IFRS CHALLENGE: THE CASE OF THAILAND

By

Sasisri Phruettiyanan

THESIS

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirements

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ABSTRACT

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The International Accounting Standard (IFRS) has been introduced in Thailand since 1997 with the plan of full adoption in 2011 for the 50 largest companies listed in the Stock Exchange of Thailand (SET). During the convergence process, however, some new standards have been postponed and many impractical issues have presented themselves. This study aims to identify the major factors that stand as barriers to IFRS harmonization in Thailand and provide policy recommendations to reach the convergence goal. To analyze the accounting environment in Thailand together with the case studies of the past success in other countries, this study utilized the research of Zeff (2007) and Wunder (2004) and the Logical Framework. The result of the analysis reveals that the principle causes of difficulties are the business cultures, which are lacking in fair value reference, and the stage of economic development, which is relatively low compared to other IFRS countries. These two obstacles can be overcome by market forces and the cooperation between business entities, government agencies, and professional bodies.

ACKNOWLEDGEMENTS

I used to feel unconfident before I started this thesis that I may not be able to write something useful within the time line basis. But… with care and support from people around me, I started from the very basic step. Finally my work was done.

Here, I would like to say 'thank you' to Seth Leighton, Professor Choi Tae-Hee, Ajarn Sillapaporn Srijunpetch, Jan Matejka, and my family. Seth is one of the best teachers I have ever known. Seth's excellent classes made my one-year life abroad easier. Professor Choi and Ajarn Sillapaporn, my thesis supervisor and my professor from my undergraduate years, were always available for professional advices and kindly supports. Jan, thank you for standing beside me and making 2009 the most memorable year. Lastly, thank to my family, who are all the reason behind my success, for giving me courage and hope.

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1. INTRODUCTION

During 1965-1990, Thailand was one of the East Asian countries achieving rapid economic growth, known as the 'East Asian miracle' (Stiglitz, 1996). Until July 1997, the Asian Financial Crisis emerged with the starting point in Thailand due to the currency collapse. This crisis had made Thailand, which once targeted itself as a fifth tiger of Asia (Chiablam, 2009), become famous from its negative reputations as an untrustworthy place to invest. The weak accounting standards and reporting practices were claimed as one of the main reasons for this financial collapse (Srijunpetch, 2004). Therefore, the concept of 'International Accounting' has been introduced to Thailand since 1997 (Saudagaran & Diga, 1998). Considering strong accounting standards as a tool of good corporate governance, the major concern is to develop high quality standards which can be internationally accepted.

The Institute of Certified Accountants and Auditors of Thailand (ICAAT), which was renamed in 2004 as the Federation of Accounting Profession (FAP) (FAP, 2004), has continuously revised, word-by-word, Thai Accounting Standard (TAS) to be in line with the International Accounting Standard (IAS) and the International Financial Reporting Standard (IFRS). The goal of full adoption is set for 2011 for the 50 largest companies listed in the Stock Exchange of Thailand (SET) (Nationgroup, 2009). Nevertheless, up to 2009, many new standards have been delayed from their original plans and several local options remain accepted. Moreover, some TASs comply with outdated versions of the IFRS (KPMG Thailand, 2009). In practice, accountants also find difficulties to prepare financial reports to meet the terms of the new standards especially for valuation and measurement (Sritabtim, 2009). All of these situations have raised the doubt whether the complete implementation will be achieved as planned.

The four groups: businesses; investors; regulators; and the accounting professions, each play fundamental roles to establish the IFRS in Thailand. Most of those stakeholders believe that the lack of necessary technologies, language differences, and inexpert staffs are the major barriers to the convergence. Those ‘basic’ hindrances, however, have already been faced by successfully converged countries such as the European Union (EU) member states, and thus cannot be considered as absolute factors that block TAS to shift its status to the ‘IFRS equivalent standard’.

