

# **Roadmap toward IFRS Adoption in Taiwan**

## **1. Background**

In response to globalization, the Accounting Research and Development Foundation (ARDF) has been developing domestic accounting standards for a number of years now. During the course of this work, the International Financial Reporting Standards (IFRS) have served as a primary reference. With the trend towards full adoption of IFRS in the international capital markets, IFRS has recently become virtually a single set of global accounting standards, and today more than 115 countries have adopted or are planning to adopt IFRS. Considering the international trend, encouraging local companies to prepare IFRS financial statements is a matter of some urgency if we are to enhance the international competitiveness of our local capital markets, make them more attractive to foreign investors, and to help domestic companies raise capital overseas.

## **2. Adoption Method**

The ARDF will translate (following specific review procedures) and issue Taiwan-IFRS, i.e. IFRS translated into traditional Chinese, in accordance with which domestic companies will prepare financial statements.

## **3. Adoption Scope and Timetable**

### **(1) Phase I companies:** listed companies and financial institutions

supervised by the FSC, except for credit cooperatives, credit card companies and insurance intermediaries:

- A. They will be required to prepare financial statements in accordance with Taiwan-IFRS starting from January 1, 2013.
- B. Early optional adoption: Firms that have already issued securities overseas, or have registered an overseas securities issuance with the FSC, or have a market capitalization of greater than NT\$10

billion, will be permitted to prepare additional consolidated financial statements<sup>1</sup> in accordance with Taiwan-IFRS starting from January 1, 2012. If a company without subsidiaries is not required to prepare consolidated financial statements, it will be permitted to prepare additional individual financial statements on the above conditions.

**(2) Phase II companies:** unlisted public companies, credit cooperatives and credit card companies:

A. They will be required to prepare financial statements in accordance with Taiwan-IFRS starting from January 1, 2015.

B. They will be permitted to apply Taiwan-IFRS starting from January 1, 2013.

**(3) Pre-disclosure about the IFRS adoption plan, and the impact of adoption**

To prepare properly for IFRS adoption, domestic companies should propose an IFRS adoption plan and establish a specific taskforce. They should also disclose the related information from 2 years prior to adoption, as follows:

A. Phase I companies:

(A) They will be required to disclose the adoption plan, and the impact of adoption, in 2011 annual financial statements, and in 2012 interim and annual financial statements.

(B) Early optional adoption:

a. Companies adopting IFRS early will be required to disclose the adoption plan, and the impact of adoption, in 2010 annual financial statements, and in 2011 interim and annual financial statements.

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<sup>1</sup> To maintain the consistency of information declaration and supervision with other companies, the early adopted companies should still prepare individual and consolidated financial statements in accordance with domestic accounting standards.

- b. If a company opts for early adoption of Taiwan-IFRS after January 1, 2011, it will be required to disclose the adoption plan, and the impact of adoption, in 2011 interim and annual financial statements commencing on the decision date.

B. Phase II companies will be required to disclose the related information from 2 years prior to adoption, as stated above.

#### 4. Work Plan

- (1) Translation, review, and issuance of Taiwan-IFRS;
- (2) Study on possible IFRS implementation issues and resolutions;
- (3) Modification to related regulations and supervisory mechanisms; and
- (4) Enhancement of related publicity and training activities.

Year	Work Plan
2008	<ul style="list-style-type: none"> <li>● Establishment of IFRS Taskforce</li> </ul>
2009~2011	<ul style="list-style-type: none"> <li>● Acquisition of authorization to translate IFRS</li> <li>● Translation, review, and issuance of IFRS</li> <li>● Analysis of possible IFRS implementation problems, and resolution thereof</li> <li>● Proposal for modification of the related regulations and supervisory mechanisms</li> <li>● Enhancement of related publicity and training activities</li> </ul>
2012	<ul style="list-style-type: none"> <li>● IFRS application permitted for Phase I companies</li> <li>● Study on possible IFRS implementation problems, and resolution thereof</li> <li>● Completion of amendments to the related regulations and supervisory mechanisms</li> <li>● Enhancement of the related publicity and training activities</li> </ul>
2013	<ul style="list-style-type: none"> <li>● Application of IFRS required for Phase I companies,</li> </ul>

	<p>and permitted for Phase II companies</p> <ul style="list-style-type: none"> <li>● Follow-up analysis of the status of IFRS adoption, and of the impact</li> </ul>
2014	<ul style="list-style-type: none"> <li>● Follow-up analysis of the status of IFRS adoption, and of the impact</li> </ul>
2015	<ul style="list-style-type: none"> <li>● Application of IFRS required for Phase II companies</li> </ul>

#### **4. Expected Benefits**

- (1) More efficient formulation of domestic accounting standards, improvement of their international image, and enhancement of the global rankings and international competitiveness of our local capital markets;
- (2) Better comparability between the financial statements of local and foreign companies;
- (3) No need for restatement of financial statements when local companies wish to issue overseas securities, resulting in reduction in the cost of raising capital overseas;
- (4) For local companies with investments overseas, use of a single set of accounting standards will reduce the cost of account conversions and improve management efficiency.