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## Leveraging your Oracle investment to attain IFRS compliance and achieve high performance

### IFRS: challenges and opportunities

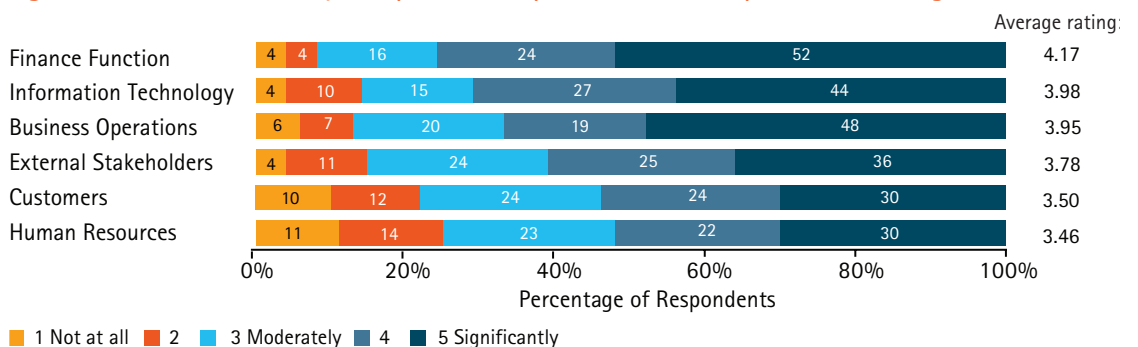
For US-publicly traded companies, adopting International Financial Reporting Standards (IFRS) is no longer a question of "if" but "how and when." The interest in adopting IFRS as a reporting standard in the United States has risen dramatically as more than 100 countries to date have embraced IFRS, and the US Securities and Exchange Commission has proposed a road map requiring adoption by large publicly-held companies as early as 2014. Formal programs are also underway between the Financial Accounting Standards Board, and the International Accounting Standards Board, to converge US Generally Accepted Accounting Principles (GAAP) with IFRS. To date, several aspects of these two separate accounting standards have already been converged and discussions are ongoing.

### The impact of IFRS on US companies

Accenture conducted a survey of more than 200 executives in December 2008 to better understand how US companies view IFRS adoption. A key finding from this survey suggests that large companies are taking proactive measures to understand the implications of the new standard on their organization. Sixty-four percent of the surveyed companies are either engaged in an IFRS initiative or plan to be engaged within the next 12 months.

Although it is widely known within the Finance community that IFRS is more than an accounting change, the impact of IFRS has also become evident to other corporate functions including IT, business operations and human resource functions (see Figure 1) and the corresponding applications that support them.

Figure 1. To what extent do you expect the adoption of IFRS to impact the following?



In line with that finding, as expected, respondents indicated that their supporting applications would endure significant impacts from IFRS (see Figure 2). Reporting, Revenue Accounting, and General Accounting systems lead the way, lending to the widely held and accurate perception around the two notable areas between GAAP and IFRS where significant treatment differences remain: Reporting Presentation and Revenue Recognition.

## Approaches to IFRS

A cohesive approach is critical to manage the pervasive impact of IFRS on a company's IT systems. Companies that act today will have a comfortable window of opportunity to analyze and plan in advance of the SEC's compliance dates. Through our research and client experience we have identified a range of approaches that companies can take—from the practical compliance-oriented adaptation of existing Oracle applications to transformational programs which include IFRS compliance as a requirement. Nearly half of our survey respondents indicated that they were integrating IFRS conversion projects within broader systems, finance transformation or upgrade programs which helps ensure maximum improvements are achieved in a synergistic manner, and helps to rationalize requirements as part of the overall program.

An individual company's approach to IFRS conversion will depend on several factors including industry practices, existing accounting conventions, company size, global span, and most notably, existing systems. Those companies with current versions of enterprise resource planning (ERP) applications like Oracle E-Business Suite and Oracle's PeopleSoft have standard functionality which can be used to affect the IFRS conversion. Fifty-seven percent of our survey respondents believe that the leading key success factor for IFRS conversion is having technology in place to support it. Key IFRS-enabling functionality for some Oracle applications is summarized in Figure 3.

Figure 2. What is your assessment of the impact of IFRS conversion to the following systems?

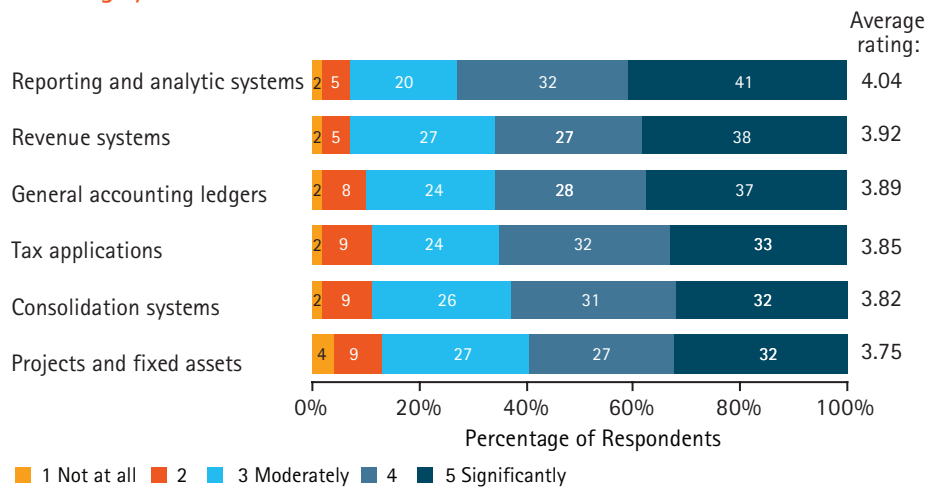


Figure 3. Multi-basis Accounting Functionality

### Oracle E-Business Suite Release 12

- Subledger Accounting
- Ledgers and Ledger Sets
- Fixed Assets Parent-Child Structure
- Impairment Processing
- Inventory Costing Methods
- Flexible Reporting

### PeopleSoft Enterprise Release 9

- Book Code within subsystems
- Dual Accounting with Multiple Ledgers
- Inventory—Multiple Costing Basis
- Asset Accounting—Componentization
- Impairment Processing
- Flexible Reporting

### Oracle Enterprise Performance Management

- Multi-Basis Consolidation
- Journal Entries with Attachment Management
- Custom Data Dimensions
- Flexible Reporting

Despite the formidable challenges that lie ahead, adopting IFRS provides an opportunity to instill lasting improvements within core processes and provides the impetus to strengthen distinctive capabilities and further leverage their existing Oracle applications and technology investments. Accenture believes companies that approach IFRS with a business-improvement mindset and not solely as a compliance mandate will be better positioned to gain competitive advantage and achieve high performance in today's highly dynamic global economy.

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Accenture's research report "Preparing for International Financial Reporting Standards" is available on [accenture.com](http://accenture.com).

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