

IFRS AT ROCHESTER-AREA INSTITUTIONS: ARE PROFESSORS PREPARED TO TEACH?

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**IFRS AT ROCHESTER-AREA INSTITUTIONS: ARE PROFESSORS PREPARED TO TEACH?****ABSTRACT**

I studied the preparedness of accounting professors in the Rochester, New York area related to teaching International Financial Reporting Standards (IFRS) in accounting courses at their institution through a survey of educators conducted during December 2011. I found Rochester-area college professors responded that overall college professors are not prepared to teach International Financial Reporting Standards nationwide with a total of 69.23%. Professors are more prepared by a slim margin in the Rochester-area institutions with a total of 57.69% professors responding that their own institution was prepared to teach International Financial Reporting Standards. Based on experience, professors with less experience, whether as a professional or professor, believe more so than more experienced professors that both nationwide and institutionally college professors are not prepared to teach IFRS. Male and female professors both agreed that nationwide professors are not prepared to teach IFRS. However, institutionally, 6 out of 7 males (85.71%) were more confident in their own institutions in the Rochester-area, deeming their institution prepared to teach IFRS, while 5 out of 7 females (71.43%) believed their institution was not prepared to teach IFRS. I found no differences among preparedness based on institution type (public vs. private). Overall, my study provides evidence regarding the state of local accounting professors' readiness to prepare students for a global economy using IFRS as a standard for reporting.

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## IFRS AT ROCHESTER-AREA INSTITUTIONS: ARE PROFESSORS PREPARED TO TEACH?

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### 1. INTRODUCTION AND PURPOSE

Eric Janson, a partner at Rubin Brown in Clayton, Missouri said, “If accounting is the language of business, and you’ve got two different languages here, it has a huge impact.” (Nicklaus, 2008). The International Accounting Standards Board developed International Financial Reporting Standards (IFRS) which are currently practiced and/or required by over 100 nations today. On the other hand, the United States uses their own Generally Accepted Accounting Principles (GAAP) created mainly by the Financial Accounting Standards Board as reporting standards. Accordingly, the United States Securities and Exchange Commission (SEC) has recently released a roadmap for adoption of IFRS, emphasizing the need for educating all users. The basic principles of accounting are essentially similar among the two standards, with overall IFRS being less detailed and interpretations varying. GAAP may as well become a “dead language” someday, so this substantially affects virtually all financial statement users. Having one set of global standards for preparing financial statements will have numerous benefits, especially relating to comparability among multinational companies. The current generation will increasingly grow and integrate into a global economy, so as it continues to evolve, it becomes crucial for capital market participants to adhere to a single set of global standards.

United States academic institutions are left to determine what methods and what time frame necessary to prepare students for a global environment that employs IFRS as a reporting standard. IFRS is typically introduced in an intermediate accounting course, targeting

accounting majors that will someday be preparers of financial statements. Beyond this, other general business majors are only really exposed at the simplest level in the required principle level accounting courses. Most business students, even accounting majors, do not have knowledge of the plans for convergence or even what IFRS is in general. Students rely on their professors at their academic institution to develop and prepare them for future careers in the business world. It is vital to make note that IFRS is relatively recent, making us sense that a large number of professors have a low knowledge base of IFRS themselves, although they should be incorporating it into their curriculum. Students cannot expect to learn any details relative to IFRS unless professors are ready, willing, and able to teach the material.

Therefore, my objective in this study is to look at academic institutions in the Rochester-area and investigate as to whether or not professors are prepared to cover IFRS material in accounting courses, how professors plan on adapting to the change, and general input related to impacts of IFRS. I surveyed 66 professors in the Rochester-area during the month of December 2011 and obtained 27 responses (40.9 percent response) representing 16 institutions.

First, Rochester-area college professors responded that overall college professors are not prepared to teach International Financial Reporting Standards nationwide (69.23%,) while professors are more prepared by a slim margin in the Rochester-area institutions with 57.69% Rochester-area college professors responding that their own institution was prepared to teach International Financial Reporting Standards. There is overall a lack of preparedness

nationwide, but a perception by Rochester-area professors that their institution *is* prepared to teach IFRS.

Second, based on experience, professors with less experience, whether as a professional or professor, believe more so than more experienced professors that nationwide and institutionally college professors are not prepared to teach IFRS. Six out of the seven (85.7%) professors with 5+, but not yet 10 years of professional experience, responded no for preparedness nationwide, while 10 out of 17 (58.8%) of professors with 10 or more years of professional experience responded no. Five out of the eight (62.5%) professors with one or 5+, but not yet 10 years of professor experience responded no for preparedness nationwide, while 13 out of 17 (72.2%) of professors with 10 or more years of professor experience responded no. Institutionally, half of the professors with one or 5+ years of experience thought their own institution was not prepared to teach IFRS while only 7 out of 18 (38.9%) of professors with 10 or more years of professor experience thought their own institution was not prepared to teach IFRS. Five out of the seven responses (71.4%) from professors with 5+ experience as professionals thought their own institution was not prepared to teach IFRS, while only 5 out of 17 (29.4%) of professors with 10 or more years of professional experience thought their own institution was not prepared to teach IFRS. On average that is 74% of professors with 5+ years of overall experience in the accounting field that believe nationwide professors are not prepared, while 65.5% of professors with 10 or more years of overall experience in the accounting field believe nationwide professors are not prepared. Institutionally, on average 60.7% of professors with one or 5+ years of overall experience in the accounting field believe institutionally professors are not prepared, while 34.2% of professors with 10 or more years of

overall experience in the accounting field believe institutionally professors are not prepared. This shows not only those professors with more experience are more likely to believe college professors are prepared both nationwide and institutionally to teach IFRS, but as the first analysis also demonstrated, professors are more confident in their own institution's ability to teach IFRS.

Third, male (85.71%) and female (57.14%) professors both agreed that nationwide professors are not prepared to teach IFRS. However, institutionally, 6 out of 7 males (85.71%) were more confident in their own institutions in the Rochester-area, deeming their institution prepared to teach IFRS, while 5 out of 7 females (71.43%) believed their institution was not prepared to teach IFRS. This part of my research varied from the previous two parts analyzed because females displayed more confidence in nationwide preparedness than institutional.

A few primary contributions to the study conducted in Maryland at Loyola University (Zhu, 2010), while providing additional findings. First, complementing the main study of how much time is spent on IFRS topics during the term by providing that nationwide and institutionally, college professors are not prepared to teach IFRS. Second, contradicting data was found that professors, which they referred to as "junior tenure track faculty" are less prepared to teach IFRS. Researchers indeed tested faculty characteristics including the demographic of age, but the results of this was not found in their study, so this study added a greater emphasis upon experience. Finally, similar to the gender comparison, this study examined deeper on whether public or private institutions believe nationwide and/or institutionally that college accounting professors are prepared to teach IFRS.



This paper was organized as the reader may adhere to. Section 2 relates to background information provided by prior findings and literature. Section 3 describes my primary research methodology and approach for compiling my data for analysis. Section 4 analyzes my findings for each survey question and specific comparison of my choosing. Section 5 provides the meaning of my findings and limitations. Section 6 discusses, concludes, and pinpoints areas for future research related to this topic. Section 7 describes the value this research has in relation to both my academic and career plans.

## 2. LITERATURE REVIEW AND HYPOTHESIS

### 2.1 BACKGROUND

Generally Accepted Accounting Principles (GAAP) is used by accountants as methods used to process, prepare, and present public financial information to users. GAAP include a wide array of principles that have been developed by the accounting profession and the Securities and Exchange Commission (SEC). The Securities Act of 1933 and the Securities Exchange Act of 1934 give the SEC authority to establish reporting and disclosure requirements although they authorize the Financial Accounting Standards Board, established in 1973, and the Governmental Accounting Standards Board (GASB), formed in 1984, to establish the standards. The GASB develops accounting standards for state and local governments, while the FASB is the main contributor to GAAP (Cliff Notes, 2011).

The International Accounting Standards Board (IASB) is an independent accounting standard-setting body established in London consisting of 15 members from nine countries, including the United States. It began in 2001, succeeding the International Accounting

Standards Committee, and is funded through major accounting firms, private financial institutions and industrial companies, central and development banks, national funding regimes, and other international and professional organizations worldwide (American Institute of Certified Public Accountants, 2012). The IASB has a mission to develop a single set of high-quality, global accounting standards with acceptance worldwide. Each part of this mission has a distinct purpose with “single set” meaning just one set of accounting standards for all entities across the globe, “high quality” to emphasize the development of high quality not low-quality standards, and “global” accounting standards to be applied and accepted worldwide (Accounting Today Staff, 2010). Standards are necessary since they are the basis for the generation of financial statements, so without a single set of standards, financial reporting is not consistent or even comparable globally. As a result, IASB has attempted to promote consistency and comparability worldwide through the development of the International Financial Reporting Standards (IFRS) that are now permitted or required by more than 100 nations. The European Union countries, Australia, and Russia are just a few that have adopted it, while countries such as Canada have recently adopted for 2011 (Johnson, 2010).

## 2.2 ADVANTAGES AND DISADVANTAGES OF IFRS CONVERGENCE

The advantages of IFRS have been seen in reducing the costs of capital, improving access to capital, reducing costs of raising capital, increasing shareholders’ confidence, and allowing for transparency and comparison among companies (Accounting Today Staff, 2010). Other advantages seen are a business can present its financial statements equivalent to its foreign competitors, allowing comparisons to be much easier. At the same time, competing for capital on a global basis requires the use and comprehension of IFRS financial statements to keep a

competitive edge. U.S. companies do not only attain comparability with international companies, but U.S. companies can also be more comparable even with U.S. companies that are multinational and use IFRS in some portions of their business. Many U.S. companies that also have subsidiaries in countries that already require or use IFRS can have one set of standards and one “accounting language” throughout the entire company. The U.S. capital market is one of the largest and most liquid, so as foreign investment by U.S. investors’ in international investment opportunities continue to increase, it is more likely that large U.S. users will need to use IFRS financial statements. It is thus important for U.S. investors to have the proper tools to compare effectively and efficiently, as mentioned, their investment opportunities in capital markets to reduce the inconsistency of accounting and disclosure practices among nations (SEC, 2011).

