



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH: A
ADMINISTRATION AND MANAGEMENT
Volume 14 Issue 2 Version 1.0 Year 2014
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

A Review of U.S. IFRS Conversion Leading to Organizational Change Readiness Mishaps

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GJMBR-A Classification: *JEL Code: D73*



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RESEARCH | DIVERSITY | ETHICS

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A Review of U.S. IFRS Conversion Leading to Organizational Change Readiness Mishaps

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I. INTRODUCTION

In an effort to stay abreast of global organizational change initiatives as they relate to accounting principles and practices, the Securities and Exchange Commission (SEC) made it mandatory for publicly traded firms to follow the International Financial Report Standards (IFRS) when reporting quarterly financial in the upcoming future (Zeff&Pacter, 2008). As a result, this article will analyze current global financial trends and recommendations that will be afforded for organizational change and financial restructure initiatives. Also, a review will be conducted about how U.S. business school universities/colleges have adjusted their accounting curriculums for the upcoming financial reporting requirements so that undergraduate/graduate students are better prepared for the upcoming new wave of financial reporting requirements.

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II. ROADMAP FOR POTENTIAL USE OF FINANCIAL STATEMENTS CAUSES AND EFFECTS

A "Roadmap for the Potential Use of Financial Statements" has been established by the SEC. Additionally, Big 4 CPA firms have embraced the IFRS concept as the sole financial principles and practices used for financial reporting (U.S. Securities and Exchange Commission, 2010). According to Thomas, "the effort to join the international financial community in a single set of standards has been in motion for 40 years" (2008, p.369). This means that organizational change must take place from a financial perspective. According to Rivero, "organizational change continues to be arguably the solution to remain competitive for most United States mid/large organizations. For several years, studies have suggested that swift organizational change initiatives are needed to stay ahead of organizational competitors" (2013b, p.169).

With changes to U.S. accounting practices and principles, there will be anticipated additional costs for organizations to incur. A study suggested that there will be significant infrastructure cost changes that will include, but will not be limited to, training and development and the implementation of new software (Thomas, 2009).

Additionally, in 2005 IFRS was implemented in Australia and it was required of all organizations (private and public) to follow IFRS accounting guidelines. Pilcher & Dean (2009) further state that although IFRS is recognized as the sole accounting principles and practices embraced by all organizations in Australia (regardless of the sector, private or public), not all sectors were able to transcend seamlessly. Additionally, "... financial reporting requirements are time consuming and extremely costly and, in small councils where resources and staff are scare ... resources allocation is especially significant with respect to infrastructure repair and replacement" (Pilcher& Dean, 2009, p. 182).

a) Human Capital Readiness

U.S. firms are pushed to improve work productivity to remain competitive in the global market. According to Rivero, "organizations are challenged daily and are regularly improving their services in an effort

stay ahead of their competitors (2013b, p.169). As is, studies have suggested that organizational change has a 70% failure rate (Kotter, 2010). This being said, the added financial restructure will create turmoil in the workplace among employees. The need to establish organizational interventions is imperative in order to streamline the convergence from the U.S. GAAP to IFRS. According to Rivero, "organizational development interventions are needed in order to make adjustments to the overall Strategic plan to streamline organizational change initiatives (2013a, p.105).

b) U.S. Curriculum – Convergence to IFRS

According to the United States Department of Labor, the Accounting profession continues to be in high demand and it is expected to grow by 41% nationally and is currently ranked second as one the

fastest growing occupations in the nation. According to Bates, Waldrup & Shea (2011), "in 2010, the American Institute of Certified Public Accountants (AICPA) announced that IFRS would be included on the Certified Public Accounting (CPA) exam beginning in January 2011" (p. 39).

c) U.S. Universities/Colleges

The top U.S. undergraduate/graduate business schools offering accounting degree programs are depicted in Table 1. According to Bates, Waldrup & Shea (2011), "none of the top 20 undergraduate programs required an international accounting course and just seven offered an elective course" (p. 41). These same authors also stated that, "at the Masters level, two programs had required courses, Michigan State University and Texas A & M University" (p. 41).

Table 1: International Accounting Course Offerings At Top Accounting Programs Undergraduate Programs

Undergraduate Programs	
Required Courses:	
University of Georgia	Accounting Information in a Multinational Setting (3 credit hours)
University of Illinois	Introduction to Internal Accounting (3 credit hours)
Miami University (Ohio)	Survey of International Accounting and Reporting (1 credit hour)
Notre Dame University	International Accounting (3 credit hours)
Texas A & M University	International Accounting (3 credit hours)
University of Virginia	International Finance and Accounting (3 credit hours)
Wake Forest University	International Accounting (3 credit hours)
Master's Programs	
Required Courses	
Michigan State University	Management Accounting in Global Enterprises (3 credit hours)
Texas A & M University	International Accounting (3 credit hours)
Elective Courses	
Brigham Young University	International Accounting and Multinational Enterprises (3 credit hours)
University of Florida	International Accounting Issues (2 credit hours)
University of Georgia	International Accounting (1.5 hours)
University of Illinois	Multinational Enterprise Accounting (4 credit hours)
Michigan State University	Management Accounting in Global Enterprises (3 credit hours)
University of Mississippi	International Accounting (3 credit hours)
University of North Carolina at Chapel Hill	Global Immersion (3 credit hours)
Notre Dame University	International Financial Reporting Standards (2 credit hours)
University of Southern California	Accounting for the Global Business Environment (3 credit hours)
University of Texas – Austin	International Accounting Policies and Procedures (Variable credit hours)

(Bates, Waldrup & Shea, 2011, p.41)

It is vital that changes to the curricula be made immediately in order to prepare U.S. university/college students for the adoption of the IFRS conversion. Moreover, Bates, Waldrup & Shea (2011), further state that "accounting students must begin graduating with substantial international accounting knowledge" (p. 40). By not doing so, students will not be prepared for U.S. IFRS conversion.

III. RECOMMENDATIONS

The authors of this article propose the following recommendations for implementation of the U.S. IFRS processes.

1. Universities/colleges need to update curriculum in order to stay abreast of the newly created U.S. IFRS standards. This requires the involvement of university leaders to take the helm to lead the movement of change.
2. Federally funded workshops should be considered to retrain seasoned accounting professionals.
3. The Federal Government needs to consider having an open forum with business leaders to discuss U.S. IFRS and its convergence timetable schedule.
4. Accounting and business professionals need to be informed of new U.S. IFRS standards that will be in effect and the steps needed to stay abreast of new educational initiatives.
5. Establish a partnership among U.S. colleges and universities in order to form mentorship/workshop programs for business owners and managers to have a better understanding of current financial trends.

IV. CONCLUSION

U.S. IFRS is inevitable and the U.S. government needs to create a sense of urgency to prepare U.S. business leaders. Also, educational administrators/presidents need to lead the momentum in an effort to update accounting curriculums throughout U.S. universities / colleges, so that students are better prepared for new financial reporting challenges.

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