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It's Not A Small World, After All: The SEC Goes International

Just two short years ago, the chief accountant of the SEC laid out a "road map to convergence" for the melding of United States FASB accounting standards with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Don Nicolaisen's road map ultimately called for the elimination of the IFRS-to-GAAP reconciliation in SEC filings by the year 2009 or sooner. "Sooner" is looking like "now:" in July, the Commission issued a proposal for the reconciliation's current elimination. In August, the Commission issued a Concept Release to test the merits of allowing U.S. registrants to choose between FASB standards and IASB standards in preparing their financial statements - a more extensive proposal that could eventually put all accounting standards under one roof, but create surprising costs and inefficiencies along the way.

Should these two proposals become reality, the main benefit to shareholders would be an increase in investment choices on the United States exchanges: conversion to United States-style reporting, a long-standing barrier to foreign filers, would be removed. The exchanges would likely be flooded with new registrants. The question: are more choices always worth the cost? This report presents the highlights of the two proposals. It also compares 130 IFRS-to-GAAP reconciliations by foreign registrants to see if the two reporting systems currently produce similar results. The short answer: there are still plenty of major differences between them.

I. Nothing To Explain

Foreign companies who wish to trade their stocks and debt in U. S. markets must file financial statements with the Securities & Exchange Commission, just like domestic companies. Those financial statements might be prepared in terms of United States accounting principles, but more likely, they're presented in a firm's native accounting format. Lately, the presentation basis might be the IASB's International Financial Reporting Standards (IFRS), as their acceptance around the world expands. Regardless, if a firm's financial statements are not presented in U.S. GAAP, there's a reconciliation between as-presented earnings and stockholders' equity and their U.S. GAAP-prepared equivalents. That reconciliation has been a fixture of 20-F filings used by foreign registrants since 1982. The reconciliation requirement imposed an unpleasant cost on foreign companies wishing to trade their securities in U.S. markets: to be able to prepare the reconciliation, they had to effectively keep two sets of books.

How useful has the reconciliation proved to investors and analysts? It doesn't permit line-by-line comparisons of foreign issuers to U.S. counterparts, automatically limiting its usefulness. Being part of a 20-F filing, the reconciliation hasn't been available to investors on a particularly timely basis, either: there's a six-month filing deadline for 20-F's. By comparison, many U.S. companies deemed "large accelerated filers" (over \$700 million in market float) must file their 10-K's within 60 days of their year end. To investors never satisfied with enough information, it seems like paltry, stale data. The reconciliation glass is half empty.

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On the other hand, the SEC is charged with protecting the interests of investors - and the reconciliation gives investors two key financial measurements used for valuing firms in terms comparable to the domestic measurements. Instead of burdening investors with the cost of forcing imprecise adjustments of their own onto the foreign financial statements in order to make them comparable to domestic counterparts, the cost is imposed on the firms benefitting from trading their securities in the U.S. markets. While it is an added cost for those foreign filers, it's also not as great as it would be if the Commission required full GAAP financial statements - something that's within the boundaries of the SEC's authority. The reconciliation has been a cost-effective way of providing something for everyone: bare-bones information for investors, at a minimized incremental cost for foreign filers. It's a compromise, guaranteeing that nobody will be completely happy.

Since the reconciliation was first required, much has changed in global markets - and in the setting of standards for financial reporting. In 2001, the privately-funded International Accounting Standards Board was established as the successor organization to the International Accounting Standards Committee, which had issued 41 International Accounting Standards during its lifespan beginning in 1973. When the IASB replaced the IASC in 2001, an entire support system patterned after the United States' own standard-setting infrastructure went into place, too. The IASB is governed by the International Accounting Standards Foundation, similar to the FASB and its relationship with the Financial Accounting Foundation. Interpretations of IASB standards are carried out by an International Financial Reporting Interpretations Committee (IFRIC) whose American counterpart would be the FASB's Emerging Issues Task Force. The IASB is advised by an Standards Advisory Committee - just like the FASB is counseled by the Financial Accounting Standards Advisory Committee.

The IASB's goal is "developing, in the public interest, a single set of high-quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements."¹ It may well be succeeding: over 100 countries have adopted their standards, known as International Financial Reporting Standards, or IFRS. More are on the way: Canada will be switching to IFRS as its accounting language over the next few years.² Domestic standard setters in India and in Japan have also announced their plans to fully converge their standards with IFRS by 2011. The European Union required its members to adopt reporting in IFRS terms beginning in 2005, greatly increasing the "installed base" of firms publishing financials under the IASB standards.

Executive Summary

- For 25 years, companies that report on a basis of accounting other than U.S. GAAP have had to provide a reconciliation of their earnings and stockholders' equity from their basis of presentation to the US equivalent. For companies using International Financial Reporting Standards as published by the International Accounting Standards Board, the SEC has proposed that this reconciliation requirement be eliminated in the name of convergence.
- Elimination of the reconciliation might take pressure off of standard setters to continue meaningful convergence efforts. The reconciliation is a public record of differences remaining between the standards; remove it and there's less visibility into progress.
- Many companies are not deeply experienced in applying IFRS. The SEC has studied filings of firms reporting on an IFRS basis, and found problems in the presentation of cash flow statements, accounting for common control mergers, recapitalizations, reorganizations, acquisition of minority interests, and similar transactions.
- While the FASB and IASB have made much progress in the last five years in coordinating their standard-setting efforts, there are many significant differences remaining between the two bases of accounting. Accountants and investors have had little, if any, training in the use of IFRS simply because it is not part of the curricula in American higher education. The reconciliation has at least provided "hands-on" training in the differences between the two accounting systems.
- The SEC has also proposed that domestic firms be allowed to choose between reporting in US GAAP or an IFRS basis. This raises many of the same issues as eliminating the reconciliation.
- A study of 130 reconciliations from foreign filers using IFRS in 2006 shows that the differences between the two accounting systems can be quite large. Eighty-four of the firms showed higher earnings under IFRS than GAAP; the median difference was 12.9%. Forty-four of the firms showed lower earnings under IFRS; the median difference was 9.1%. Only two firms showed the same earnings under both bases of accounting.

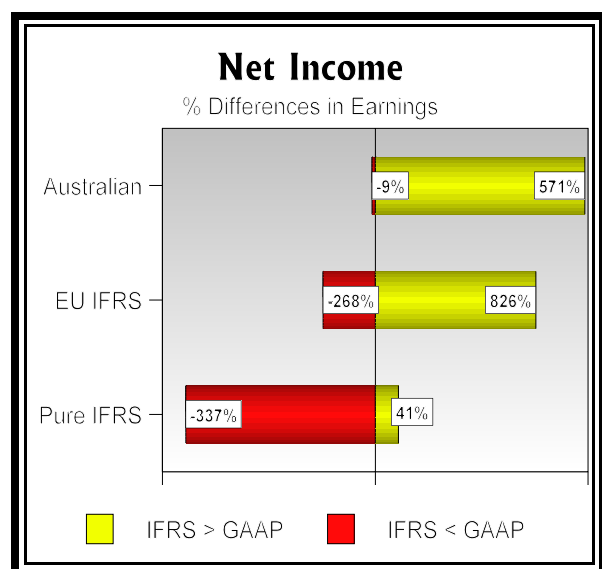
¹ From www.iasb.org/About+Us/About+IASB/About+IASB.htm.