Some disadvantages of converting to IFRS are that many believe the U.S. GAAP is the “gold standard” so with full global acceptance of IFRS something may essentially be lost in a world without it. In addition, United States companies that do not have international operations or customers do not necessarily have the incentive in the market to prepare IFRS financial statements with such minimal impacts; they see the costs of IFRS outweighing the benefits. In terms of costs, most are determined by the size and nature of the company. The main costs of initiating IFRS relate to staff training and implementation of Information Technology support as well as the conversion causing a reduction of costs for capital and financing reporting related to operations. The Securities and Exchange Commission, as discussed in the next section, predict that the largest U.S. users that adopt IFRS would incur approximately \$32 million in costs within their company for the first three years of filings on

Form 10-K using IFRS-prepared annual reports, with an overall 0.125% to 0.13% cost to revenue. Despite the plans for adoption or convergence of IFRS for U.S. public companies, private companies and not-for-profit organizations will not have the same mandatory requirements as the public companies if put into effect (AICPA, 2008).

### 2.3 COMPARE AND CONTRAST IFRS AND GAAP

The IASB and FASB share similar and different standard perspectives. However, most characterize IFRS as being principles-based while GAAP is more rules-based. Even so, FASB does provide more detailed guidance on accounting principle use, but both GAAP and IFRS include principles and rules. Length-wise, the international standards are about 2,000 pages of broad principles, while GAAP contains 25,000 pages of detailed rules (Nicklaus, 2008). The most important specific differences noted by the American Institute of Certified Public Accountants are “IFRS does not permit Last In, First Out (LIFO), IFRS uses a single-step method for impairment write-downs rather than the two-step method used in U.S. GAAP making write-downs more likely, IFRS has a different probability threshold and measurement objective for contingencies, and IFRS does not permit debt for which a covenant violation has occurred to be classified as non-current unless a lender waiver is obtained before the balance sheet date.” (AICPA, 2012) Shown in the table below are some comments relating to the differences between International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (U.S. GAAP). This material is excerpted from *WILEY IFRS 2010: INTERPRETATION AND APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS* (Epstein, 2011).

## U.S. GAAP VS IFRS

U.S. GAAP Treatment	IFRS Treatment
No comprehensive guide to statement presentation is offered; however, basic financial statements are the same under both sets of standards	Comprehensive guidance on presentation of financial statements provided; minimum line items identified for all financial statements
FASB's Conceptual Framework is similar to IASB's Framework for the Preparation and Presentation of Financial Statements; convergence with IFRS is promised	FASB's Conceptual Framework is similar to IASB's Framework for the Preparation and Presentation of Financial Statements; latter is less detailed; convergence with US GAAP expected to occur
Comparative financials urged, but not required (required for SEC filings); greater specificity as to location of disclosures in body of statements or in notes	Comparative financials are required, including footnote data; disclosure can often be optionally in financials or in notes
FASB Accounting Standards Codification is the single official source of authoritative U.S. GAAP	No hierarchy established beyond IFRS
Justification for U.S. GAAP departure found in auditing literature but very rarely invoked. This guidance does not exist under the U.S. GAAP hierarchy set forth by FAS 168	"True and fair" override of IFRS permitted

## 2.4 CONVERGENCE TO IFRS

The current U.S. GAAP's conceptual framework consists of its objectives on the first level describing the goals and purposes of accounting. On the second level, the qualitative characteristics and elements of the financial statements are used to bridge together level one and three. The third level contains the recognition and measurement concepts including assumptions, principles, and constraints. The main assumptions for U.S. GAAP are the economic entity, going concern, monetary unit, and periodicity assumptions. The framework set by IASB only makes two assumptions: financial statements are prepared on an accrual basis and the reporting entity is a going concern. In FASB's framework, accrual accounting is a reoccurring topic, however, not identified as an assumption. Also, FASB only briefly discusses the going concern concept, while the IASB elaborates to a greater extent as just one of two overall assumptions. Overall, the frameworks are similar, so in convergence basically only would need to converge the way of discussing the same concepts rather than change many of the aspects of the existing frameworks. In 2005, a joint project to develop a common conceptual framework with a mission to develop standards that are principle-based and internally consistent for more useful financial reporting was made into an agreement by the IASB and FASB. The work done in eight phases is completed with exposure drafts and discussion papers. The eight phases are Phase A: Objectives and Qualitative Characteristics, Phase B: Elements and Recognition, Phase C: Measurement, Phase D: Reporting Entity, Phase E: Presentation and Disclosure, Phase F: Purpose and Status, Phase G: Application to Not-for-profit Entities, and Phase H: Remaining Issues (Kieso, 2011, pg. 51). Below is the tentative

schedule as shown on accounting firm Deloitte Touche Tohmatsu's website in a section entitled, "IAS Plus."

*Discussion at the Board's February 2005 Meeting*

The following project plan was discussed by the Board:

	<b>Topic</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
A	Objectives and qualitative characteristics	Discuss and DP	ED	Final			
B	Elements, recognition, and measurement I	Discuss	DP	ED	Final		
C	Measurement II			DP	ED	Final	
D	Reporting entity			Discuss	DP	ED	Final
E	Presentation and disclosure including reporting boundaries			Discuss	DP	ED	Final
F	Purpose and status			Discuss	DP	ED	Final
G	Applicability to NFP sector			Discuss	DP	ED	Final

H	Entire framework			Discuss	DP	ED	Final
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*Discuss = Commence Board discussions.*

*DP = Discussion Paper with Board's preliminary views.*

*ED = Exposure Draft published.*

*Final = Text finalised and, if possible, relevant sections of existing frameworks replaced.*

(Deloitte Global Services Limited, 2011).

For all of the skeptics across the United States today, this is clear evidence that something *is* being done. The FASB and IASB are already working together on tasks like the convergence of the conceptual framework, as mentioned, which is essentially the core of all of the financial statements and thus standard used to prepare the statements.

FASB's interest in high quality international accounting standards began in 1981 with involvement in restructuring the International Accounting Standards Committee into the International Accounting Standards Board. In 2002, FASB and IASB developed the Norwalk Agreement which described the boards' plans for achieving a single set of high quality and compatible standards. Next, in 2006, a Memorandum of Understanding (MOU) expanded the Norwalk Agreement and set more specific milestones at a specific date to be achieved by 2008. Also, there has recently been work on a new MOU that focuses on completing key convergence activities between 2011 and 2013. The Securities and Exchange Commission (SEC) issued a



Concept Release on August 7, 2007 which solicited input whether U.S. issuers should be able to use IFRS in preparing financial statements. In response to feedback, it is likely for public reporting purposes that users will be given the option of using IFRS or U.S. GAAP in the United States starting after December 15, 2009, with mandatory application coming into effect between 2011 and 2013 (Jefferson Wells International Inc., 2008).

## 2.5 CONVERGENCE AND THE SEC

The three main countries working toward convergence of IFRS currently are the United States, Japan, and China. Nonetheless, the United States has been the most active with convergence in recent times with a road map for the adoption of IFRS released by the SEC Chairman Cox in February 2008 outlined in SEC Release 33-8982 titled "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers." The SEC Chief Accountant, Conrad Hewitt described the milestones of the road map to consist of:

- improvements in accounting standards;
- the accountability and funding of the IASC Foundation;
- the improvement in the ability to use interactive data for IFRS reporting;
- education and training related to IFRS;
- limited early use of IFRS where this would enhance comparability for U.S. investors;
- the anticipated timing of future rulemaking by the Commission; and
- the implementation of the mandatory use of IFRS by U.S. issuers. (SEC)

“Implications for accountants, attorneys, chief financial officers, corporate directors and multinational corporations are significant and immediate, including:

- Training on the differences between IFRS and GAAP
  - Financial scrutiny of international joint ventures
  - Merger & acquisition (M&A) international accounting reviews
  - Sarbanes-Oxley compliance on corporate governance matters
  - Analysis of international credit policies for multinationals
  - Litigation risk due to inappropriate use of IFRS”
- (Epstein, 2011).

Shown below is a chart listing IFRS adoption status in countries throughout the world. Shown in purple are the countries where IFRS is not currently allowed including Argentina, China, Colombia, Indonesia, Pakistan, Philippines, Saudi Arabia, and Thailand. Highlighted in blue are countries where IFRS is currently required including Australia, Egypt, Venezuela, Russia, Mexico, and The European Union nations where it is required including France, Germany, Italy, Spain, and the United Kingdom. Highlighted in black are the countries currently scheduled for adoption with Brazil in 2010, Canada, India, and Japan in 2011, and the United States sometime between 2010 and 2014. The chart was excerpted from “*WILEY IFRS 2010: INTERPRETATION AND APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS*” (Epstein, 2011), It is very interesting to note that most of the countries that plan on adopting IFRS have a set starting next year, while the United States is listed over a range of four years. This emphasizes the fact that the process in the United States to the convergence to IFRS will be very gradual and by and large uncertain.

