IFRS. This is now known as the Financial Reporting Amendment Act 2006.

Accounting Profession

Denmark

There are two accounting organizations in Denmark: the Institute of State Authorized Public Accountants and the Institute of Registered Accountants. The State Authorized Public Accountants are involved in auditing the larger Danish companies, and they alone audit the listed companies. The listed companies, which comply with IFRS, are audited by the largest audit firms in Denmark, the so-called “Big 4”.

Besides performing audits, the “Big 4” have devoted a lot of time and effort to educate the accountants in the requirements of the IFRS through the period leading up to 1st January, 2005. In each of the firms, there were specialists involved in training the account preparers and management in every aspect of IFRS through courses offered. The purpose was to get the companies ready to prepare the IFRS accounts and to meet the deadline. There were many challenges, especially as the companies switched to IFRS in the areas of financial instruments and derivatives and tracking the fair values of these financial instruments and derivatives. It certainly was a big challenge to get the preparers and management to think in terms of embedding IFRS. Also, it was a great effort to get the auditors trained in all aspects of IFRS, so that they could perform high level audits of the companies complying with the IFRS.

The Institute of State Authorized Public Accountants has been very active in the IFRS implementation process. The Accounting Standards Committee (ASC) of the Institute currently communicates with the IASB and the Committee of European Securities Regulators (CESR) on the one hand, and the members, the listed companies, the Danish Parliament, the Danish Commerce and Companies Agency, the Danish Financial Supervisory Authority and the Stock Exchange on the other hand.

The IASB issues its IFRS standards in English. Then it has to be translated into the languages of the various countries in the EU and in the other countries that have adopted IFRS. Under the EU Regulation, the various translations into IFRS into European languages have legal status in their various countries. As in any field, there is a risk that the process of translation will change or lose meaning from the original version, in this case English (Nobes, 2006). The translation of the international standards is a major challenge in the adoption and implementation of the standards (Wong, 2004). In Denmark, the ASC translates all the international standards to Danish to ensure the most effective implementation of IFRS.

Ireland

The Institute of Chartered Accountants in Ireland (ICAI) and the "Big 4" accounting firms have played a leading role in training and educating the preparers, management and the auditors in the transition period leading up to 1st January, 2005 and since then.

There have been numerous articles published in Accountancy Ireland, the professional journal of the ICAI informing members, the students and the public about IFRS and how to implement the IFRS into the accounts at the commencement date (2005), and what had to be done in 2004 and earlier.

To make sure that the accountants (who prepare the accounts) and the auditors (who audit the IFRS accounts) have a thorough grasp and understanding of IFRS, the ICAI developed an ICAI Diploma in IFRS. This Diploma has been offered to qualified accountants (have a professional designation or equivalent) since 2004.

The ICAI's training department also runs "overview" courses on the implementation of IFRS. The ICAI has also produced Pro Forma Financial Statements and Financial Statements Master checklist – both in IFRS format. The "Big 4" accounting firms have training programs and IFRS specialists. They did their training in three phases with progress meetings at each stage in order to make the change to IFRS. They worked very closely with the company accountants and management to accomplish the tasks.

New Zealand

The accounting standard setter in New Zealand is the Financial Reporting Standards Board (FRSB) and it is part of the New Zealand Institute of Chartered Accountants. The FRSB issued 36 new or revised financial reporting standards and 12 interpretations referred to as New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) for all financial years beginning on or after 1st January, 2007. These were approved by the ASRB on 24th November, 2004. These standards reflected the "stable platform" created by the IASB as at 31st March,

2004. Entities could elect to adopt NZIFRS for period beginning on or after 1st January, 2005 and, as indicated earlier, they were required to do so on or after 1st January, 2007. Early adoption of the standards before 1st January, 2005 was not permissible. As in the EU countries, when an entity adopts NZIFRS it must do so in its entirety (Deloitte, 2005).

The interesting point to note is that none of these standards are 100 percent compatible with existing IFRS issued by the IASB for the following reasons:

a) Wording has been amended to accommodate the New Zealand legislative environment (Financial Reporting Act, 1993).

b) There are additional/amended requirements for public entities.

c) In some cases the FRSB has permitted only one of a number of options available in the corresponding IFRS.