² See details at http://www.acsbcanda.org/download.cfm?ci_id=32735&la_id=1&re_id=0. Transition could take as long as five years.

The United States is not ignoring the IASB movement, by any means. Under the “Norwalk Agreement”³ reached in 2002, the FASB and the IASB have been working towards converging the two sets of standards “as soon as practicable.” Since then, no major standard-setting project has been started by either body without a joint effort.

The SEC has been monitoring the convergence scene keenly in the past few years. In an April 2005 article in the Northwestern University Journal of International Law and Business, Don Nicolaisen, the SEC’s chief accountant at the time, declared: “... both the U.S. GAAP and IFRSs models have their place in the U.S. capital markets, and that convergence is the enabler that will allow them to coexist. What is essential is that each set of standards be complete, that each produce financial statements of high quality, that each set of standards enjoy wide acceptance and use, that the standards be reasonably comparable to each other and that investors are capable of and comfortable in understanding the nature of differences between the two sets of standards.”⁴

Nicolaisen’s article included a “possible roadmap to convergence” that would allow for the elimination of the GAAP reconciliation for financial statements prepared on an IFRS basis by 2009 - or sooner. The Commission has stayed on the roadmap’s course since then, and now asks the question of investors: Can we drop the reconciliation now for firms that report on a pure IFRS basis - that is, with no exemptions from standards as published by the IASB? That’s “as published by the IASB” because some countries claim to have adopted IASB standards, but employ their version of a particular accounting standard in lieu of the IASB’s. Another important exception is in the European Union: while they require their member countries to use IFRS in their financial reporting, they’ve carved out an exception for the application of the hedging provisions of International Accounting Standard 39: firms can elect whether or not to follow its hedge accounting provisions.⁵



The SEC can always drop the reconciliation - the better question is whether or not that’s a good idea. Check the chart at left and you might not think so: it shows the range of differences between IFRS-based financials and their GAAP-reconciled amounts. It’s based on 130 20-Fs found in the SEC’s EDGAR system, for 20 filers using “genetically pure” IFRS reporting, another 102 using IFRS as endorsed by the European Union, and another 8 filers whose native tongue is Australian IFRS. All were from fiscal year 2006 filings.

No matter what the strain of IFRS in use may be - and they’re all essentially the same in the data presented - the range of differences between the IFRS-reported net income and the United States net income is huge. The same is true of the stockholders’ equity reconciliations on the next page. If convergence between the application of U.S. standards and international standards had truly been reached by now, the range of differences in these key measurements should be much narrower. (More on specific differences later.)

The SEC’s proposal asks if there is “sufficient comparability among companies using IFRS as published by the IASB to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation.”⁶ This is the most important question of all for the Commission to ask investors in deciding to drop the reconciliation, and the evidence from the filings of foreign issuers is that there’s still quite a wide gulf between the two reporting systems.

Not all investors are going to be comfortable without the familiar touchstone of GAAP earnings in the foreign filings. That’s contrary to the investor indifference towards the reconciliation uncovered by the Commission in the investor roundtable

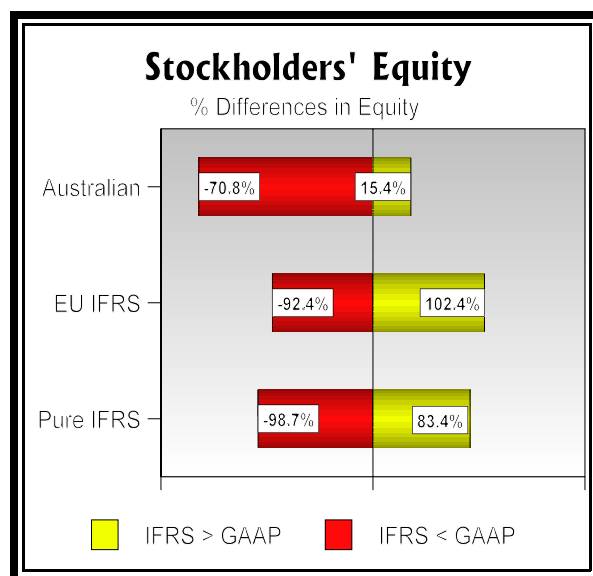
³ See <http://www.fasb.org/news/memorandum.pdf>

⁴ Full text at <http://sec.gov/news/speech/spch040605dtn.htm>

⁵ According to IASB member Thomas Jones in a panel discussion at the Council of Institutional Investors Annual Meeting on September 17, the Board believes there are only 29 firms in the EU using that exemption out of thousands that are reporting on an IFRS basis.

⁶ See Question 3 in “Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP” at <http://sec.gov/rules/proposed/2007/33-8818.pdf>

it sponsored to gather inputs on the entire roadmap process earlier this year.⁷ While it would be surprising to find investors that use the reconciliation information *directly* in their investment analysis - and therefore say they don't find it useful - there are likely to be many investors who use the reconciliation in a more *indirect* way. One way is that it provides a handy context: if the foreign filer were reporting just like anyone else in the United States, how would they look? Better or worse, on the basis of at least two metrics? Another way is that it provides a proxy for complexity, something that turns off many investors. The sheer number of reconciling items and the magnitude of the differences they create might convince some investors that such foreign investments are outside their range of competence - or that the effort to monitor such an investment might not be worth it. Another indirect use of the reconciliation: investors might use it as "on the job" training to learn about IFRS in real-world applications, rather than try to parse it from the standards or textbooks. Removing the reconciliation would take away a source of education for them, running somewhat counter to the SEC's mission of investor advocacy.



There's no question that convergence of the IFRS and FASB standards is a good idea: investors want to put their capital where it's going to earn the best return, and they like to have choices. Different reporting languages describing the same economic events are an obstacle for capital flowing to where it's best served.

It's just that dropping the reconciliation might not be a great idea right now. There's a "quantity versus quality" aspect to dropping the reconciliation at this time. Certainly it would open up more investment choices to investors because it would make it easier for foreign filers to trade in United States markets. Even if greater number of investment choices was an unalloyed benefit, there are nagging quality considerations if the reconciliation is dropped:

- **Understanding IFRS.** As the above charts show, there may not be as much symmetry between the two reporting regimes as regulators hope. Do investors really understand the nuances of IFRS enough to compare the financials of different companies using different standards? Unlikely: the level of education about IFRS at the American college level is practically nil - and what little there may be is in the curricula for accounting degrees, not finance degrees.