## IFRS Country Adoption Status: IFRS versus GAAP

<u>Country</u>	<u>IFRS Status</u>
Argentina	IFRS not currently allowed
Australia	IFRS is currently required
Brazil	Scheduled for adoption in 2010
Canada	Scheduled for adoption in 2011
China	IFRS not currently allowed
Colombia	IFRS not currently allowed
Egypt	IFRS is required
France	IFRS required as part of European Union (EU) initiative
Germany	IFRS required as part of European Union (EU) initiative
India	Scheduled for adoption in 2011
Indonesia	IFRS not currently allowed
Italy	IFRS required as part of European Union (EU) initiative
Japan	Scheduled for adoption in 2011
Mexico	IFRS is allowed
Pakistan	IFRS not currently allowed

<b>Philippines</b>	<b>IFRS not currently allowed</b>
<b>Russia</b>	<b>IFRS is allowed</b>
<b>Saudi Arabia</b>	<b>IFRS not currently allowed</b>
<b>Spain</b>	<b>IFRS required as part of European Union (EU) initiative</b>
<b>Thailand</b>	<b>IFRS not currently allowed</b>
<b>United Kingdom</b>	<b>IFRS required as part of European Union (EU) initiative</b>
<b>United States</b>	<b>SEC proposed adoption starting in 2010 to 2014</b>
<b>Venezuela</b>	<b>IFRS is currently required</b>

## 2.6 INSTITUTIONAL IMPLEMENTATION OF IFRS: MARYLAND STUDY

Hong Zhu, Kevin T. Rich, and Alfred Michenzi of Loyola University Maryland and Jason Cherubini of Loyola College in Maryland in their research entitled “User Education of IFRS at U.S. Institutions: Current Status and Influencing Factors” focused on preparedness of accounting educators in the sense of covering material related to IFRS in courses by surveying 1,649 instructors responsible for teaching principles-level accounting courses in Fall 2009. They looked at the factors underlying this from when they view the timing and adoption of IFRS in the U.S. to general characteristics of the faculty (Zhu, 2010). This is significant to my study to see what information they found regarding the state of professors’ readiness to prepare financial statement users. They concluded that mainly uncertainty, institutional factors, and faculty characteristics impacted accounting educators’ coverage of IFRS. For uncertainty, they

referred to prior studies which found that “instructors are often resistant to change because of concerns regarding whether the change will have a positive impact on students’ education (Langenderfer and Rockness, 1989), even when administrators provide better teaching materials and revised incentives” (Libby 1991). They also refer to the SEC roadmap as mentioned earlier and noted how the uncertainty of the timing of IFRS adoption and the overall form are large factors in the decision of including IFRS in principles of accounting courses. They believe that educators will cover IFRS once they believe the U.S. adoption will happen at a close, specific date and the resolution for convergence of GAAP/IFRS will be clearer. Regarding institutional factors, they referred to research by Groomer and Murphy, 1996 who identified institutional factors that affect Accounting Information System course content. This included size of the school, type of school (public vs. private), number of AIS faculty members in the department, and whether the institution is a doctoral granting school. Other literature included found that size of the accounting department, teaching load, and class size are all related to the use of cases in intermediate accounting (Dow and Feldman 1997) and time constraints heavily weigh in the decision to voluntarily add to the curriculum (Alvarez-McHatton et al. 2009). Based on studying of prior literature they concluded that “First, if the accounting principles curriculum responds to student demands, then the level of perceived student interest in international accounting topics should relate to the intensity of IFRS coverage. Second, the administration (department, business school, or university) likely plays a significant role in curriculum development by establishing course objectives and assessment and determining paths to graduation, which therefore influences the discretionary class time available to instructors. Last, accounting faculty members’ exposure to international accounting issues influences the

coverage IFRS receives in the principles course” (Zhu, 2010). Thus, if student’s demand IFRS, accounting educators are more committed, and administration stresses the teaching of IFRS, IFRS will be emphasized more in the classroom. For the final review on faculty characteristics, “Nilsen (2008) suggests that students’ awareness of IFRS is generally low, and for the most part, the awareness is driven by faculty in conjunction with large public accounting firms. Therefore, faculty demographic information is considered such as educational training, teaching and industry experience, and professional certifications when modeling the decision to cover IFRS in an accounting principles course” (Zhu, 2010). Personally, I did not know what International Financial Reporting Standards were until my first Intermediate Accounting course, but still was not taught the material. It was merely an introduction to the topic and then this research was completed out of my own interest. I drew a general assumption based on this that the professors I have encountered thus far are not likely to be trained to teach IFRS (even if so) since they have not taken any initiative to teach it.

Some of the conclusions for the professors’ studies were that they found that 90 percent of the responding educators devote two hours or less per semester to IFRS-related material, 38 percent of participants believed the converged standards will more closely resemble current IFRS, 26 percent believe they will more closely resemble current U.S. GAAP, 59 percent of participants thought convergence will occur prior to 2017, while 26 percent thought convergence will occur after. In terms of faculty characteristics as mentioned, junior tenure-track faculty were less likely to spend time covering IFRS materials. The most substantial and significant result related to their study was that they found that 56 percent of professors

spent less than 30 minutes covering IFRS related topics during the term. Findings from this study will be compared to some of theirs in the discussion and conclusions section.

## 2.7 INSTITUTIONAL IMPLEMENTATION OF IFRS: KPMG-AAA SURVEY

Expanding on the need for proper education and training of both accounting educators and professionals in the United States, this study found many other sources for various research and implications. According to a recent survey by KPMG LLP, an audit, tax and advisory firm in conjunction with the American Accounting Association, three quarters of the over 500 accounting professors polled thought IFRS needs to be immediately incorporated into U.S. accounting curricula, and almost half thought the U.S. should transition to IFRS to remain competitive. Other conclusions found were that seven in ten professors said their most significant challenge in teaching IFRS is making room for it in the curriculum (Staff, WebCPA, 2011). This immediately gives great value to my research, showing that although a large percentage accounting professors' believe IFRS should be incorporated into curriculum, they are finding challenges in doing so. Relatively few universities in fact have a set strategy for incorporating IFRS into their curriculum. The institution I attend has a minimal emphasis in courses I have encountered thus far and I have yet to hear of any plans for future incorporation.

Another part of the survey concluded that 22 percent of the 535 professors surveyed indicated they would have the ability to incorporate IFRS into curricula in that school year of 2008-2009 in any significant way, with 62 percent saying they have not taken any significant action steps. Nonetheless, 30 percent of professors thought the first class of graduating seniors likely to have a substantial amount of IFRS education will be the class of 2011. I am graduating

in the class of 2011 and as professors believe this class will have a substantial amount of IFRS education, it has not been factored into my education. The survey was conducted in 2009 and probably sparked thought among numerous accounting educators throughout the country, yet there has *still* not been a strong threshold for incorporating any of the material. Accounting educators are demonstrating that they are not prepared, but they are still not necessarily proactive in making sure IFRS is being taught. I feel as though if there were to be a requirement set into place by administration there wouldn't be as much of a challenge.

Nonetheless, administration itself is another large barrier because a lot of the administration do not see the need or even understand the need to incorporate IFRS into a curriculum. If steps are going to be taken to incorporate material into a class syllabus or even as a separate course, this all must pass through the administrators of the business department or school. Without their consequent knowledge and leadership, accounting educators virtually are shut out of the opportunity to teach the material. Manny Fernandez, KPMG's National Managing Partner – University Relations and Recruiting stated, "It is imperative that professors take the time to educate administrators on the overall impact of IFRS in business and present a needs assessment for their department and curricula. There is no doubt that the early movers in incorporating IFRS into the curricula are those that have adequately informed university leadership, and it will be those schools that will be more successful in building their brands in recruiting students" (Orenstein, 2008). This relates to one of the survey short-answer questions that is discussed later in further detail: "How will your institution find a way to "stand out" and appeal to students interested in your program?" Most of the professors did not even respond to this question or answered that their school had some sort of prestige and a few even



responded with question marks. This quote by Mr. Fernandez however emphasizes what the study was intending to find in response was that universities need leadership and develop a way to incorporate IFRS into their curricula to make the university “stand out” when recruiting. When students with an accounting intent come to visit a university, if your university is able to tell students they are currently incorporating IFRS into curricula in a specific way or even offering a special course or opportunity for some sort of training/informational session, that is something that will give a school true prestige and an advantage over another school. The survey went on to find that 49 percent of faculty believed that the preparation for teaching IFRS is on the shoulders of the individual faculty member and 16 percent stated their schools would provide funding to attend training sessions and/or acquire study materials (Orenstein, 2008). This also relates to another one of my short-answer survey questions that will be discussed. Nevertheless, it is up to the faculty to get trained, but it is up to the administrators’ leadership to get the IFRS material incorporated into course curricula.

## 2.8 PROFESSIONALS’ SUPPORT

The Big Four accounting firms have also created academic programs to address knowledge of IFRS. Ernst & Young created a Web-based training series regarding basic accounting concepts and knowledge of IFRS. Their Academic Resource Center provides IFRS curriculum including lectures, slides, homework problems and solutions, and cases studies along with faculty training (Kroll, 2008). Larry Rittenberg, PH.D., Ernst & Young, professor, University of Wisconsin, and current chairman of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) board stated that the best approach for education would be if professionals serve on alumni advisory boards and be willing to bring real-life cases

into the classroom (Tidrick, 2005). KPMG established the IFRS Institute to raise awareness of IFRS and address informational needs of those that maybe be affected by the convergence of U.S. GAAP into IFRS. Through the Institute, KPMG provides IFRS webcasts, seminars, and case studies to accounting faculty. Also, they are affiliated with the International Association of Accounting Education and Research, an organization of accounting educators, which together sponsor a searchable database online that lists IFRS standards available at a discount to faculty (Kroll, 2008). PricewaterhouseCoopers awarded grants equal to \$700,000 from a article dated in 2009 to colleges in order to hasten the incorporation of IFRS into curricula for students. The grants were to be used for updated instruction materials and also to make over course books to include both IFRS while focusing on international business as well (Kroll, 2008). They also said they expect 2010's new hires to have IFRS knowledge upon leaving college and recommend finding out what your accounting department's plans to offer are and get started as soon as possible (Roger CPA Review Staff, 2008). PwC recruiters even discuss IFRS during campus interviews. They expect juniors or seniors that are interviewing for jobs or internships to describe examples of IFRS financial statements and understand the timetable within the United States for the transition to IFRS (Kroll, 2008).

## 2.9 SUPPORT FOR CONVERGENCE

At a university in Massachusetts, called Bentley University, they became the first university in Massachusetts to receive the IFRS Ready grant from PricewaterhouseCoopers (PWC) Charitable Foundation Inc., which has provided funding of \$1 million to institutions throughout the nation to help incorporate IFRS into curricula (Bentley University Newsroom, 2011). A professor of accounting, Mahendra Gujarathi stated in a response, similar to KPMG's

Manny Fernandez's, "In order to succeed --rather than simply survive—in the dynamic global business environment, all business students must get familiar with IFRS and how they will affect businesses, their contracts, and financial statements. Accounting programs that will effectively incorporate IFRS in their curriculum will provide a competitive edge to their students for succeeding in the accounting profession and in the professional examinations." This asserted my point even further to find prestige by incorporating IFRS, Bentley University became one among University of Notre Dame, University of Virginia, Stanford University, New York University, and Michigan State University receiving the IFRS ready grant (Bentley University Newsroom). Honestly, I had never even heard of Bentley University until I stumbled upon this article, so it shows that simply finding a way to stand out by incorporating IFRS into curricula makes a not as well-known school associated with the most prestigious institutions in the country.