The purpose of this thesis is to provide policy recommendations for the accounting professional agencies, both private and public, in order to reach the goal of convergence. Successful implementation is significant to the Thai market’s image for the foreign investor by promoting the high quality financial reports containing two characteristics: compatibility and transparency. This implies that foreign investors are less confident in the security market where the IFRS is not applied and thus leads to drawbacks for the whole economic system.

The general objective of study is to demonstrate the specific factors which stand as barriers for Thailand to achieve the accounting revolution and to analyze the keys of success in other countries. It is hypothesized that understanding these factors will further develop integrated approaches for the accounting harmonization plan. The researcher has delimited this study to focus on the cases of countries with similar accounting practices to Thailand in order to compare relevant areas and apply their policies. Therefore the contribution of this study may be less appropriate to the cases of other countries with different types of accounting systems.

More than a decade after Asian Financial Crisis, Thailand is back on its growth path. Thailand GDP growth rates during 2005 to 2009, averaged 4.5 percent (IndexMundi, 2009), in line with the world growth rate. Many developments in the financial system, including the accounting revolution are driving this success (Menkhoff & Suwanaporn, 2007). This means that the harmonization to the IFRS, even though not yet complete, has signaled a good sign to the investors after the crisis and thus should be continued to build up the sustainable growth of the Thai economy in the long run.

2. LITERATURE REVIEW

2.1 Background Information

The purpose of this section is to describe the general background and history of the International Financial Reporting Standards (IFRS), the adoption of IFRS within European Union (EU), and the Thai Accounting Standard (TAS), as examining these areas will be useful to understanding the challenges in IFRS harmonization in Thailand.

2.1.1 International Financial Reporting Standards (IFRS)

The IFRS is “a set of accounting standards, developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements” (Mybizfiler, 2008). The IFRS features the ‘Principle-based’ system which allows professional judgment to interpret the regulations for each individual situation (Neidermeyer et al., 2009). Due to complexity of the standards, the interpretations are issued to clarify some doubtful areas by the International Financial Reporting Interpretations Committee (IFRIC) which was originally named as the Standing Interpretations Committee (SIC). The main part of the IFRS is known as International Accounting Standard (IAS), the old name for standards issued between 1973 and 2001. As of 1 January 2009, IASB enforces 37 standards consisting of 8 IFRSs and 29 IASs.

The international standard (IAS) was introduced in 1973 by the International Accounting Standard Committee (IASC) with a head office in London. The board was replaced by IASB in 2001 and later standards issued by IASB have been called as IFRS.

IASB is appointed and overseen by the IASC Foundation, a diverse group of trustees who are accountable to a Monitoring Board of capital market authorities. The IASB consists of 7 members, working as official liaisons to facilitate convergence, which are Australia (including New Zealand), Canada, France, Germany, Japan, the United Kingdom, and the United States (IASB, 2009). The flow of IFRS issuing process is shown in Figure 1.