- **Enforcement.** The SEC is depending on the uniform application of IFRS standards among different countries and is relying on cooperation with other countries' securities regulators to monitor and enforce that application. For new registrants in the United States, that's not going to result in enforcement that's quite as direct.

- **Many companies are still inexperienced in applying IFRS.** As mentioned before, the European Union's members have only started using IFRS since the beginning of 2005; many companies have only had two years of experience in applying the new reporting. The SEC has examined filings of IFRS-reporting firms and noted problems in the application of the standards in the areas of cash flow statements, accounting treatments for common control mergers, recapitalizations, reorganizations, and acquisitions of minority interests, and similar transactions.⁸

- **Convergence efforts might cease.** Without a public display of how much work remains to be done to achieve substantive convergence, there's less incentive for the two key standard setters to continue working together. That's unlikely, however: the IASB and the FASB have a harmonious relationship and have demonstrated genuine commitment to the goal of converging their standards. A longer-term plan for eliminating the reconciliation might actually *improve* convergence efforts. Instead of simply achieving convergence by decree, a plan for eliminating the remaining differences by certain dates would galvanize the efforts.

- **Elevating IASB to recognized standard-setter status.** If it eliminates the reconciliation, the SEC effectively recognizes the IASB as a standard setter. The standards of the IASB would have the same stature as the FASB's, yet the independence of the IASB is not the same. European Union politics have played a role in past IASB standards and could do so once again - another risk to achieving truly converged accounting standards between the United States and IFRS.

⁷See transcript at <http://sec.gov/spotlight/ifrsroadmap/ifrsroadmap-transcript.txt>

⁸See "SEC Staff Observations in the Review of IFRS Financial Statements," July 2, 2007, found at: http://www.sec.gov/divisions/corpfin/ifrs_staffobservations.htm

II. Beyond Convergence

The Concept Release issued by the SEC in August⁹ goes well beyond the convergence issues raised in the reconciliation proposal. Why worry about remedying any disadvantages that U.S. companies might suffer if they have to compete with foreign filers here that use IFRS instead of U.S. GAAP? If you can't beat them, join them, in accounting terms. The Concept Release effectively asks observers what could happen if U.S. companies were allowed to choose reporting on an IFRS basis or a U.S. GAAP basis.

Such a choice would effectively level any uneven playing field that the reconciliation proposal might create - situations that might occur if the reconciliation proposal becomes a reality. Suppose United States firms in a particular industry face competition from foreign companies that report on an IFRS basis and are consistently more profitable because of the differences in the two sets of standards. Without the reconciliation, how would investors make a fair comparison? They really couldn't - so if there isn't any reconciliation, the U.S. firms are at a disadvantage in the capital markets. Allowing them to move their accounting to IFRS for their SEC filings provides relief. That's a scenario that could be on the increase: as the Commission points out in its Concept Release, the continuing acceptance of IFRS around the world could lead to more comparisons between U.S. firms and IFRS-adopting firms, and the comparisons could be especially pointed if those firms elect to trade their securities in the United States should the reconciliation requirement be dropped. Furthermore, as U.S. firms increase their global footprint, it becomes more likely that they may have to report subsidiary operations on an IFRS basis to regulators in foreign countries. U.S. firms might thus be adopting IFRS reporting whether they want to do so or not.

Notice that if the two sets of standards - U.S. and IFRS - were genuinely converged already, none of this would matter. Nor would the reconciliation matter: if the standards produced truly comparable results, the great majority of reconciliations would read "Not Applicable." The question of whether or not U.S. firms should be allowed to use IFRS in their SEC filings would be moot: they'd be substantially the same as U.S. standards. Because they aren't the same, the SEC is compelled to raise questions about the effects of such a move in the Concept Release. That's a strong indication that dropping the reconciliation is a premature idea.

The Concept Release is an exploratory document: it's less of a concrete rule proposal (like dropping the reconciliation) than it is an information-gathering attempt by the Commission. The SEC seeks advice on all the ramifications of offering American firms the choice of reporting in IFRS. Here are some of the key issues.

- First of all: do investors and financial statement preparers believe that there *should* be a choice?
- **Capital bias.** Does such a choice give some firms an advantage over others? For instance, large multinational firms might find it cost-effective to switch to IFRS, but small domestic firms with limited resources may not be able to make a transition. If a firm enjoys a lower cost of capital by using IFRS, will some firms be at a natural disadvantage?
- **Capital formation.** If the option isn't granted, what happens to capital formation in the United States as IFRS adoption gains steam overseas? Will U.S. companies incorporate elsewhere?
- **Investor usefulness.** Will investors be able to understand and use financial statements of U.S. firms prepared on an IFRS basis? (The reconciliation elimination proposal, if enacted, would be a virtual "yes" answer by the SEC.)
- **Barriers to switching.** Would there be contractual barriers for U.S. firms in switching to IFRS? For example, many covenants and agreements may be contingent upon figures reported on a U.S. GAAP basis.
- **Convergence efforts.** What would be the effect on the FASB and standard-setting in the U.S.? How much would convergence of U.S. standards and IFRS matter? If the FASB and the IASB were unable to converge certain standards, what should the SEC do?
- **Confidence in IFRS and the IASB process.** Do investors and financial statement preparers have confidence in the IASB process that has produced IFRS - and if so, are they confident that the process will continue to be robust? If they're confident in the process and the standards, should it matter to them at all if the SEC officially recognizes the principles? Does it matter to investors that the SEC has no direct oversight over the IASB - quite unlike its relationship with the FASB?
- **Experience-gathering.** Currently, IFRS is not part of many college accounting curricula; it isn't even covered in the Uniform CPA exam. If the accountants in the United States are unfamiliar with the standards due to lack of exposure, then most investors are likely even farther behind. Should the Commission take it upon itself to provide education for investors? If so - how? What barriers and incentives exist for getting experienced professionals to adapt to a world that would embrace IFRS more fully? What barriers and incentives exist for getting colleges and universities to do the same? Or for changing the content of the CPA exam?

⁹The "Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards" can be found at <http://sec.gov/rules/concept/2007/33-8831.pdf>

• **Practice issues.** What actual differences between the two sets of standards would pose problems for financial statement preparers and their auditors in a conversion to an IFRS presentation? Do such differences matter in giving U.S. preparers the choice of a basis? What might be the costs involved in a conversion, and what benefits would justify the costs?

• **Auditing & regulation.** Would auditing firms be willing to audit IFRS-basis financial statements? Would the relative “balance of power” within the public accounting hierarchy be affected by giving companies the choice? Would the audit quality of IFRS-based U.S. financial statements be satisfactory? Is the information-sharing ability among international securities regulators sufficiently developed to ensure that IFRS is being applied properly?