The College at Brockport has been significantly trying to find ways to rid themselves of their reputation as a "party school for jocks" by setting higher standards for admissions and even changing the name from SUNY Brockport to The College at Brockport and transforming the business department into a school. However, many people throughout New York State still have never heard of The College at Brockport. If this institution was listed among institutions like University of Notre Dame, University of Virginia, Stanford University, New York University, and Michigan State University the college would instantly gain exposure in both the accounting field and for the college as a whole. Another article from Financial Executive journal stated that according to Larry Rittenberg, PH.D., Ernst & Young, professor, University of Wisconsin, and current chairman of the COSO (Committee of Sponsoring Organizations of the Treadway

Comission) board, major accounting schools like the Universities of Texas, Illinois, and Wisconsin already have a class in IFRS and students go to work for global companies and auditors, while schools sending students to local markets don't offer these classes. This almost implies that the more prestigious, "major" accounting schools basically do not have the problems that smaller local-based schools like in Rochester have because they are already training students for global jobs.

This reminded me of Richard Florida's "Who's Your City" that argues that place is becoming more relevant to the global economy and each individual's life. A person's choice of where to live becomes one of the most important decisions of his/her life among choosing a spouse or even career in general. The book gives rankings of cities based on various demographics like young singles (20-29) and mid-career professionals (30-44) (Florida, 2010). Schools known for accounting are going to be incorporating IFRS into curricula first out of any other schools to uphold their reputation and prepare students for the global market. On the other hand, most students that attend Brockport are from the rural New York area and intend on staying in the area. However, oftentimes the opportunities to participate in a global market are often found in larger cities throughout the country like New York City, Chicago, Washington, D.C., Los Angeles, etc. where local universities educate students in preparation for mainly multinational companies. If more students in the Rochester-area had a stronger urge to go global after school, it may in fact drive demand for incorporating the current global standards of IFRS into curricula to guarantee the proper education for their careers.

### 3. METHODOLOGY

### 3.1 PRIMARY RESEARCH METHOD

Sixty six professors in the Rochester-area from a total of 16 schools including Alfred State College, Alfred University, Corning Community College, Empire State College, Finger Lakes Community College, Keuka College, Houghton College, Genesee Community College, Monroe Community College, Roberts Wesleyan College, Nazareth College, Rochester Institute of Technology, Saint John Fisher College, State University of New York College at Brockport, State University of New York College at Geneseo, and University of Rochester were surveyed. The website, <http://www.biz2edu.com/>, the main page of the Rochester Area Colleges consortium of higher education institutions in the Rochester, New York metropolitan area was used to find the schools. Founded in 1970, the consortium has numerous public and private colleges as members and provides collaborative opportunities for colleges and their students. A listing of these schools were found and their consequent websites which was used in the study's search for accounting professors. I began at each of the school's academic department's main page to find the business department or related accounting department. Once on the business or accounting department or home page, I was able to look for a faculty listing. If I was lucky there would be a list of specifically the accounting professors, or otherwise it would just list all teachers in the business department as a whole. Also, if I could immediately find the specific professor, I could typically find their office number, address, and phone number in the same location. If the address was not listed, I just went back to the college main page and used the college's standard address. However, altogether if I could not find specific accounting professors it was a bit more of a hassle. I had to find each institutions online course schedule to identify professors teaching accounting courses as listed. I searched through both the Spring

2011 and Fall 2011 semesters and generated a list of professors for accounting courses at that particular institution. I then proceeded to go to the college directory and enter the professor's name where I would hopefully be given their address and contact information. If the professor happened to be adjunct faculty, I unfortunately was unable to include them in my survey process. The Excel sheet provided in Appendix 9.1 displays the list of professors I contacted and their related information including name, institution, title, address, and email.

I sent each targeted instructor a cover letter inviting the professor to participate in my survey. I described my project, intended research, overview of the survey, provided contact information, and gave a deadline of Friday, December 9, 2011 for submissions. A copy of the cover letter is provided in Appendix 9.2. Next, I included my survey which was a series of 10 questions related to experience, international impact of IFRS, and readiness to teach IFRS at their home institution as well as across the nation. On the back side of the survey, I included three short answer questions that asked to describe in further detail the professor's intention for IFRS training, plans for integrating IFRS into courses, and ways to make the institutions accounting program stand out. A copy of the survey is included in Appendix 9.3. To encourage participation, I also included a stamped return envelope with my address along with the survey to ensure convenience and accurate delivery. I sent out a reminder email two weeks following the original letter.

### 3.2 DATA MEASUREMENT

A total of 27 responses from professors from various groups such as two-year and four-year schools, public and private schools, males and females, and professors with experience as

professionals as well were obtained. The next step for compiling the data generated was to create an Access database related to the survey results. I created a table and entered the data to compile all of the survey questions and consequent responses. Next, I generated a query for Questions 3 and 9 that both found the Count, Minimum, Maximum, Average, Standard Deviation and Variance of the two questions. These two questions were the only two out of the ten questions asked in the survey that involved numbers for ranking purposes, so queries were ran the queries to help in my data analysis.

After completing my Access database, the Access tables were imported into an Excel spreadsheet. I named the sheet containing the responses to each question based on each professor that responded "Survey Results." Next, I summarized each question with a Pivot Table, naming each sheet after the question number included in Appendices 9.8-9.20. For each Pivot Table, I summarized each question by both count and then as a percentage of the total for analysis purposes. For questions 3 and 9 I added two sheets: (1) query information generated in Access, (2) Pivot Tables.

To relate to my purpose for this research project: uncovering whether accounting professors at Rochester-area institutions are prepared to teach IFRS, I also created Pivot Tables based on questions I wanted to compare and contrast responses to. First, I wanted see if there was a relationship between professional experience (Question 1) and both nationwide preparedness of professors to teach IFRS (Question 4) and institutional preparedness of professors to teach IFRS (Question 4a). I made Pivot Tables for each relationship, with one table showing the totals for count and a second showing the percentages of the total. I also looked at

the relationship between experience as a professor (Question 2) and both nationwide preparedness of professors to teach IFRS (Question 4) and institutional preparedness of professors to teach IFRS (Question 4a), similar to the previous. Once again, I generated a Pivot Table in the same manner. For the next analysis, I wanted to compare the response for nationwide and institutional preparedness based on gender. This one was slightly unique because I did not have a response related to gender from each survey response. Part of this problem was that I was over assuming that those being surveyed would respond with their name and/or return address. I did not include a line for a name, so unfortunately only received a total of 14 responses for gender out of the 27 respondents. The responses came from my follow-up email where I requested for professors to include their name and institution on the survey when they returned it. I created a Pivot Table based on my results for Gender and Questions 4 and 4a like the previous. I created a total of eight Pivot Tables based on filtering male and female responses to both preparedness nationwide and institutional. I used the count totals and percentage of totals again for each table. After that, I wanted to study the relationship between institution type (public vs. private) and both nationwide preparedness of professors to teach IFRS (Question 4) and institutional preparedness of professors to teach IFRS (Question 4a). Once again, I naively did not include a way to obtain this information, so had the same 14 responses as the gender. I was still able to generate a good comparison because ironically received seven responses from public institutions and seven from private as well. I created my Pivot Tables exactly like the previous, but instead of filtering by gender, I filtered the information based on whether the professor was from a public or private institution. For my short answer questions I used both basic analysis by summing each response into a list included



below and also creating an Access Table to summarize whether professors would be willing to pay to undergo training and whether they would be willing to undergo training. Once I created my table, I imported it into Excel as a list of Yes/No responses. Next I followed to same format for creating the Pivot Tables by summarizing each question by count and then by percentage of total.

## 4. FINDINGS

In this section, I will briefly describe my findings for each individual question on the survey, short-answer portion, and my own analysis based on the purpose for my research.

### 4.1 QUESTION 1: HOW MANY YEARS OF EXPERIENCE DO YOU HAVE AS AN ACCOUNTING PROFESSIONAL?

The professors surveyed were very experienced as professionals with a total of 18 out of 27 (66.67%) with 10 or more years of experience.

### 4.2 QUESTION 2: HOW MANY YEARS OF EXPERIENCE DO YOU HAVE AS AN ACCOUNTING PROFESSOR?

The professors surveyed were very experienced as professors in general with a total of 19 out of 27 (70.37%) with 10 or more years of experience.

### 4.3 QUESTION 3: TO WHAT EXTENT DO YOU BELIEVE INTERNATIONAL BUSINESS HAS LED TO THE MOVE FROM GAAP TO IFRS?

The ranking for this question was from a scale of 1 to 5 with 5 representing the greatest extent and 1 as the least. The minimum response was 3 and maximum 5. The average was approximately 4.37. The standard deviation was approximately 0.74. The variance was approximately 0.55. Overall, 14 out of 27 (51.85%) thought that International Business ranked

as a 5 (the highest rank possible) for the move from GAAP to IFRS. Almost 85% ranked it as 4 or higher with 23 out of 27 responses.

#### 4.4 QUESTION 4: IN YOUR OPINION, ARE COLLEGE PROFESSORS NATIONWIDE PREPARED TO TEACH IFRS?

Rochester-area college professors responded that nationwide college professors are not prepared with a total of 18 out of 26 replying No (69.23%), with one blank response.

#### 4.5 QUESTION 4A: DOES THIS OPINION EXTEND TO YOUR OWN INSTITUTION?

A total of 15 out of 26 (57.69%) Rochester-area college professors responded that their own institution was prepared to teach International Financial Reporting Standards. A total of 11 out of 26 (42.31%) believed their institution was not prepared.

#### 4.6 QUESTION 5: DO YOU THINK A SPECIAL CERTIFICATION SHOULD BE MANDATORY FOR PROFESSORS?

A total of 26 out of 26 (100%) college professors surveyed responded that they did not think a special certification should be mandatory for professors in order to teach IFRS.

#### 4.7 QUESTION 6: SHOULD STUDENTS BE TESTED ON THIS MATERIAL AS A TOOL FOR HIRING BY EMPLOYERS?

College professors responded that employers should not test employers in IFRS, with 18 out of 26 responding no for a total of 69.23%.

#### 4.8 QUESTION 7: WHAT KIND OF IMPACT WILL THIS HAVE ON THE JOB MARKET?

Overall, a neutral impact on the job market had the greatest response with 20 out of 25 answering neutral for a total of 80%. The other 5 respondents chose a positive impact, with none choosing negative.