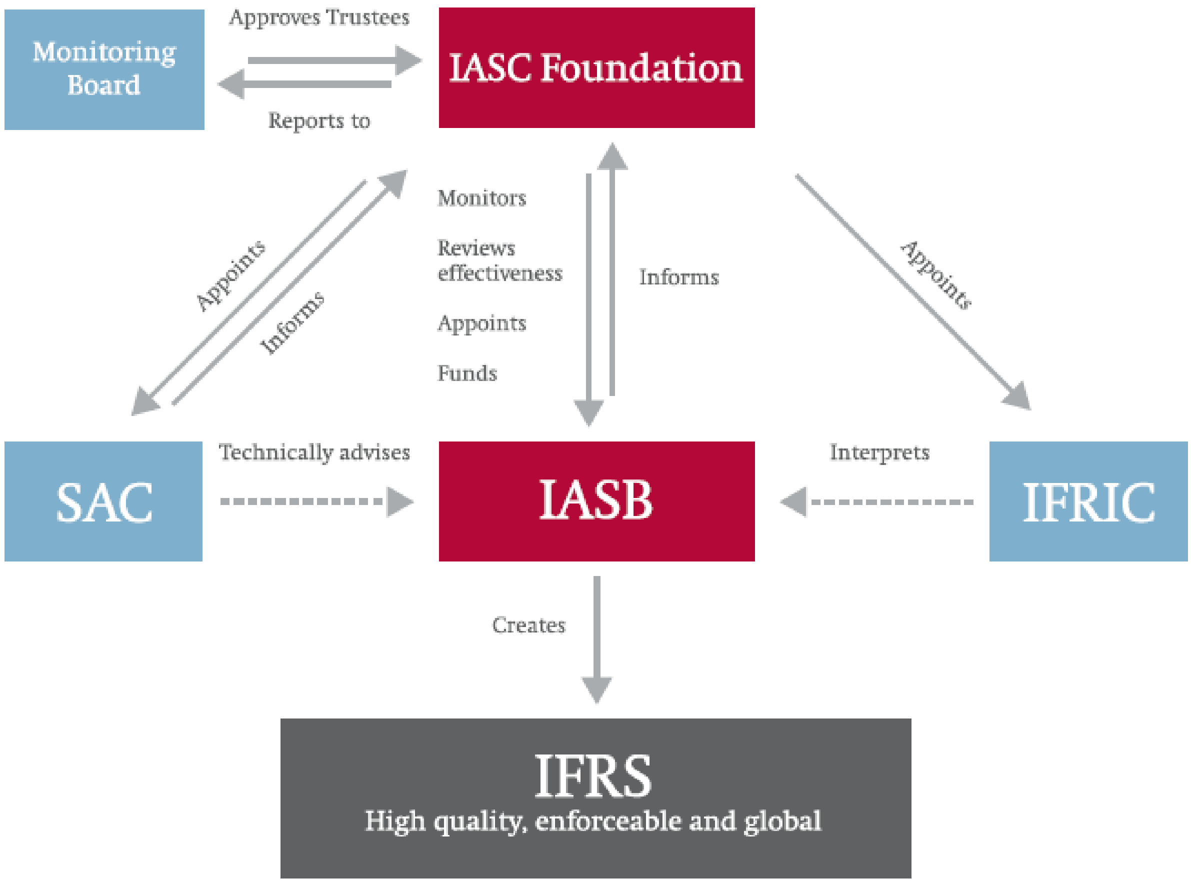

Figure **1**: *IFRS issuing process (IASB, 2009)*

IASB (2009) states its mission as “to develop, in the public interest, a single set of high quality, understandable and international financial reporting standards (IFRSs) for general purpose financial statements” in order to achieve its goal: “to provide the world’s integrating capital markets with a common language for financial reporting”. Thus, IASB has continuously developed the set of standards with 2 major concerns, maintaining comprehension and fostering enforcement, which will become the key for worldwide accounting and financial reporting harmonization. IASB's progress is reflected by the implementation of IFRS by over 100 countries worldwide (Neidermeyer et al, 2009). The IFRS affects not only accounting systems but also the whole business: tax planning, management reporting systems, investor relations, employee and executive compensation, employee benefit plans, performance indicators, corporate finance and structured financial products, and financial accounting and reporting (AICPA, 2009). As a result, effects of the IFRS on business issues should be studied carefully for any country planning to implement the IFRS.

2.1.2 European Union: Adoption of IFRS

As of 2009, the EU included Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. The purpose of EU accounting harmonization is to achieve economic unification. The success among these European countries, in which each member originally used various types of standard and regulation, has become a model of accounting harmonization.