• **Transition & timing.** Who should make the decision on such a switch in principles - management, board of directors or shareholders? When would investors and auditors be ready for a system that allows a choice? Should the SEC establish a timetable for giving an IFRS-basis option to U.S. firms? Should the choice be available to issuers for a limited time? Should they be allowed to switch back to U.S. GAAP?

The devil is in the details, and the questions posed show that many are considerations needed before allowing a choice. If every action has a reaction, then it’s important to think a few steps ahead to figure out the consequences of an action. “Then what?” is the most under-utilized question in the world, but at least the Concept Release forces affected parties to ask that question many times.

The knee-jerk reflex of most investors to the first question posed in the Concept Release is probably “sure, give U.S. companies a choice of accounting basis.” That response might be rooted in the twin naive beliefs that accounting doesn’t matter, and that the two bases must be awfully similar if the SEC wants to waive the reconciliation for foreign filers. So - why penalize domestic issuers? Let them have a choice and they’ll be able to compete more effectively with the foreign filers who’ll flock to the United States markets.

Those are incorrect assumptions, because the dissimilarities will matter - and because the proposal to eliminate the reconciliation is rooted more in politics than in standard-setting or regulation. (Or deregulation.) On April 30, 2007, the United States - European Union Summit took place in Washington, DC and resulted in a “Framework for Advancing Transatlantic Economic Integration Between the United States of America and the European Union.”¹⁰ One part of that framework included efforts to “promote conditions for the U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner.”¹¹ While this convergence touchstone has always been part of the SEC’s plan - remember, it was in the “convergence roadmap” set forth by Don Nicolaisen in 2005 - it takes on significantly more urgency when the President of the United States commits to other world leaders that it will happen by a certain date.

What may come out of the process is a more concrete plan for converging the IFRS standards with the FASB standards by 2009. Again, that’s a process already well in place, one to which both standard setters agreed in 2002 with the Norwalk Agreement - and they’ve worked diligently towards that end ever since. If there’s a more concrete plan that comes out of these two SEC proposals, the big question may be whether “by 2009” means the “beginning of 2009” or the “end of 2009.”

As we’ll see in the next section, given the magnitudes of the differences produced by the two sets of standards, those extra twelve months might come in pretty handy in any convergence process.

¹⁰ The framework in on the Web at <http://www.whitehouse.gov/news/releases/2007/04/print/20070430-4.html>

¹¹ Ibid, Annex 6, Financial Markets, part b.

III. Are We There Yet?

How much work needs to be done to get IFRS and U.S. GAAP to speak (almost) the same language? As the graphs in the first section showed, the difference between the IFRS-basis earnings and the GAAP-basis earnings can be very wide. Those differences are based on a survey of 2006 20-F filings for 130 SEC registrants using IFRS reporting. Of the 130 firms, 20 of them declared that their financials were presented under International Financial Reporting Standards as published by the IASB, and their auditors attested to that declaration in their opinion. Another 102 firms presented their financials on the basis of IFRS as adopted by the European Union. That’s almost the same as using the standards as published by the IASB with one exception: when the EU adopted IFRS as the mother tongue for its constituents, it carved an exception out of International Accounting Standard 39, with regards to derivatives hedging. The exception made by the EU gave firms the choice of sticking with the accounting endorsed by IAS 39 or using their own country’s standard; it’s not an exception that has been widely chosen, meaning that most of those firms on the “IFRS-EU” basis are on the same playing field as those firms on the strict “IFRS as published by the IASB” basis. Finally, 8 Australian firms rounded out the sample: their standards are the same as the IFRS as published by the IASB.

The differences in the reconciliations show one thing for certain: there are still plenty of gaps between U.S. GAAP and international GAAP. The table below provides an overview of the differences.

Headcount: How IFRS Differences Mattered To Earnings & Equity

Earnings	Total	IFRS <	IFRS >	No	Greatest	Least	Greatest	Least
		GAAP	GAAP	Difference	IFRS > GAAP	IFRS > GAAP	IFRS < GAAP	IFRS < GAAP
Pure IFRS	20	10	10	–	41.3%	0.1%	-336.6%	-0.7%
IFRS as adopted by EU	102	31	70	1	826.4%	0.5%	-268.3%	-0.2%
Australian	8	3	4	1	570.5%	0.8%	-8.7%	-8.7%
	130	44	84	2	826.4%	0.1%	-336.6%	-0.2%
Median difference	5.2%	-9.1%	12.9%	NA				

Equity	Total	IFRS <	IFRS >	No	Greatest	Least	Greatest	Least
		GAAP	GAAP	Difference	IFRS > GAAP	IFRS > GAAP	IFRS < GAAP	IFRS < GAAP
Pure IFRS	20	6	14	--	83.4%	0.2%	-98.7%	-0.1%
IFRS as adopted by EU	102	54	48	--	102.4%	0.2%	-92.4%	-0.2%
Australian	8	3	4	1	15.4%	0.3%	-70.8%	-70.8%
	130	63	66	1	102.4%	0.2%	-98.7%	-0.1%
Median difference	0.2%	-12.7%	6.6%	NA				

It’s an admittedly small sample, but you can’t ignore two facts emerging from it. First, two firms with no difference in earnings on the two bases doesn’t suggest a high degree of convergence. The medians suggest that the two accounting systems produce earnings and equity values that are pretty far apart; so does the range information in the shaded area. Second observation: with earnings showing up higher on an IFRS basis than on a GAAP basis over twice as often, U.S. firms might be fairly interested in supporting the SEC’s concept release on allowing them a reporting choice.

The SEC has long been concerned about materiality of misstatements in financial reporting, due to errors or intentional misstatements.¹² While the differences in the two bases of accounting aren’t the results of errors or intentional misstatements, they do introduce an element of imprecision into the language of investors, who may be basing their investment decisions on information that may not be as complete as they thought it was. That’s one reason the SEC is concerned about the materiality of misstatements, and it’s hard to square their position on materiality with the proposal to drop the reconciliation.

Another fallout from dropping the reconciliation that the SEC might not expect: the differences between the two bases might spur domestic firms to increase their pro forma reporting of earnings. U.S. firms that compete with foreign IFRS reporters might take to putting some sort of hybrid information in their press releases to “help” analysts make comparisons. Increases in pro forma measures don’t usually increase the consistency or quality of financial information.

The tables on the next two pages present the IFRS basis and GAAP basis earnings and stockholder’s equity drawn from the reconciliations of the 130 filers summarized above, sorted in descending order of the difference between the two bases of accounting.