#### 4.9 QUESTION 8: DO YOU EXPECT AN INCREASE IN INTERNATIONAL STAFF AT YOUR INSTITUTION?

A total of 18 out of 25 (72%) college professors surveyed responded that they did not expect an increase in international staff at their institution.

#### 4.10 QUESTION 9: RANK THE RELEVANCE OF THIS TOPIC IN THE ACCOUNTING PROFESSION TODAY.

The ranking for this question was from a scale of 1 to 5 with 5 representing the greatest relevance and 1 as the least. The minimum response was 2 and maximum 5. The average was approximately 3.67. The standard deviation and variance were both 1. Overall, 13 out of 27 (48.15%) thought that this topic was ranked as a 4 out of 5 for relevance in the accounting profession today. A total of approximately 82% ranked it as 3 or higher with 22 out of 27 responses.

#### 4.11 QUESTION 10: OUT OF THE THREE GROUPS LISTED, WHICH WILL BE IMPACTED TO THE GREATEST EXTENT?

Professionals were ranked as the group impacted to the greatest extent, with a total of 20 out of 25 responses for a total of 80%. The other 20% had a relatively even distribution among college students and professors with 12% and 8% respectively.

#### 4.12 SHORT ANSWER 1: HOW DO YOU PLAN ON GETTING TRAINED? OR HOW DID YOU GET TRAINED?

Below are the responses generated from this short answer question:

1. Participating in a professional development workshop - 2
2. A little less relevant to me (I teach tax) but we do have an accounting professor on sabbatical overseas teaching accounting (IFRS)
3. Textbooks/Self-Study – 12
4. Conferences - 3
5. Possible sabbatical
6. Include as part of continuing professional education
7. Webinars - 2
8. Seminars offered by Big 4 Firms – 5
9. CPE (Professor Education Courses)– 5
10. continuing professional education – wrote a journal article
11. Researched on the internet for information

#### 4.13 SHORT ANSWER 1 A: WOULD YOU BE WILLING TO PAY FOR TRAINING?

A similar amount of professors would be willing to pay for training versus not. A total of 12 out of 27 responded no (44.44%) while a total of 15 out of 27 responded yes (55.56%).

#### 4.14 SHORT ANSWER 1 B: WOULD YOU BE WILLING TO UNDERGO FURTHER TRAINING?

The study found that professors are very willing to undergo training with 22 out of 27 responses replying Yes (81.48%) while only 5 out of 27 responses responded No (18.52%).

#### 4.15 SHORT ANSWER 2: HOW ARE YOU PLANNING ON INTEGRATING IFRS INTO COURSE SCHEDULES? WILL A SEPARATE COURSE BE OFFERED?

Below are the responses generated from this short answer question:

1. No - 6
2. separate course for now

3. Yes – coverage in Accounting theory and intermediate financial accounting – 5
4. It should be a part of all accounting courses that use GAAP - 2
5. Through Intermediate Accounting course (embedded). No separate course will be offered at the 2-year level
6. Integrated in the accounting curriculum through textbook selection. No separate course. - 2
7. Both: introduced in some courses with a separate advanced level course, when this is totally mandatory texts should be updated and we'd go from there
8. Integration, it's not significant enough for a separate course - 4
9. It will be in our graduate level accounting courses and when implemented will be integrated into our undergraduate curriculum - 2
10. We are building it into a research course
11. We are currently integrating the information into our classes at all levels - 3

#### 4.16 SHORT ANSWER 3: HOW WILL YOUR INSTITUTION FIND A WAY TO “STAND OUT” AND APPEAL TO STUDENTS INTERESTED IN YOUR PROGRAM?

Below are the responses generated from this short answer question:

1. N/A
2. Encouraging study abroad during undergrad - 2
3. IFRS course in MBA
4. Reputation for high standards
5. We won't. We are pretty vanilla as far as the accounting program goes
6. we already stand out not sure how IFRS will differ
7. Marketing - 2
8. We have an International Business major
9. ?
10. Don't know

11. Proprietary information
12. we have already in the Accounting MS
13. publicize with future emphasis help students to succeed so that employers will be impressed
14. All accounting curriculum is the same – IFRS has limited difference to GAAP. I believe GAAP will remain the standard in the US for quite a while
15. GCC offers an affordable alternative for students wishing to transfer especially considering that a CPA now requires 5 years of education
16. Indicate fully integrated with GAAP, so current and near future students can be “bi-lingual”
17. Our rankings are what allow us to stand out
18. It will probably be based on things other than IFRS
19. We are trying to stand out with our attention to student and small class sizes
20. Not sure yet; we haven’t really addressed it yet!
21. I don’t really know – low cost/high quality
22. Word of mouth

#### 4.17 DATA ANALYSIS: PROFESSIONAL EXPERIENCE VS. NATIONWIDE/INSTITUTIONAL PREPAREDNESS

Six out of the seven (85.7%) professors with 5+, but not yet 10 years of professional experience responded no for preparedness nationwide, while 10 out of 17 (58.8%) of professors with 10 or more years of professional experience responded no. Five out of the seven responses (71.4%) from professors with 5+ experience as professionals thought their own institution was not prepared to teach IFRS, while only 5 out of 17 (29.4%) of professors with 10 or more years of professional experience thought their own institution was not prepared to teach IFRS.

Professors with 10 or more years of professional experience responded with 12 out of 17 (70.5%) believing that their institution was prepared to teach IFRS.

#### 4.18 DATA ANALYSIS: PROFESSOR EXPERIENCE VS. NATIONWIDE/INSTITUTIONAL PREPAREDNESS

Five out of the eight (62.5%) professors with one or 5+, but not yet 10 years of professor experience responded no for preparedness nationwide, while 13 out of 17 (72.2%) of professors with 10 or more years of professor experience responded no. Half of the professors (4 out of 8) with one or 5+ experience as professors their own institution was not prepared to teach IFRS, while only 7 out of 18 (38.9%) of professors with 10 or more years of professor experience thought their own institution was not prepared to teach IFRS. Professors with 10 or more years of professor experience responded with 11 out of 18 (61.1%) believing that their institution was prepared to teach IFRS.

#### 4.19 DATA ANALYSIS: GENDER VS. NATIONWIDE/INSTITUTIONAL PREPAREDNESS

Female professors (4 out of 7, 57.14%) believed that nationwide professors are not prepared to teach IFRS, while 6 out of 7 male professors (85.71%) believed the same. Female professors responded that overall their institution was not prepared to teach IFRS with a total of 5 out of 7 (71.43%), while 1 out of 7 males (14.29%) believed this. Opposingly, it was 6 out of 7 males (85.71%) that believed their institution was prepared to teach IFRS. Males responded the same for both nationwide and institution preparedness.

#### 4.20 DATA ANALYSIS: INSTITUTION TYPE VS. NATIONWIDE/INSTITUTIONAL PREPAREDNESS

Out of the 14 respondents evenly distributed from private and public institutions, both sectors responded the same to nationwide and institutional preparedness. Five out of seven respondents (71.43%) for both believed nationwide professors are not prepared and four out of seven respondents (57.14%) believed institutionally professors are prepared.

## 5. RESEARCH IMPLICATIONS AND LIMITATIONS

Based on my findings listed above, results will now be analyzed for what each meant for this project along with limitations associated with the responses. For Questions 1 and 2, overall the professors surveyed were very experienced as both professors and professionals with a total of 18 out of 27 (66.67%) with 10 or more years of professional experience and a total of 19 out of 27 (70.37%) with 10 or more years of experience as professors. With more experience, conclusions were found relating to whether professors believed nationwide and institutional professors are ready to teach IFRS which is discussed further below. For Question 3, overall it seemed like professors believed International Business is a large factor in the move to IFRS. This implication emphasizes as mentioned in prior literature that today with a largely global market, the movement to IFRS to compete in the market more efficiently seems inevitable.

For Questions 4 and 4a, Rochester-area college professors responded that overall college professors are not prepared to teach International Financial Reporting Standards nationwide with a total of 69.23%, while professors are more prepared by a slim margin at the Rochester-area institutions with a total of 57.69% Rochester-area college professors responding that their own institution was prepared to teach International Financial Reporting Standards.



There is overall a lack of preparedness nationwide, but a perception by Rochester-area professors that their institution *is* prepared to teach IFRS. This will be discussed further in conjunction with other survey questions below.

Question 5 found that a total of 26 out of 26 (100%) college professors surveyed responded that they did not think a special certification should be mandatory for professors in order to teach IFRS. It was surprising that not a single professor believed a special certification would be necessary. This assumes that professors are confident in their own abilities to prepare themselves for IFRS without being pushed to as a result of requirements and/or special certificate needs. Question 6 found that college professors responded that employers should not test employers in IFRS, with 18 out of 26 responding no for a total of 69.23%. The results for this question are limited to professors' opinions although professionals would have been more relevant to find a relationship. Overall, a neutral impact on the job market was found for Question 7 the greatest response being 20 out of 25 answering neutral for a total of 80%. The other 5 respondents chose a positive impact, with none choosing negative. This was also surprising that professors seemed skeptical about the effect on the job market by choosing the "safe" answer of neutral. Nonetheless, there were not any negative responses, so IFRS can be concluded to be relatively the same or more helpful in the accounting field. Furthermore, as with Question 6, the question would generate a greater response from professionals more so than professors, so it would have been more beneficial to analyze data with responses from both. A total of 18 out of 25 (72%) college professors surveyed responded that they did not expect an increase in international staff at their institution for Question 8. This was a surprising finding as well, a need would be expected for more international "experts" at both institutions

and in accounting firms. However, it makes more sense for firms to be staffed more at an international level since they are directly involved with multinational companies and produce financial statements using standards, whether US GAAP or IFRS. Overall, the average was approximately 3.67 for Question 9 based on relevance. This was a fairly accurate response, also considering 13 out of 27 (48.15%) thought that this topic was ranked as a 4 out of 5 for relevance in the accounting profession today. It is relevant to the extent in which specific dates are set for convergence. Like the Loyola study emphasized, professors are more likely to incorporate IFRS into courses when a clearer date for convergence is established. It seems less important to incorporate IFRS if it doesn't seem likely to become the standards for the United States, however, sometimes it is better to be safe than sorry. Question 10 had the most surprising results for me, with a total of 20 out of 25 responses (80%) that professionals are impacted the most. The other 20% had a relatively even distribution among college students and professors with 12% and 8% respectively. Considering this data was analyzed solely on professors' responses, it would have been expected for professors to believe college students or professors would be impacted the most, while if professionals responded they would choose themselves. This indicates that professors are thinking about IFRS in terms of its impact as a whole, not just focusing on how it will affect their careers.