Therefore, there are differences between the "real" IFRS and the NZIFRS. The same is true of Australia which has turned the IFRS closely, but not exactly, to the IFRS issued by the IASB (Nobes, 2006; CPA Australia, 2007).

The "Big 4" accounting firms have played a significant role in the implementation of NZIFRS. The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the internet about international financial reporting aimed at accounting professionals, businesses, financial analysts, standard setters, accounting educators and students. The site has a broad array of resources about the IASB and the IFRS. Also, of interest to the preparers of the accounts (and others), there are over 60 downloadable publications relating to IFRS (free of charge).

The NZICA has engaged its members through the exposures of drafts for comments of the 36 new or revised financial reporting standards and the 12 interpretations that constitute the

NZIFRS. Additionally, the NZICA conducted courses on IFRS as part of its Professional Development (PD) programme, and also made available (for sale) a DVD series covering aspects of adoption of IFRS. The NZICA teamed up with KPMG in this initiative. The DVD series provided a good base understanding for all staff levels as well as sufficient details for more advanced users to ensure a smooth transition to the new standards (NZICA, 2007).

There were numerous articles published in the NZICA's monthly journal dealing with the adoption, implementation and conversion of IFRS. To ensure that the auditors were also very conversant with IFRS, the NZICA's existing Practice Review programme ensures that members reviewed are aware of the requirements (there is a monitoring aspect to this).

Stock Exchange

Denmark

Listed companies in Denmark have to comply with the disclosure requirements of the Danish Securities Trading Act and the executive order and guidance issued. The Copenhagen Stock Exchange allows Danish companies to use IFRS.

Ireland

There were no guidelines issued by the Irish Stock Exchange (ISE) with respect to IFRS. However, the companies filing interim and/or annual accounts made an announcement to the ISE (and the public) that they would file the 2005 accounts prepared under IFRS.

New Zealand

As in Denmark and Ireland, we could not find any guidelines issued by the New Zealand Stock Exchange (NZSE)with respect to IFRS. However, the NZSE allows companies to follow IFRS.

Enforcement

Compliance with IFRS by Danish, Irish and New Zealand companies is important for the successful adoption and implementation, not only in these countries, but in other countries. Compliance can be either loose or strict, and these offer opportunities for international differences. But, to maintain equal compliance standards around the world, there must be monitoring and strong enforcement rules in place (Nobes, 2006; Ball, 2006).

EU member countries, as well as individual countries, remain primarily regulators of their own financial markets (Ball, 2006). The EU required all member states to introduce enforcement bodies by 2005. There are considerable challenges to be faced in the effective enforcement of IFRS in Europe. Enforcement of financial reporting rules can be seen as a three-part process: (i) effective control systems (ii) independent auditors who are expert in the rules (iii) an oversight mechanism with sufficient expertise and power to achieve effective enforcement (Brown and Tarca, 2005). The Committee of European Securities Regulators issued publications on the enforcement of IFRS (CESR 2003a and 2003b). It is not mandatory but left to member states to adopt the principles.

Denmark

Denmark has created a stock exchange regulator, the Danish Securities Council (DSC) (Kofoed et al, 2004). However, the DSC reports to the Minister of Economic and Business Affairs.

Furthermore, the DSC advises the Danish Financial Supervisory Authority. From 2005, the DSC enforces compliance with the accounting regulations in annual and interim accounts of listed companies. In this capacity, the DSC functions as an independent enforcement body.

Ireland

The Irish Auditing and Accounting Supervisory Authority (IAASA) has been established under the Companies (Auditing and Accounting) Act, 2003. Section 26 of the 2003 Act provides IAASA with financial reporting review and enforcement powers. Section 26 gives the IAASA the authority, where there is non-compliance of IFRS, to obtain from the company an explanation or a revision of the financial statements. In the event of an unsatisfactory explanation, or a non-revision of the financial statement, it can apply to the High Court (in Ireland) for a declaration of non-compliance and associated orders. If after considering the matter, the High Court is satisfied that non-compliance exists; the court may make a declaration and may order the following:

- revision of the financial statement/or directors' reports
- the re-audit of the financial statement
- that the directors inform persons likely to rely on the financial statements
- that the IAASA's and reporting entity's costs be awarded against the directors (Kavanagh and Townsend, 2006).