¹²For example, see Staff Accounting Bulletin No. 99 - Materiality at <http://www.sec.gov/interp/account/sab99.htm>

From The Current Reconciliations: Earnings Differences

<i>(All figures in millions of native currencies)</i>	IFRS	GAAP	% Diff.		IFRS	GAAP	% Diff.
OCE NV	72.9	7.9	826.4%	Corporate Express	123.0	117.0	5.1%
Head NV	4.4	0.6	666.5%	Smith & Nephew	745.0	709.0	5.1%
Cityview Corporation Limited	(5.3)	(0.8)	570.5%	Westpac Banking Corp.	3,071.0	2,936.0	4.6%
Bayer AG	1,695.0	269.0	530.1%	British Sky Broadcasting Group	499.0	479.0	4.2%
Rhodia	66.0	15.0	340.0%	BASF AG	3,215.2	3,094.3	3.9%
Global Crossing	13.5	5.8	131.7%	National Australia Bank Ltd	4,392.0	4,232.0	3.8%
Fiat SPA	1,519.0	719.0	111.3%	Telefonica SA	6579	6341	3.8%
Abbey National PLC	313.0	173.0	80.9%	Veolia Environment	758.7	732.1	3.6%
Telecom Italia	3,003.0	1,862.0	61.3%	Invesco /London	490.1	474.5	3.3%
Reed Elsevier PLC	625.0	399.0	56.6%	Total SA	11,768.0	11,400.0	3.2%
Lloyds TSB Group	2,803.0	1,815.0	54.4%	Petrochina Co.	19,143.0	18,719.0	2.3%
Lihir Gold	53.8	36.3	48.4%	Novo Nordisk	6,452.0	6,310.0	2.3%
Credicorp	247.3	175.0	41.3%	Groupe Danone	1,353.0	1,326.0	2.0%
WPP Group	482.6	347.0	39.1%	TNT NV	670.0	657.0	2.0%
Astrazeneca	6,043.0	4,392.0	37.6%	Koninklijke KPN	1,583.0	1,569.0	0.9%
Aegon NV	2,789.0	2,046.0	36.3%	Australia and NZ Banking	3,688.0	3,657.0	0.8%
Suez	3,606.3	2,683.0	34.4%	Nokia	4,306.0	4,275.0	0.7%
Novartis	7,019.0	5,264.0	33.3%	Ericsson LM Telephone	26,251.0	26,080.0	0.7%
Sodexo Alliance SA	333.0	250.0	33.2%	Swisscom	1,599.0	1,589.0	0.6%
Pearson PLC	446.0	341.0	30.8%	Pfeiffer Vacuum Technology	29.6	29.4	0.6%
Coles Group	1,163.6	892.3	30.4%	Publicis Group	443.0	441.0	0.5%
Endesa	3,798.0	2,916.0	30.2%	Guangshen Railway Co	98.9	98.5	0.4%
Portugal Telecom	954.1	734.7	29.9%	National Telephone - VZ	1,130,375.0	1,129,351.0	0.1%
Metal Storm	(14.2)	(11.1)	28.3%	Randgold Resources	47.6	47.6	0.0%
CGG Veritas	157.1	123.9	26.8%	Atlas South Sea Pearl	3.2	3.2	0.0%
Syngenta	634.0	504.0	25.8%	Banco Bilbao Vizcaya Argentaria	4,971.0	4,971.7	-0.0%
Benetton Group	124.9	99.8	25.2%	Governor & Company - Ireland	1,651.0	1,655.0	-0.2%
Prudential	874.0	705.0	24.0%	Reuters Group PLC	305.0	306.0	-0.3%
Glaxo Smith Kline	5,498.0	4,465.0	23.1%	Tenaris	1,945.3	1,957.3	-0.6%
China Telecom Corporation	27,142.0	22,046.0	23.1%	Sinopec Shanghai Petrochemical	844.4	850.0	-0.7%
Vodafone Group	(10,427.0)	(8,514.0)	22.5%	Sanofi-Aventis	4,006.0	4,034.0	-0.7%
LaFarge	1,589.0	1,299.0	22.3%	Yanzhou Coal Mining	2,373.0	2,405.8	-1.4%
National Grid PLC	1,394.0	1,146.0	21.6%	AS Steamship	234.5	238.1	-1.5%
Rio Tinto PLC	7,867.0	6,649.0	18.3%	Deutsche Telekom	3,165.0	3,219.0	-1.7%
Electrolux AB	3,847.0	3,264.0	17.9%	China Petroleum & Chemical	53,912.0	54,862.0	-1.7%
Aktiebolaget Electrolux	3,847.0	3,264.0	17.9%	HSBC Holdings PLC	15,789.0	16,358.0	-3.5%
ING Group	8,033.0	6,827.0	17.7%	Euro Disney SCA	(88.6)	(92.9)	-4.6%
AXA	5,085.0	4,330.0	17.4%	Ternium	795.4	841.0	-5.4%
CRH plc	1,224.2	1,060.7	15.4%	China Eastern Airlines	(3,452.8)	(3,661.0)	-5.7%
Akzo Nobel	1,153.0	1,000.0	15.3%	Royal Ahold	915.0	973.0	-6.0%
Unilever	5,015.0	4,385.0	14.4%	Delhaize Group	351.9	374.9	-6.1%
Aktiebolaget Volvo	16,318.0	14,309.0	14.0%	Grupo TMM SAB	69.9	75.6	-7.5%
Royal Bank of Scotland	6,202.0	5,440.0	14.0%	Eni SPA	9,217.0	10,005.0	-7.9%
Aixtron AG	5.9	5.2	13.1%	Stora Enso	585.0	637.5	-8.2%
Cadbury Schweppes	1,165.0	1,034.0	12.7%	Alumina	511.1	559.8	-8.7%
Repsol	3,348.0	2,972.0	12.7%	Telekom Austria AG	561.8	620.8	-9.5%
Mittal Steel Company	6,086.0	5,405.0	12.6%	France Telecom	6,292.0	6,970.0	-9.7%
Banco Santander	8,245.8	7,414.6	11.2%	Inmarsat Group	128.0	142.0	-9.9%
Hanson PLC	401.5	363.4	10.5%	Technip	200.1	224.2	-10.7%
Allied Irish Banks	2,185.0	1,986.0	10.0%	BG Group	1,824.0	2,102.0	-13.2%
Imperial Tobacco	851.0	778.0	9.4%	Intercontinental Hotels Group	405.0	486.0	-16.7%
Air France	891.0	817.0	9.1%	Arcadis	44.9	54.1	-16.9%
Allianz	7,021.0	6,517.0	7.7%	Turkcell Iletisim	832.9	1,015.6	-18.0%
Huaneng Power	6,889.1	6,394.7	7.7%	Enel SPA	4,007.0	4,907.0	-18.3%
Metso	409.0	380.0	7.6%	UPM Kymmene Corp	338.0	424.0	-20.3%
National Westminster Bank	2,586.0	2,423.0	6.7%	Millicom Intl.	168.9	230.7	-26.8%
UBS AG	12,257.0	11,486.0	6.7%	SGL Carbon Aktienges	53.6	77.2	-30.6%
Royal Dutch Shell	26,311.0	24,797.0	6.1%	Cruceel NV	(87.6)	(138.4)	-36.7%
Barclays Bank	4,571.0	4,318.0	5.9%	China Southern Airlines	126.0	216.0	-41.7%
ABN Amro	4,715.0	4,461.0	5.7%	Alcatel Lucent	(176.0)	(590.0)	-70.2%
BP	22,315.0	21,116.0	5.7%	Protherics PLC	(3.4)	(20.3)	-83.5%
Magyar Telekom	75,453.0	71,481.0	5.6%	Sappi Ltd	(4.0)	(116.0)	-96.6%
Telkom	1,214.0	1,151.0	5.5%	Thomson	55.0	(199.0)	-127.6%
Wolseley PLC	537.0	510.0	5.3%	Trinity Biotech	3.3	(1.9)	-268.3%
Signet Group PLC	141.5	134.4	5.3%	Calcitech	(0.6)	0.3	-336.6%