Based on the responses generated from the short answer question 1 related to training it was found the most responses for Textbooks/Self-Study (12), Seminars offered by Big 4 Firms (5,) and CPE (5.) thought it would be good to note that professors are mainly relying on their own initiative to learn the IFRS material. It seems as if they would rather train themselves based on their own knowledge up to this point and belief in the relevance of teaching IFRS in their

courses. A strong conclusion is that the main source of training came from professionals' support as discussed, which shows that working together across accounting fields will benefit both sectors with professors gaining knowledge to train students to work in the professional field. A unique response found was the use of sabbaticals to train for IFRS. It's not often a thought that a break from teaching to focus on learning IFRS was an option, especially if done overseas.

A similar amount of professors would be willing to pay for training versus not as well. A total of 12 out of 27 responded no (44.44%) while a total of 15 out of 27 responded yes (55.56%). Thus, money is not a huge factor in professors' willingness to be trained to teach IFRS. Also, professors are very willing to undergo training with 22 out of 27 responses replying Yes (81.48%) while only 5 out of 27 responses responded No (18.52%). This indicates professor want to continuing training in IFRS, so clearly if IFRS was not an important topic to them or in the United States, they would not be as willing to undergo useless training.

For integrating IFRS into course schedules the main responses were No (6), Yes – coverage in Accounting theory and intermediate financial accounting (5), and integration, it's not significant enough for a separate course (4). This mainly concludes that teachers don't generally plan on providing for IFRS as a separate course, but rather integrating IFRS into accounting courses. This does not conclude whether or not teachers are ready to teach the material, but how they plan on using the material which relates more to the Loyola study. It will be discussed further what other types of questions could be asked of professors based on this in the next section. A unique response found in this section was that two professors believed it

should be a part of all accounting courses that use GAAP. This created a larger assumption that the push toward IFRS is real and should be treated equivalently to GAAP in its integration in the classroom.

For the third short answer, the responses did not necessarily have any sort of pattern, but were a jumble of various opinions. The only overlapping responses found were related to encouraging study abroad opportunities during undergraduate study and marketing. The study abroad topic was one with not much thought about initially, but is definitely very relevant in preparation of IFRS. If students become more aware of other global cultures, it is easier to integrate into a global market with a wide array of personalities and viewpoints. From my own study abroad experience, I developed a new aspiration to travel in my future career in the accounting field. Without that experience, I may have never considered wanting to work overseas, so with more students taking this opportunity, more students may explore overseas job opportunities and thus demand IFRS preparation. Overall, most respondents preferred not to respond to this question or were basically unsure of the question. My wording of the question was at fault here since I did not specifically inquire how their institution would stand out based on IFRS.

For my more specific data analysis, based on experience, professors with less experience, whether as a professional or professor, believe more so than more experience professors that nationwide and institutionally college professors are not prepared to teach IFRS. Six out of the seven (85.7%) professors with 5+, but not yet 10 years of professional experience responded no for preparedness nationwide, while 10 out of 17 (58.8%) of

professors with 10 or more years of professional experience responded no. Five out of the eight (62.5%) professors with one or 5+, but not yet 10 years of professor experience responded no for preparedness nationwide, while 13 out of 17 (72.2%) of professors with 10 or more years of professor experience responded no. Institutionally, half of the professors with one or 5+ years of experience thought their own institution was not prepared to teach IFRS while only 7 out of 18 (38.9%) of professors with 10 or more years of professor experience thought their own institution was not prepared to teach IFRS. Five out of the seven responses (71.4%) from professors with 5+ experience as professionals thought their own institution was not prepared to teach IFRS, while only 5 out of 17 (29.4%) of professors with 10 or more years of professional experience thought their own institution was not prepared to teach IFRS. On average that is 74% of professors with 5+ years of overall experience in the accounting field believe nationwide professors are not prepared, while 65.5% of professors with 10 or more years of overall experience in the accounting field believe nationwide professors are not prepared. Institutionally, on average 60.7% of professors with one or 5+ years of overall experience in the accounting field believe institutionally professors are not prepared, while 34.2% of professors with 10 or more years of overall experience in the accounting field believe institutionally professors are not prepared. This shows not only that professors with more experience are more likely to believe college professors are prepared both nationwide and institutionally to teach IFRS, but as the first analysis also demonstrated, professors are more confident in their own institution's ability to teach IFRS. This could mean a wide array of things starting with professors have a greater firsthand knowledge of their own institutions' preparedness, so are more likely to believe their institution is prepared compared to

institutions nationwide they do not have knowledge of. Prior research could also play a big role in this as well since there is so much literature available, professors could base their assumptions on what they have heard about the topic rather than truly evaluating preparedness. The responses were limited to the fact professors were not asked if they were personally prepared to teach IFRS.

For my next analysis of gender vs. nationwide/institutional preparedness, male (85.71%) and female (57.14%) professors both agreed that nationwide professors are not prepared to teach IFRS. However, institutionally, 6 out of 7 males (85.71%) were more confident in their own institutions in the Rochester- area, deeming their institution prepared to teach IFRS, while 5 out of 7 females (71.43%) believed their institution was not prepared to teach IFRS. The part of my research varied from the previous two parts analyzed because females displayed more confidence in nationwide preparedness than institutional. The responses to this analysis may follow a stereotype of females to be less confident. At the same time, females are more likely to express themselves, while males tend to follow a “tougher” image, so males could have exaggerated their preparedness. Females are also mostly seen as a minority in the accounting field which could also relate to less confidence. However, stereotypes should not be taken into account for researching purposes, but the results were still quite interesting.

For my analysis of institution type and preparedness I was surprised to find no variance among responses. Out of the 14 respondents evenly distributed from private and public institutions, both sectors responded the same to nationwide and institutional preparedness. Five out of seven respondents (71.43%) for both believed nationwide professors are not

prepared and four out of seven respondents (57.14%) believed institutionally professors are prepared. For some reason I would have expected private institutions in this area to be more confident in their abilities to teach IFRS considering they are associated with a higher reputation for educational excellence. Nonetheless, it asserts the point that no matter the institution whether 2-year, 4-year, private, public, or online, the fact that professors are not prepared to teach IFRS nationwide.

My methodology limited many of my results as seen. Based on the fact that I did not emphasize any desire to be made aware of the respondents' gender and institution, I was not able to compare all of the data I obtained. Some of the wording of the questions were not clear as well like in question 4a, the response to whether the professor thought his/her institution was prepared to teach IFRS was generated in comparison with how they responded to nationwide preparedness. It probably would have been a better choice to make a new question entirely that simply asked whether the professor believed his/her institution is prepared to teach IFRS. I tended to ask a lot of the questions in a more indirect manner, and especially with surveys, it is necessary to be concise and extremely specific to comprise data relevant to the study. I also created my survey before most of my background research was conducted. I knew I wanted to study this topic and had a general sense of what kind of meaning it would have, however, was not fully prepared to answer all of the questions I discovered after further research. I based my survey on a general knowledge, so wasn't able to incorporate other information I found to compare my results to prior literature to complement, add to, and/or even contradict these notions. I will discuss in the next section what types of questions I would

have liked to include in the survey now that I have reviewed both prior literature and my own findings.

## 6. DISCUSSIONS AND CONCLUSIONS

This study made a few primary contributions to the study conducted in Maryland at Loyola University, while providing my own additional findings. First, it complemented their main study of how much time is spent on IFRS topics during the term by providing that nationwide and institutionally, college professors are not prepared to teach IFRS. Evidently, if professors are not prepared to teach IFRS they will not be incorporating it into their classes, thus providing reasoning behind why the researchers found that 56 percent of respondents spent less than 30 minutes covering IFRS related topics during the term. Second, contradicting data was found that professors, which they referred to as “junior tenure track faculty” are less prepared to teach IFRS. The researchers found that these faculty were less likely to extensively cover IFRS in the accounting principles course, while the study found that the more experienced professors not only believed that nationwide college professors were prepared to teach IFRS, but even more confident that their own institution was prepared to teach IFRS. Once again if professors were not prepared to teach IFRS, it seems clear that they would not. However, the more experienced professors in my study believed they were more prepared at their institution to teach IFRS than nationwide, so it would make more sense to say that they would be more likely to teach IFRS compared to other faculty that are not as prepared or confident to teach the material. Next, based on faculty characteristics the researchers tested the demographic of age, but the results of this in their study could not be found. Thus, this study added in providing an indication that male accounting professors are more confident in their own institutions’



preparedness to teach IFRS. Finally, similar to the gender comparison, it was also added to their study in focusing deeper on whether public or private institutions believe nationwide and/or institutionally that college accounting professors are prepared to teach IFRS. All the same, no correlation was found between preparedness compared amongst public and private institutions. Both sectors responded to the survey questions based on both nationwide and institutional preparedness identically.

Related to the research from this study, one of most obvious questions not thought of to ask professors was whether or not they think the United States should/are going to converge into IFRS. Most of the study focused on whether or not professors are prepared to teach IFRS not the apparent evidence that the professor may not think IFRS will be used. However, along with this same idea, it would be interesting to inquire as to when (specific date i.e. 2012, 2013, etc.) they believe convergence to IFRS will do. It would be beneficial to ask overall too what the professor's familiarity is with IFRS. Based on opinions, the general assumption was made that in the United States the country will eventually converge to GAAP, so some professors were not given the the benefit of the doubt that the United States will not, making the entire survey irrelevant to them. Nonetheless, for my future research ideas to follow make the general assumption that IFRS will be converged with United States' GAAP in the near future.