IAASA seeks to conduct its monitoring and associated enforcement activities in a manner that is balanced and proportionate and seeks to resolve issues efficiently and effectively and, where appropriate, without recourse to using the statutory enforcement powers available to it under the Regulations. Experience to date has shown that speedy resolution of matters arising is facilitated when a full and detailed response to the initial enquiry is forthcoming from the issuer (IAASA, 2007, p. 25).

IAASA liaises with other countries' financial reporting monitoring bodies. It is an active participant in European Enforcement Co-ordination sessions, a subcommittee of CESR.

New Zealand

Although, no body or board was established to monitor compliance with IFRS, the Securities Commission and the Companies Office do monitor compliance with NZ GAAP. As NZ IFRS is now part of NZ GAAP, these bodies do monitor compliance. The Securities Commission has been conducting its review since 2005.

The Securities Commission continues to review issuers' financial reporting, as part of the Financial Reporting Surveillance Programme, and takes appropriate steps to encourage compliance with IFRS and other aspects of NZ GAAP. The key issues (in the cycle5 review) identified in the application of NZ IFRS included the correction of prior period errors as transition adjustments, the incorrect labeling of comparatives, and the treatment of GST in the preparation of the cash flow statement.[5]

EMPIRICAL RESULTS: WHAT IS REALLY TAKING PLACE

Early Adopters in 2004 (or Before)

An examination of Table 1 reveals that 7 Danish companies have adopted IFRS in 2004 and none in Ireland and New Zealand. (For the list of the names of the 30 largest quoted (listed) companies in Denmark, Ireland and New Zealand and their adoption of IFRS in 2004 and 2005,

TABLE 1: SUMMARY OF THE NUMBER OF COMPANIES ADOPTING IFRS IN 2004 AND 2005

Country	Early Adopters In 2004 (or earlier)	Adopters In 2005
Denmark	**7**	**30**
Ireland	**None**	**24 (a)**
New Zealand	**None**	**9 (b)**

(a) 6 companies being subsidiaries of US parent companies adopted US GAAP. 1 company used both US GAAP and Norwegian GAAP.
(b) 9 companies adopted 1 IFRS. 8 companies were subsidiaries of Australian parent companies and 1 was a subsidiary of a UK parent company

please examine Appendices 1, 2 and 3.) The reason why no Irish companies voluntarily adopted IFRS in 2004 was because the Irish Government's decision on which companies were to be allowed to use IFRS was generally late and accompanied by no general information campaign (ICAI Media Releases, 4th April, 2005) New Zealand did not permit the use of IFRS in 2004. Out of the largest 30 Danish companies, 7 adopted IFRS before they should. However, of these 7 companies, one company actually adopted the standards (IAS) in 1997.

It is interesting to compare these results with another study by Holm and Schøler (2007) which found that of the 100 most traded companies in Denmark, 15 (or 15 percent) were early adopters. Therefore, it seems as though the largest companies are early adopters and often these are biotech companies. Until 2004, the companies using IAS/IFRS had to follow Danish GAAP, the Danish Financial Statement Act 2001, as well as the international standards. In the beginning of 2000, the Institute of State Authorized Public Accountants and the Danish Stock Exchange (which became a part of OMX Nordic Exchange in 2005) declared that companies which wanted to adopt IFRS in 2004 could do so, but this meant that they would be violating Danish GAAP and the Financial Statement Act 2001 (Borring and Hansen, 2004). Surprisingly, this declaration did not include the financial institutions. This is reflected in Appendix 1, which shows that 8 companies, which are financial institutions, did not implement IFRS before 2005.

Adopters in 2005

An examination of Table 1 reveals the following:

All 30 Danish companies complied with IFRS in 2005, 24 Irish companies complied and 6 companies did not, since their financial statements were consolidated under US GAAP. One of the 6 companies used both Norwegian and US GAAP. 9 New Zealand companies complied with IFRS in 2005. 8 of these were Australian subsidiaries and 1 was a UK subsidiary. Both countries adopted IFRS in 2005. Their parent companies in Australia and the UK prepared the consolidated accounts and, therefore, they had to comply with the EU Regulation 1606/2002 effective from 1st January, 2005. No local New Zealand company took advantage of the option to adopt IFRS early from 1st January 2005.