From The Current Reconciliations: Equity Differences

<i>(All figures in millions of native currencies)</i>	IFRS	GAAP	% Diff.		IFRS	GAAP	% Diff.
Protherics PLC	76.5	37.8	102.4%	Head NV	155.9	155.6	0.2%
France Telecom	41,754.0	21,326.0	95.8%	Guangshen Railway	2,585.8	2,585.0	0.03%
China Eastern Airlines	3,476.6	1,895.7	83.4%	Cityview Corporation	2.2	2.2	0.0%
Portugal Telecom	3,106.0	1,877.6	65.4%	Grupo TMM SAB	182.7	182.8	-0.1%
Lihir Gold	811.9	500.8	62.1%	HSBC Holdings PLC	108,352.0	108,540.0	-0.2%
Fiat SPA	13,244.0	8,715.0	52.0%	Nokia	12,060.0	12,112.0	-0.4%
Thomson	2,119.0	1,468.0	44.3%	Sinopec Shanghai Petrochemical	18,976.3	19,063.1	-0.5%
Global Crossing	(195.6)	(135.9)	43.9%	Novartis	41,294.0	41,670.0	-0.9%
Euro Disney SCA	393.5	278.1	41.5%	Sanofi-Aventis	45,600.0	46,023.0	-0.9%
Veolia Environment	4,360.8	3,177.8	37.2%	Barclays Bank	19,799.0	20,032.0	-1.2%
Mittal Steel Company	50,191.0	36,879.0	36.1%	Ericsson LM Telephone	120,113.0	121,898.0	-1.5%
Endesa	15,936.0	11,775.0	35.3%	Hanson PLC	2,728.8	2,781.5	-1.9%
Sodexo Alliance SA	2,173.0	1,619.0	34.2%	Royal Dutch Shell	105,726.0	108,018.0	-2.1%
Swisscom	4,436.0	3,413.0	30.0%	BP	84,624.0	86,517.0	-2.2%
TNT NV	2,008.0	1,571.0	27.8%	Repsol	18,042.0	18,472.0	-2.3%
Huaneng Power Intl	50,608.7	40,249.7	25.7%	Delhaize Group	3,525.2	3,610.2	-2.4%
Electrolux AB	13,194.0	10,653.0	23.9%	Smith & Nephew	2,174.0	2,227.0	-2.4%
Aktiebolaget Electrolux	13,194.0	10,653.0	23.9%	Groupe Danone	5,823.0	5,973.0	-2.5%
China Southern Airlines	12,121.0	9,917.0	22.2%	Pearson PLC	3,476.0	3,581.0	-2.9%
Inmarsat Group	389.8	323.6	20.5%	China Telecom	202,425.0	208,920.0	-3.1%
Turkcell Iletisim	4,118.0	3,449.2	19.4%	CRH plc	7,104.3	7,343.9	-3.3%
Millicom Intl.	582.4	489.2	19.0%	Banco Santander	47,072.3	48,703.5	-3.3%
Governor & Company- Ireland	6,724.0	5,679.0	18.4%	Allianz	50,481.0	52,999.0	-4.8%
AXA	47,226.0	40,924.0	15.4%	Westpac Banking	14,186.0	14,965.0	-5.2%
Coles Group	3,598.0	3,118.2	15.4%	Vodafone Group	132,466.0	139,923.0	-5.3%
Telkom	4,391.0	3,885.0	13.0%	Deutsche Telekom	49,670.0	52,747.0	-5.8%
Syngenta	5,666.0	5,046.0	12.3%	Rio Tinto PLC	19,385.0	20,791.0	-6.8%
LaFarge	11,794.0	10,510.0	12.2%	Technip	2,401.3	2,587.4	-7.2%
Ternium	3,757.6	3,435.5	9.4%	Aegion NV	19,155.0	20,994.0	-8.8%
Credicorp	1,533.8	1,403.9	9.2%	Alumina	1,754.6	1,937.5	-9.4%
National Australia Bank Ltd	27,972.0	25,911.0	8.0%	Wolseley PLC	2,592.0	2,869.0	-9.7%
Petrochina Co.	79,137.0	73,611.0	7.5%	WPP Group	3,918.4	4,396.9	-10.9%
Enel SPA	24,362.0	22,725.0	7.2%	National Westminster	10,173.0	11,470.0	-11.3%
National Telephone - VZ	3,289,654.0	3,086,579.0	6.6%	Koninklijke KPN	4,195.0	4,786.0	-12.3%
Air France	8,412.0	7,950.0	5.8%	Magyar Telekom	526,039.0	604,400.0	-13.0%
Yanzhou Coal Mining	18,931.8	17,913.2	5.7%	Telefonica SA	20,001.0	23,376.0	-14.4%
Bayer AG	12,851.0	12,181.0	5.5%	ABN Amro	23,597.0	28,080.0	-16.0%
CGG Veritas	877.0	831.9	5.4%	Arcadis	188.9	225.4	-16.2%
Stora Enso	7,799.6	7,400.4	5.4%	Suez	19,503.8	23,684.4	-17.7%
Allied Irish Banks	8,108.0	7,696.0	5.4%	Rhodia	(628.0)	(778.0)	-19.3%
Crucell NV	497.3	473.5	5.0%	Alcatel Lucent	15,493.0	19,284.0	-19.7%
Metso	1,468.0	1,402.0	4.7%	Signet Group PLC	886.3	1,130.9	-21.6%
Lloyds TSB Group	11,155.0	10,752.0	3.7%	Cadbury Schweppes Public Ltd	3,696.0	4,785.0	-22.8%
Trinity Biotech	167.3	161.3	3.7%	UBS AG	49,686.0	64,523.0	-23.0%
Eni SPA	39,029.0	37,656.0	3.6%	Prudential	5,488.0	7,204.0	-23.8%
BG Group	6,465.0	6,251.0	3.4%	Banco Bilbao Vizcaya Argentaria	22,318.5	30,461.2	-26.7%
Benetton Group	1,318.7	1,276.5	3.3%	OCE NV	907.7	1,274.2	-28.8%
SGL Carbon Aktienges	586.1	568.1	3.2%	Abbey National PLC	3,116.0	4,420.0	-29.5%
Novo Nordisk	30,122.0	29,235.0	3.0%	Invesco /London	4,275.1	6,173.9	-30.8%
Aktiebolaget Volvo	87,188.0	84,858.0	2.7%	Unilever	11,672.0	17,068.0	-31.6%
Australia and NZ Banking	19,872.0	19,412.0	2.4%	Publicis Group	2,080.0	3,075.0	-32.4%
Sappi Ltd	1,386.0	1,356.0	2.2%	Telecom Italia	27,098.0	43,823.0	-38.2%
Randgold Resources Ltd	336.1	329.0	2.2%	Reed Elsevier PLC	1,979.0	3,220.0	-38.5%
UPM Kymmene Corp	7,289.0	7,152.0	1.9%	Reuters Group PLC	172.0	281.0	-38.8%
ING Group	41,215.0	40,647.0	1.4%	Akzo Nobel	4,144.0	7,162.0	-42.1%
Tenaris	5,338.6	5,265.8	1.4%	Total SA	40,321.0	71,884.0	-43.9%
BASF AG	18,578.1	18,394.0	1.0%	Royal Ahold	5,270.0	10,433.0	-49.5%
Corporate Express	1,527.0	1,512.0	1.0%	Astrazeneca	15,304.0	32,467.0	-52.9%
Aixtron AG	183.9	182.3	0.9%	Intercontinental Hotels Group	678.0	1,498.0	-54.7%
AS Steamship Co Torm	1,280.8	1,271.4	0.7%	National Grid PLC	4,125.0	9,330.0	-55.8%
Royal Bank of Scotland	40,227.0	40,077.0	0.4%	Imperial Tobacco	579.0	1,503.0	-61.5%
Pfeiffer Vacuum Technology	139.0	138.6	0.3%	Metal Storm	2.4	8.3	-70.8%
Atlas South Sea Pearl	18.2	18.2	0.3%	Glaxo Smith Kline	9,648.0	34,653.0	-72.2%
China Petroleum & Chemical	262,845.0	262,297.0	0.2%	British Sky Broadcasting	47.0	616.0	-92.4%
Telekom Austria AG	2,823.5	2,818.8	0.2%	Calcitech	(0.1)	(5.9)	-98.7%