Behind this success, several strategic plans were implemented, one of those was "Financial Services Implementing the Framework for Capital Markets: Action Plan (FSAP), 1999". Among 42 action plans based on strategic objectives concerning transnational movement of people, goods, and capital within EU, part of this agreement was to unify the accounting strategy of each individual to a single set of financial statements for listed companies. The process of IFRS implementation was based on the advice of the European

Financial Reporting Advisory Group (EFRAG). The EU achieved its goal of convergence in 2005 as the consolidated financial statements of listed companies have followed the IFRS. To develop compatibility between financial reports of European and foreign companies, further requirement for the use of IFRS or equivalent standards by foreign companies trading within EU markets would start from 2009 (Neidermeyer et al, 2009). Hence, foreign companies, listed in EU such as General Electric (USA) and Pfizer (USA), whose headquarters are not located in the countries requiring the IFRS, may have to prepare double reports to serve both local and market needs.

2.1.3 Thai Accounting Standard (TAS)

TAS is issued by the Federation of Accounting Professions (FAP) which was formerly called the Institute of Certified Accountants and Auditors of Thailand (ICAAT). Procedures in issuance of accounting standards or guidelines start from a draft by the Accounting Standard Setting Committee. Then the draft is presented for public hearing and transferred to the Screening Committee. After comments from the Screening Committee, the standard is passed to FAP and the Board of Supervision, respectively. The standard, with final approval and announced in the Royal Gazette noting the effective date, becomes TAS (FAP, 2004). According to these transaction flows, each TAS must be verified by many professional groups, similar to the IFRS issuing process from the IASB.

Deloitte (2008) noted that TAS was originally influenced by a multitude of sources: the Accounting Professions B.E 2547, IFRS, US GAAP, the Thai Revenue Department, Stock Exchange of Thailand (SET), Bank of Thailand (BOT) and the office of Insurance Commission. Until 1997, the period of Asian Financial Crisis, ICAAT was pressed by the IMF to conform to IFRS in order to increase transparency (Saudagaran & Diga, 1998). Full

IFRS implementation of companies listed in SET will be in the year 2011 for SET50 (top 50 listed companies), 2014 for SET100, and 2016 for the rest of the market. However, for companies outside the capital market, local standards, or local options, remain applicable (Nationgroup, 2009). During the process of harmonization, as a consequence, the financial reports from 2 different groups, for example between SET50 and SET100, potentially present incomparability due to the different standards implemented.

Despite more than a decade of effort, in 2009, the prospect of harmonization remains doubtful. Many new standards have been delayed and local options are still accepted. Moreover, the revised TASs still follow the old versions of the IFRS. TASs effective in or before 2009 are based on 2006 or older versions of the IFRS (KPMG, 2009), see *Appendix A.* Deloitte (2008) summarizes areas of differences between TAS and IFRS, occurring from the circumstances of individual counties, noting that there are "area[s] where IFRS allow choices but TAS does not, area[s] where IFRS does not allow choices but TAS does, areas such as hyperinflation and first-time adoption where the FAP still has not decided to develop a TAS because of limited application in Thailand, and area[s] where IFRS has detail guidance but TAS currently does not have an equivalent enacted standard". As shown in table 1, as of 31 December 2008, 25 out of 30 TASs, or 83%, were compliant with the IFRS while the rest of them remained following US GAAP and other regulators. For these 25 TASs which conformed with the IFRS, however, 15 of them, or 60%, contained several differences from the IFRS (see *Appendix B).* These differences are planned to be revised by 2011.

The delay of the convergence plan has had sizeable impacts on the economic system. The biggest disadvantage is a lack of foreign investors' confidence in Thai capital and financial markets, as the IFRS is a key for compatibility and transparency. Additionally, the allowance on local options while full adoption is under process leads to difficulty in recording transactions. By reviewing online web boards, this study find that accountants are usually confused to which extent and how they should follow the IFRS while the local options are also acceptable. “This variety and speed of the 'accounting revolution', together with the lack of available accounting information for comparable periods may have affected the apparent uncertainty among investors during the transition period” (Daske, 2006). In this sense, Thai financial reports are untrustworthy and may cause delays of foreign investment until full adoption takes place.