3. CONCLUSION

Denmark, Ireland and New Zealand made the necessary legislative changes and amendments to their national laws to adopt IFRS under EU Regulation 1606/2002 allowing the listed companies to apply IFRS in the preparation of their consolidated accounts from 1st January, 2005 (Denmark and Ireland) and from the 1st January, 2007 in the case of New Zealand.

The professional accounting bodies in the three countries played a significant role and (still do) in getting the companies ready to meet the adoption dates through publications in their professional journals and newsletters, training and offering courses to enlighten both the preparers and auditors in the technical aspects of IFRS.

The “Big 4” accounting firms had a lot of expertise to offer the preparers (and others) in guiding them through the challenges in switching from national GAAP to IFRS. Fair value accounting was a difficult area for the preparers, but the “Big 4 “ firms helped tremendously to simplify matters They also made a large amount of material available on their websites, and, in some cases they teamed up with the professional accounting bodies to make sure that IFRS material was available for the preparers and other interested persons.

The stock exchanges did not actively participate in the adoption of IFRS. They appeared to have left the technical details to the professional bodies and accountants.

All three countries are committed to compliance, monitoring and enforcement of IFRS. Denmark has created a stock exchange regulator. The ICAI has set up a regulatory board which works with the Irish Auditing and Accounting Supervisory Authority (IAASA). The IAASA has financial reporting review powers and can go through the High Court in Ireland to declare non-compliance and the Court can ask for a revision of the financial statements, a re-audit, have the directors inform likely users and can recover costs.

In the New Zealand, the Securities Commission and Companies Office monitor compliance with IFRS. The Securities Commission conducts reviews to make sure the companies comply with NZ IFRS.

The only country to adopt IFRS before 1st January, 2005 is Denmark. Seven (7) companies did so in 2004 and one actually went back to 1997 under IAS. All 30 Danish companies complied with IFRS in 2005. Twenty four (24) Irish companies complied at that date while the other six (6) companies complied with US GAAP with one of the 6 companies complying with Norwegian GAAP also. Nine New Zealand companies complied with IFRS in 2005, although their adoption date was 1st January, 2007. This should not be a surprise because eight (8) companies were subsidiaries of Australian parent companies and one (1) company was a subsidiary of a UK parent company. Their adoption date of IFRS was 1st January, 2005. None of the local New Zealand listed companies took advantage of the option to adopt IFRS early from 1st January, 2005.

Appendix 1

The 30 largest listed companies in Denmark

Companies Jan. 1, 2005	Voluntary Compliance with IFRS (2004)	Compliance with IFRS (since)
A.P. Møller – Maersk	No	Yes (2005)
Nordea Bank	No	Yes (2005)
Danske Bank	No	Yes (2005)
Novo Nordisk	**Yes**	**Yes (2004)**
TDC	No	Yes (2005)
H. Lundbeck	**Yes**	**Yes (1997)**
Carlsberg	No	Yes (2005)
Danisco	**Yes**	**Yes (1997/98)**
Novozymes	No	Yes (2005)
Group 4 Securicor	No	Yes (2005)
William Demant Holding	No	Yes (2005)
Tryg esta	No	Yes (2005)
Jyske Bank	No	Yes (2005)
Vestas Wind Systems	No	Yes (2005)
Coloplast	No	Yes (2005)
GN Store Nord	**Yes**	**Yes (2003/04)**
Københavns Lufthavne	**Yes**	**Yes (1999)**
Codan	**Yes**	**Yes (2002)**
DSV	No	Yes (2005)
SAS	No	Yes (2005)
Rockwool International	No	Yes (2005)
Topdanmark	**Yes**	**Yes (2001)**
D/S Torm	No	Yes (2005)
Ǿstasiatiske Kompagni	No	Yes (2005)
Sydbank	No	Yes (2005)
Nesa	No	Yes (2005)
OMX	No	Yes (2005)
FL Smidt & co.	No	Yes (2005)
Bang & Olufsen	No	Yes (2005/06)
Norden	No	Yes (2005)