As the Loyola professors focused on, I would like to also consider the specific amount of time spent on IFRS. As a result, I could take this data and compare it to the data found in their study to see if the amount of time spent on IFRS based on various regions have an impact or if it is consistent nationwide. It may be interesting as well to focus on the public vs. private

institution to a larger extent to find differences among responses. I was indeed shocked as I mentioned when I saw that responses were identical among the two, so it may need some deeper digging to unravel disparity. Across the United States, I am curious have many schools have a specific course for IFRS, which would be extremely useful information if I could find a quicker, more efficient way to obtain it rather than going to individual school websites. Furthermore, I think looking at the size of the institution would generate some interesting responses. Smaller institutions may have more professors willing to teach IFRS because students and professors are more interactive. At the same time, larger institutions may have professors that have a greater supply of resources to teach IFRS allowing them to incorporate it into classes more easily. I could also see how professors plan on getting trained more specifically and if departments have taken any steps to enforce training and/or provide it. Also, I would like to look at the percentages of international students at institutions and see if this affects whether IFRS is incorporated more into curriculum or being emphasized to a greater extent. I would be curious to see international professors teaching in the United States' institutions' reaction to IFRS based on their past experience and knowledge of it. Overall, I could also ask how college professors and professionals believe other countries will respond to the United States converging to IFRS. Would they see it as another attempt for the United States to stay on top, as a part of a continuous power struggle, or another way the world is moving toward a mostly global market. It would also be interesting to find whether professors and professionals think the converged standards will be more similar to US GAAP or IFRS.

To a great extent, however, the teaching of IFRS material is greatly connected through the workings of both professionals and professors. Professors are paid to teach students the

material necessary to be fully prepared in the job market for their relative major. Professionals at the same time are selecting from these students, the ones with the greatest ability and overall preparedness for a career in that specific field. Thus, professionals are frequently associated with institutions to make sure students are being taught the correct knowledge as background to apply this knowledge to the skills necessary and executed in the field.

Accordingly, if in the professional accounting field employees need knowledge in IFRS for the company if they work with multinational companies or have large affiliates globally, professionals will take the steps to ensure that students in institutions nationwide are being properly taught the necessary IFRS information to be prepared for a career in that accounting sector. As mentioned in the literature section, many professionals are extending their support by providing grants, webcasts, special training, etc. not only to their employees, but to professionals that in return for their services provide them with capable employees. Thus, it would be very valuable to see what differences could be found between professionals and professors related to preparedness for teaching IFRS in institutions and other implications of IFRS as discussed.

## 7. VALUE

I have heard from many sources and even someone in my survey replied that “IFRS is most likely not going to become standard in the United States.” How would someone explain all of the joint projects that the IASB and FASB have already been working on? Would both boards use all of their members’ valuable time and spend contributor’s generous donations to the organization’s success on a project that will essentially never be put into effect? Although it is a huge step, it is in fact realistic and all financial statement users need to be both aware and

begin preparation. William J. Read, a professor of accounting at Bentley University in Massachusetts stated, “The light in the tunnel bearing down on U.S. companies is the IFRS locomotive express. For all intent and purposes, it is no longer a question of *whether* U.S. companies will transition to IFRS from U.S. GAAP, but really a question of *when* such transition will be required” (Bentley University Newsroom). This ties into my overall purpose for this project, which I repeated and elaborated upon throughout this paper.

I want to uncover whether or not professors in the Rochester-area institutions, including The College at Brockport where I attend college, are prepared to teach IFRS material. This project has a lot of value to me as an accounting major in this area on many levels. As far as education, I may have to be prepared to learn a set of standards that professors do not have the adequate knowledge to teach, so it could be a very difficult learning experience on both ends of the spectrum. As professors are attempting to receive the adequate training at their own discretion or through their departments’ requirement, I may be essentially learning the standards in graduate school at the same time they are for undergraduate purposes. Without a long-term familiarity and valid experience working with IFRS, professors may struggle incorporating the material into class. Real life examples and experiences are what truly help a student *learn* material, not just memorize it to forget once the semester is over.

I am on the Certified Public Accountant track and already successfully passed two of the four parts. However, I know if I had not taken the Becker review course I would not be able to pass especially due to my lack of knowledge in IFRS. IFRS were incorporated on the CPA examination in January 2011. This instantly affected me because that was the year I started taking the CPA examination. I know personally in my Intermediate Accounting I class, my

professor briefly described a few differences between GAAP and IFRS in the “Convergence Corner” our textbook included, but we were never taught the material or tested on it. If schools are not taking particular measures like guaranteeing IFRS is being taught in classes or even creating an entire course dedicated to IFRS, this can affect students' entire careers in the accounting field.

Although I have successfully secured a position at a local firm, if I were hypothetically looking for employment, especially with a global firm, employers may expect this knowledge from me that I lack. If employers are willing to hire me, I may have to undergo extensive training which I may have to pay for. This would not be unnecessary if I was thoroughly trained in my undergraduate and possible graduate studies. Looking even further to the future, with my passion for traveling, I would love to have a job either internationally in external auditing or in the United States that allows me to travel overseas frequently to meet with clients. As mentioned, studying abroad is one of the best ways to be immersed in the global culture and develop a desire to be a greater part of the global market. With my experience studying abroad, I know it created a drive within me to pursue a career path in accounting that would allow me to continue to explore the world. Since over 100 nations are currently using or even requiring IFRS like the European Union, I will most likely be required to know IFRS on top of GAAP that I have learned in my undergraduate studies. Even if employers are not looking for students to have knowledge of IFRS, it will most likely be a competitive advantage for students if they do have the knowledge. As noted in ideas like Richard Florida's that I mentioned where cities matter, it is a general assumption in this area that students are being trained for careers in the local market. If professors started to train students more for a global job market, as in large

cities like New York, Chicago, and Boston, these students won't need to undergo as much training as others, and thus be able to transition without delay into firm's operations.

Personally, I want to be prepared for a global market, so I may have to take my own initiative in that sense to guarantee I will have an equal opportunity to work overseas as other students in institutions that emphasize this career path to a greater extent. To sum up my purpose, college professors' knowledge and readiness to teach IFRS are essential for mainly my future career options. Without the proper education and exposure to IFRS, I will lose out on the opportunity to reach my full potential as an accounting professional.

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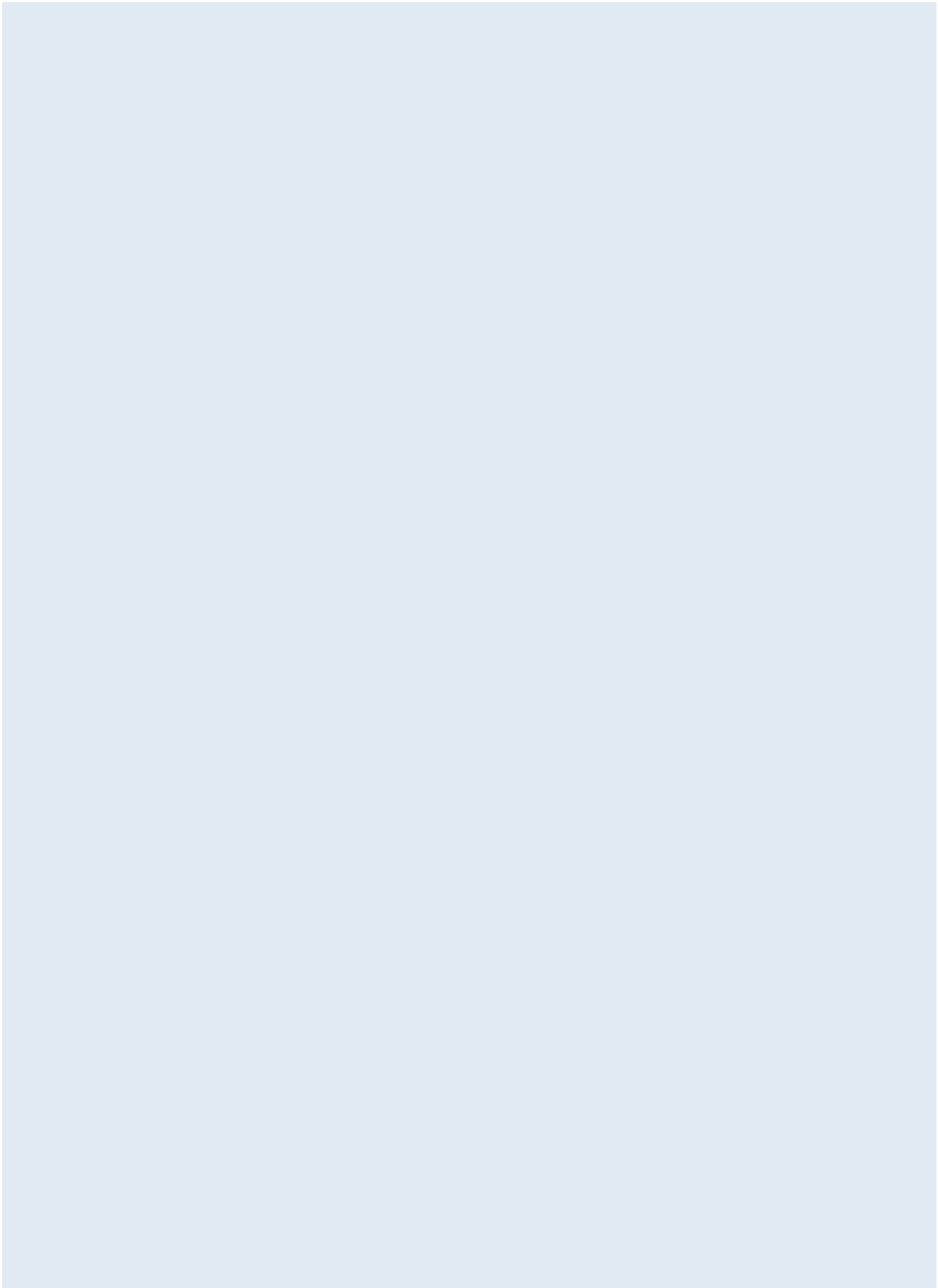
## 9. APPENDIX