Accounting Standard as at 31 December 2008	**Number of Standard**
IFRS (Total)	37
TAS (Total)	30
TAS compliant with any version of IFRS	25
TAS not compliant with IFRS	
- Comply with US GAAP	4
- Not comply with any standard	1

Table 1: Summary of total TAS compliant with the IFRS (KPMG Thailand, 2009; CPAccount, 2009)

Not only investors and accountants but also several entities, both private and public, suffer from the variety of accounting strategies. SEC, BOT, and the Revenue Department have to deal with semi-convergent financial reports which are very difficult to verify in terms of the accuracy of numbers and sufficiency of disclosures. Specialists like university professors, economists, and analysts also need to update their knowledge since the IFRS impacts not only accountants but also every economic area. Universities all over Thailand are working on training professors and revising course structures of faculties like Commerce and Accountancy, Law, Economics, and Public Management. Uncertainty of the standards' contents creates difficulties in setting course outlines. An example of this case is from Thammasat University that introduced a new course called Advance Accounting-Special in 2006. The content of this course included draft accounting standards for 'Financial Instruments: Recognition and measurement (IAS 39)' which was, in 2006, expected to be enforced as a new TAS in 2008 (TBC, 2006). However, in 2009, the status of this draft remains unchanged.

Despite the fact that the delay of adoption causes financial loss, barriers of harmonization are rarely identified. Unlike Americans, Germans, and Japanese, Thai stakeholders are less active in participation. While there are numbers of papers, publicized in the online databases such as JSTOR and Google Scholar, concerning IFRS implementation process in those developed countries, the case of Thailand is only mentioned unofficially in the online communities such as Nukbunchee, which means accountant. Moreover, the main topic is to deal with tax and revenue impacts after IFRS is enforced, rather than corporate strategy impacts.

2.2 Theoretical Background

In this section, the theoretical bases of this study are described in 3 parts. First is the theory of 'Classification of Financial Reporting Practices'. Then the benefits of accounting harmonization are demonstrated in terms of finance and economics. The last part of this section explains the theoretical supports for the possibility of harmonization.

2.2.1 Classification of Financial Reporting Practices

Classification of Financial Reporting Practices provides information as to how difficult it may be to achieve accounting harmonization and how accounting practices of one country differ from one another. This study is based on research performed by Doupnik and Salter in 1993 named *"An Empirical Test of a Judgmental International Classification of Financial Reporting Practices"* as it included Thailand and has been widely referred to in similar studies. Thus in other following sections, unless otherwise noted, the word 'classification' or 'group' refers to Doupnik and Salter's (1993) research.

One of the main objectives of Doupnik and Salter's (1993) work was to "empirically classify current national financial reporting systems". The research classified 50 countries in 2 groups; 'micro' and 'macro' classes (*see Table 2*). The difference between both groups is the target users. In the micro group, users are investors and creditors. In macro group, government sectors such as the Revenue Department are the principal users of financial reports. The micro group is divided into 2 subgroups, a U.K-influenced group (C1) and a U.S-influenced group (C2). The macro group is separated into 5 subclass s (C3-C7). Thailand is in subclass C6, or Arab/Hybrid, of macro group due to similarities of accounting nature. Doupnik and Salter's (1993) claim that countries classified in this group have national accounting standards which are influenced by several regulators. Accounting systems of Arab countries are dominated by Islamic law, while Belgian accounting partially contains a French accounting heritage. As informed in *section 2.1.3 Thai Accounting Standard (TAS)*, TASs were originally influenced by a number of sources such as SET, IAS, US GAAP, and BOT.