Appendix 2

The 30 largest listed companies in Ireland

Companies Jan. 1, 2005	Voluntary Compliance with IFRS (2004)	Compliance with IFRS (2005)
CRH plc	No	Yes
IBM Ireland	No US	No US
Microsoft Ireland	No US	No US
Dell Products Europe	No US	No US
Smurfit Kappa Group	No	Yes
Kerry Group plc	No	Yes
Musgrave Group	No	Yes
DCC plc	No	Yes
Alphyra Group plc	No	Yes
Grafton Group plc	No	Yes
Glanbia plc	No	Yes
Fyffes Group Ireland plc	No	Yes
Irish Dairy Board	No	Yes
BWG Group Ltd	No	Yes
Eircom	No	Yes
Independent New and Media plc	No	Yes
Greencore Group plc	No	Yes
IAWS	No	Yes
Ryanair plc	No	Yes
United Drug plc	No	Yes
Vodafone Ireland plc	No	Yes
Paddy Power plc	No	Yes
Intel Distributors Ireland Ltd	No US	No US
Statoil Ireland Ltd	No (Norway) US	No (Norway) US
Air Lingus plc	No	Yes
United Drug	No	Yes
AIB plc	No	Yes
Conoco Philips	No US	No US
02 Communication (IR) plc	No	Yes
Anglo Irish Bank Corporation plc	No	Yes

Appendix 3

The 30 largest listed companies in New Zealand

Companies Jan. 1, 2005	Voluntary Compliance with IFRS (2004)	Compliance with IFRS (2005)
Auckland International Airport Limited	No	No
Air New-Zealand Limited	No	No
AMP Limited	No	Yes (Australia)
Australia and New-Zealand Banking Group	No	Yes (Australia)
APN New and Media Limited	No	Yes (Australia)
AMP Limited NZ Office Trust	No	No
Contact Energy Limited	No	No
Fletcher Building Limited	No	Yes (Australia)
Fisher and Paykel Appliances Holding Limited	No	No
Fisher and Paykel Healthcare Corporation Ltd.	No	No
Freightways Limited	No	No
Goodman Fielder Limited	No	Yes (Australia)
Goodman Property Trust	No	No
Guinness Peat Group Plc	No	Yes (UK)
Infratil	No	No
ING Property Trust	No	No
Kiwi Income Propety Trust	No	No
Mainfreight Ltd.	No	No
Nuplex Industries Limited	No	Yes (Australia)
Port of Tauranga Limited	No	No
Pumpkin Patch Limited	No	No
Rakon Limited	No	No
Ryman Healthcare Limited	No	No
Skycity Entertainment Group Limited	No	No
Sky Network Television Limited	No	No
Telecom Corporation of New Zealand Limited	No	No
Trust Power Limited	No	No
Toner Limited	No	No
Vector Resources Limited	No	Yes (Australia)
Westpac Banking Corporation	No	Yes (Australia)

NOTES

1. Serving Global Capital Markets: A View from the CEOs of the International Audit Networks, November 2006. See www.GlobalPublicPolicySymposium.com.
2. The US Securities and Exchange Commission (SEC) has taken a decision to remove the requirement for non-US companies reporting under IFRSs, as issued by the IASB, to reconcile their financial statements to US GAAP. Source: ICAI eNews-16 November, 2007.

   The US Securities and Exchange Commission has unanimously agreed to a series of steps that could lead to the required use of IFRS by US issuers by 2014.

   Source: ICAI News – 01 September, 2008.
3. In May 2004, 10 new countries (the accession countries) joined the EU. They include: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.
4. The Institute of Chartered Accountants in Ireland has issued a number of links to useful documents which provide guidance to preparers and auditors for the first time use of IFRS in the preparation of financial statements. These can be found at: http://www.ICAI.IE/Members/IAS-firsttime.cfm
5. The Securities Commission, New Zealand, has issued an executive summary: REVIEW OF FINANCIAL REPORTING BY ISSUERS – CYCLES 5. This can be found at: http://www.seccom.govt.nz/publications/documents/cycle-5/01.shtml.

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