What caused the differences could fill a book - but it will fill only the next two pages for the 20 “IFRS as issued by the IASB” filers. Only these 20 are presented here due to space limitations.

“Pure IFRS” Filers: Earnings Reconciliation To GAAP (Part 1)

<i>(All figures in millions of native currencies)</i>	Count	Novartis	UBS AG	Syngenta	Sappi	Telkom	Swiss-com	Huaneng Power	China Southern Airlines	China Petr. & Chem.	China Eastern Airlines
Net tax effect of GAAP adjustments	12	--	(146.0)	46.0	(19.0)	(14.0)	--	(96.4)	(18.0)	(421.0)	(23.9)
Deferred taxes methodology	10	125.0	--	27.0	(12.0)	(47.0)	--	--	(10.0)	--	--
Other	9	(68.0)	130.0	9.0	(25.0)	(12.0)	--	(26.2)	--	--	27.0
PP&E/Long-term assets	8	58.0	--	--	4.0	--	--	--	--	1,420.0	210.4
Pensions/OPEBs	8	(198.0)	165.0	(48.0)	(44.0)	7.0	(16.0)	--	--	--	--
Minority Interests on adjustments	7	(27.0)	--	--	--	(28.0)	--	--	--	(93.0)	--
Capitalization of interest	6	--	--	--	--	--	20.0	8.8	(35.0)	(40.0)	--
Purchase price accounting	5	(58.0)	(31.0)	(56.0)	--	--	--	315.3	74.0	--	--
Asset impairment	5	--	--	2.0	(43.0)	1.0	--	(30.1)	--	38.0	--
Goodwill and business combinations	4	64.0	3.0	--	18.0	--	--	152.1	--	--	--
IFRS Minority Interests	4	--	--	--	--	--	--	(817.9)	--	--	139.3
Securities and investments	4	(114.0)	(107.0)	--	--	--	--	--	--	--	--
Inventory	4	103.0	--	(13.0)	(1.0)	(1.0)	--	--	--	--	--
Derivatives	4	--	372.0	--	7.0	14.0	--	--	--	--	--
Leases	4	--	--	--	1.0	--	32.0	--	93.0	--	(126.5)
Compensation costs: share based	3	(5.0)	(475.0)	--	(2.0)	--	--	--	--	--	--
Derivatives on own shares	3	--	6.0	(60.0)	--	17.0	--	--	--	--	--
Equity method investments	3	--	--	--	--	--	--	--	(14.0)	--	--
Foreign exchange gains/losses	2	--	--	--	--	--	--	--	--	46.0	--
Restructuring provisions	2	--	--	(9.0)	4.0	--	--	--	--	--	--
Revenue recognition	2	--	--	(1.0)	--	--	18.0	--	--	--	--
Fair value of securities	1	--	(682.0)	--	--	--	--	--	--	--	--
Translation of financial statements	1	--	--	--	--	--	--	--	--	--	--
Start-up costs	1	--	--	--	--	--	(40.0)	--	--	--	--
Real estate investments	1	--	(4.0)	--	--	--	--	--	--	--	--
Consolidation/deconsolidation of VIEs	1	--	(2.0)	--	--	--	--	--	--	--	--
Other intangible assets	1	(441.0)	--	--	--	--	--	--	--	--	--
GAAP Disc. Ops	1	114.0	--	--	--	--	--	--	--	--	--
Debt restructuring	1	--	--	--	--	--	--	--	--	--	--
Assets held for disposal	1	--	--	--	--	--	--	--	--	--	(434.6)
Onerous contracts	1	--	--	--	--	--	(5.0)	--	--	--	--
Environmental provisions	1	--	--	(27.0)	--	--	--	--	--	--	--
Mining rights	1	--	--	--	--	--	--	--	--	--	--
In-process R&D	1	(1,308.0)	--	--	--	--	--	--	--	--	--
Asset retirement obligations	1	--	--	--	--	--	(2.0)	--	--	--	--
Share buyback:- treasury shares	1	--	--	--	--	--	(17.0)	--	--	--	--
Convertible debt	1	--	--	--	--	--	--	--	--	--	--
Total reconciling items		(1,755.0)	(771.0)	(130.0)	(112.0)	(63.0)	(10.0)	(494.4)	90.0	950.0	(208.2)
IFRS Earnings		7,019.0	12,257.0	634.0	(4.0)	1,214.0	1,599.0	6,889.1	126.0	53,912.0	(3,452.8)
US GAAP Earnings		5,264.0	11,486.0	504.0	(116.0)	1,151.0	1,589.0	6,394.7	216.0	54,862.0	(3,661.0)
Difference in earnings		<u>33%</u>	<u>7%</u>	<u>26%</u>	<u>-97%</u>	<u>5%</u>	<u>1%</u>	<u>8%</u>	<u>-42%</u>	<u>-2%</u>	<u>-6%</u>
Avg.											
Positive adjustments	2.5	5	5	4	5	4	3	3	2	3	3
Negative adjustments	3.8	8	7	7	6	5	5	4	4	3	3
Total adjustments	6.2	13	12	11	11	9	8	7	6	6	6