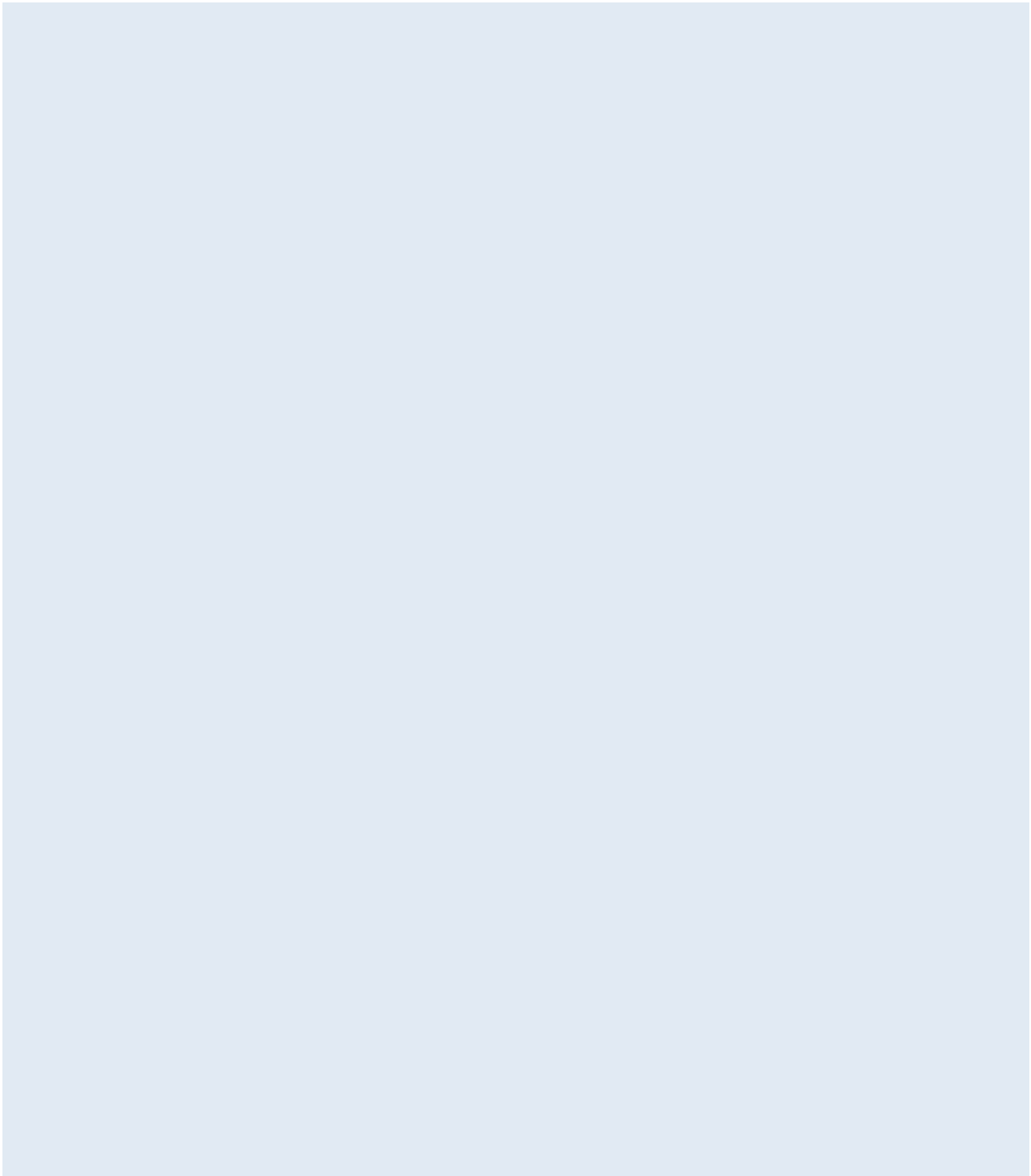
9.1 Professor Contacts

9.3 Survey for Professors

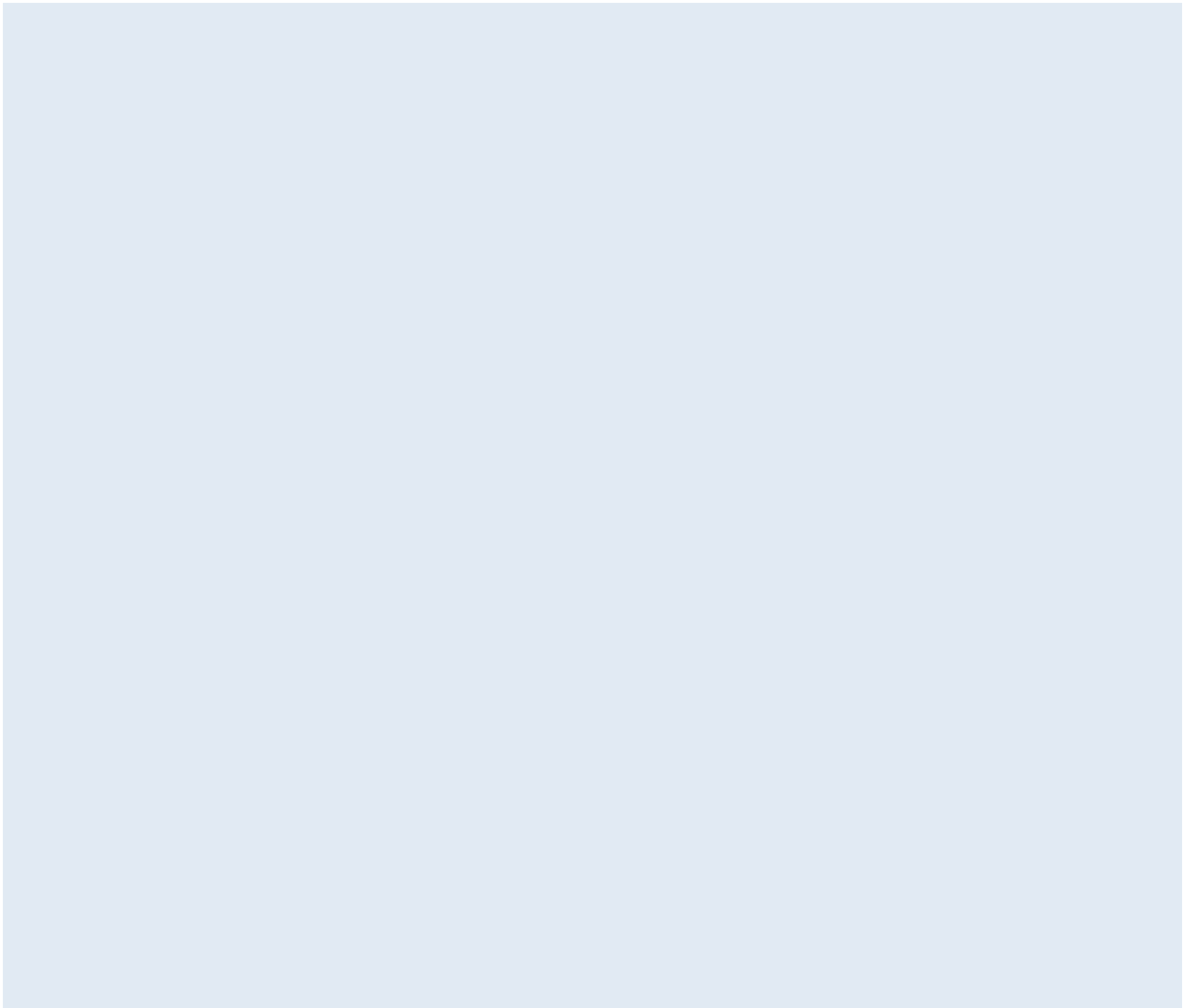
9.2 Professor Cover Letter

APPENDIX 9.1









## APPENDIX 9.2

Dear \_\_\_\_\_:

As a graduating senior at The College at Brockport, SUNY within the Honors Program, it is essential for me to capstone my college experience with an intensive thesis including original research that relates to a topic of my both my interest and relevant to my future. As an Accounting major, I chose to focus on the current Generally Accepted Accounting Principles (GAAP) convergence to International Financial Accounting Standards (IFRS).

In my research, I came across a point that struck my interest: whether or not college professors are adequately trained to teach IFRS material. I decided to narrow my focus on to analyze if Rochester-area Accounting professors believe that local universities are prepared to adapt to the change from GAAP to IFRS in the sense of professors' knowledge-base to teach the material and how the material will be incorporated into courses.

I have developed a survey for Rochester-area instructors in colleges/universities with accounting programs that consider the reasoning behind the convergence and scrutinize the integration of the standards into the United States and furthermore colleges/universities. The survey is broken into two parts: the first with ten general questions asked to professors and the second with three questions specific to allow professors to elaborate upon their viewpoints.

It would be extremely beneficial for me as well as this project if you could please fill out the survey included. I have included a stamped return envelope to mail back the survey anonymously for your convenience. I am looking forward to learning more about this topic, so your input would be helpful in gaining knowledge about a relevant topic in the Accounting field today. I would appreciate a response by Friday, December 9, 2011. If you have any questions or comments please contact me at [adorm1@brockport.edu](mailto:adorm1@brockport.edu). Thank you for your time and consideration.

Sincerely,

Amy Dorman

Enclosures

## APPENDIX 9.3

1. How many years of experience do you have as an accounting professional?

1      5+      10+      More than 10      N/A

2. How many years of experience do you have as an accounting professor?

1      5+      10+      More than 10      N/A

3. To what extent do you believe international business has led to the move from GAAP to IFRS?

(Rank based on 1 as minimal impact and 5 as the largest factor)

1          2      3      4      5

4. In your opinion, are college professors nationwide prepared to teach International Financial Reporting Standards?

Yes                  No

a. Does this opinion extend specifically to your own institution?

Yes                  No

5. Do you think a special certification should be mandatory for professors?

Yes                  No

6. Should students be tested on this material as a tool for hiring by employers?

Yes                  No

7. What kind of impact will this have on the job market?

Positive              Neutral              Negative

8. Do you expect an increase in international staff at your institution?

Yes                      No

9. Rank the relevance of this topic in the Accounting profession today (1 is least relevant and 5 is most relevant)

1            2            3            4            5

10. Out of the three groups listed, which will be impacted to the greatest extent?

College students                      Professors                      Professionals

1. How do you plan on getting trained (see a. below) or how did you get trained? (see b. below)

a. Would you be willing to pay for training?

Yes                      No

b. Would you be willing to undergo further training?

Yes                      No

2. How are you planning on integrating IFRS into course schedules? Will a separate course be offered?

3. How will your institution find a way to “stand out” and appeal to students interested in your program?