Could analysts and investors come up with the adjustments noted above and on the next page all on their own? Highly doubtful; those adjustments are the result of transactions being given different accounting treatments. Those transactions reside deep in the bowels of the firms’ general ledger and that’s where the different accounting treatments are applied - not at the 30,000 foot level that analysts and investors see. Investors who believe that the two systems result in consistently close results or that they can compensate for the major differences that occur without help from the firm are kidding themselves.

“Pure IFRS” Filers: Earnings Reconciliation To GAAP (Part 2)

<i>(All figures in millions of native currencies)</i>	Turkcell Iletisim	Grupo TMM	Petro-china	Nat'l Telephone Venezuela	Yanzhou Coal Mining	Sinopec Shanghai Petrochem.	Credi-corp	China Telecom Corp.	Calcitech	Guangshen Railway
Net tax effect of GAAP adjustments.	--	--	(174.0)	--	--	(1.0)	(5.1)	1,737.0	--	--
Other	--	--	--	--	(97.8)	--	--	--	--	(0.4)
Deferred taxes methodology	(93.9)	(0.4)	--	(994.0)	(64.3)	--	--	(17.0)	--	--
PP&E/Long-term assets	--	--	528.0	--	187.9	15.9	--	(6,816.0)	--	--
Pensions/OPEBs	--	(3.6)	--	9,588.0	--	--	--	--	--	--
Minority Interests on adjustments	--	(0.0)	(1,128.0)	(2,955.0)	--	--	(12.0)	--	--	--
Capitalization of interest	--	--	--	(6,663.0)	--	(9.3)	--	--	--	--
Purchase price accounting	--	--	--	--	--	--	--	--	--	--
Asset impairment	--	--	--	--	--	--	--	--	--	--
Goodwill and business combinations	--	--	--	--	--	--	--	--	--	--
IFRS Minority Interests	42.6	--	--	--	--	--	--	--	--	(0.0)
Securities and investments	(4.6)	--	--	--	--	--	(55.2)	--	--	--
Inventory	--	--	--	--	--	--	--	--	--	--
Derivatives	--	--	--	--	--	--	--	--	0.9	--
Leases	--	--	--	--	--	--	--	--	--	--
Compensation costs: share based	--	--	--	--	--	--	--	--	--	--
Derivatives on own shares	--	--	--	--	--	--	--	--	--	--
Equity method investments	(1.6)	--	350.0	--	--	--	--	--	--	--
Foreign exchange gains/losses	--	1.2	--	--	--	--	--	--	--	--
Restructuring provisions	--	--	--	--	--	--	--	--	--	--
Revenue recognition	--	--	--	--	--	--	--	--	--	--
Fair value of securities	--	--	--	--	--	--	--	--	--	--
Translation of financial statements	240.2	--	--	--	--	--	--	--	--	--
Start-up costs	--	--	--	--	--	--	--	--	--	--
Real estate investments	--	--	--	--	--	--	--	--	--	--
Consolidation/deconsolidation of VIEs	--	--	--	--	--	--	--	--	--	--
Other intangible assets	--	--	--	--	--	--	--	--	--	--
GAAP Disc. Ops	--	--	--	--	--	--	--	--	--	--
Debt restructuring	--	8.4	--	--	--	--	--	--	--	--
Assets held for disposal	--	--	--	--	--	--	--	--	--	--
Onerous contracts	--	--	--	--	--	--	--	--	--	--
Environmental provisions	--	--	--	--	--	--	--	--	--	--
Mining rights	--	--	--	--	7.0	--	--	--	--	--
In-process R&D	--	--	--	--	--	--	--	--	--	--
Asset retirement obligations	--	--	--	--	--	--	--	--	--	--
Share buyback: treasury shares	--	--	--	--	--	--	--	--	--	--
Convertible debt	--	--	--	--	--	--	--	--	(0.1)	--
Total reconciling items	182.7	5.6	(424.0)	(1,024.0)	32.8	5.6	(72.2)	(5,096.0)	0.9	(0.4)
IFRS Earnings	<u>832.9</u>	<u>69.9</u>	<u>19,143.0</u>	<u>1,130,375.0</u>	<u>2,373.0</u>	<u>844.4</u>	<u>247.3</u>	<u>27,142.0</u>	<u>(0.6)</u>	<u>98.9</u>
US GAAP Earnings	<u>1,015.6</u>	<u>75.6</u>	<u>18,719.0</u>	<u>1,129,351.0</u>	<u>2,405.8</u>	<u>850.0</u>	<u>175.0</u>	<u>22,046.0</u>	<u>0.3</u>	<u>98.5</u>
Difference in earnings	<u>-18%</u>	<u>-7%</u>	<u>2%</u>	<u>0%</u>	<u>-1%</u>	<u>-1%</u>	<u>41%</u>	<u>23%</u>	<u>-337%</u>	<u>0%</u>
Positive adjustments	2	2	2	1	2	1	0	1	1	0
Negative adjustments	3	3	2	3	2	2	3	2	1	2
Total adjustments	5	5	4	4	4	3	3	3	2	2

Should the SEC quit on the idea of dropping the reconciliation? Should it abandon efforts to hasten convergence? “No” to both questions. That reconciliation can be a tool for the SEC to prod the FASB and IASB to hasten their convergence efforts by (the end of) 2009, if they help the standard setters focus efforts on the standards creating the most significant differences. If the differences are due to legacy differences that won’t ever go away - like the differences between accounting treatments for business combinations before the two systems became more alike - then those differences should continue to be disclosed. Perhaps a full-fledged reconciliation might not be necessary, but investors deserve to know where convergence efforts can’t improve financial reporting.

To simply eliminate the reconciliation anytime sooner, without working on those differences, is to simply declare victory and go home. It’s convergence by decree, not in substance.

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