MICRO	MACRO	
C1	**C3**	**C7**
Australia	Costa Rica	Finland
Botswana		Sweden
Hong Kong	**C4**	
Ireland	Argentina	**C8**
Jamaica	Brazil	Germany
Luxembourg	Chile	
Malaysia	Mexico	**C9**
Namibia		Japan
Netherlands	**C5**	
Netherlands Antilles	Colombia	
Nigeria	Denmark	
New Zealand	France	
Philippines	Italy	
Papua, New Guinea	Korea (S)	
South Africa	Norway	
Singapore	Portugal	
Sri Lanka	Spain	
Taiwan		
Trinidad & Tobago	**C6**	
United Kingdom	Belgium	
Zambia	Egypt	
Zimbabwe	Liberia	
	Panama	
C2	Saudi Arabia	
Bermuda	**Thailand**	
Canada	United Arab Emirates	
Israel		
United States		

Table 2: Doupnik and Salter (1993) Classification with author's own adjustment

Doupnik and Salter (1993) concluded in their research that "if the IASC's International Accounting Standards (IAS) can be viewed as an international norm, then companies in micro class countries, on average, exhibit greater compliance with international norms than their macro class counterparts”. They also suggested that, within the same group, harmonization may be easier to achieve. This classification implies negative signs of difficulties to converge to the IFRS for Thailand, which is in the macro group. However, it also gives a list of countries, such as Belgium, which are classified into the same subgroup and can be used as a model for successful harmonization.

2.2.2 Benefits of IFRS Harmonization

The advantages of IFRS harmonization have been discussed worldwide for more than a decade. Barth (2007) states the main benefits of adopting IFRS are “better resource allocation decisions, more efficient capital markets, and lower cost of capital”. This idea is also supported by the fact that “unfamiliar foreign accounting principles and lack of disclosure can prevent investors from diversifying their portfolio internationally in an optimal manner” (Eiteman et al., 1992, as cited in Doupnik and Salter, 1993). This means that without a common language for financial reporting, investors bear ill-informed risk while investing in foreign markets. It also shows that the various types of accounting principles around the world are an obstacle to build the ideal ‘world’s capital market’, where capital freely flows beyond frontiers.

On the other hand, there is no statistical or empirical support for the notion that adopting IFRS reduces cost of equity or increases firm value. Daske (2006) comments that evidence from a sample set of 20,500 firms between 1993 to 2002 “fails to document lower expected cost of equity capital and therefore measurable economic benefits for firms applying IAS/IFRS”. In addition, Ball’s (2006) research shows that TAS has low sensitivity to both economic gains and losses, if the IFRS is implemented fully. He claims, from this evidence, that accounting harmonization is not a key to fully overcome the differences between each individual country. According to these arguments for the case of Thailand, accounting harmonization may not bring any benefits, but only large costs of implementation, both in staff training and system development.

Despite these arguments, this study takes the side that accounting harmonization creates positive value for Thai capital markets. It also focuses on how, rather than whether, to converge to the IFRS, even though, in fact, adoption may not lead to significant change to financial reports. In appearance, compliance to the IFRS signals good signs, compatibility and transparency, to the investors, particularly foreign investors. The cost of signaling of high-quality standards, though, is relatively high compared to the final effect on Thai financial reports. Spence (1997, as cited in Ball, 2006), argues that a signal of higher quality is credible and valuable for the receivers only if the correlation between increase of cost of signaling and actual quality is negative. Given that investors are concerned about quality of each national financial reporting standards but their knowledge is limited, the use of IFRS, considered as the 'costly quality standard', will distinguish Thailand from those who do not adopt the IFRS. Keynes (1936) also claims that investor's behavior is like an 'Animal Spirit', they are risk-averse and not all investors seek arbitrage. They are sensitive to unfamiliar information, and thus a single financial language is needed.

2.2.3 Possibility of Successful Accounting Harmonization in Thailand

According to Doupnik and Salter's (1993) classification, Thailand is grouped as 'macro' group of accounting principles, which is more difficult to move to the IFRS compared to the 'micro' group. However, the EU case is the best example of successful harmonization between different groups within a decade of hard work. Thirteen of EU member states are grouped by Doupnik and Salter (1993) but only 4 of them are in the micro group. Thus the researcher recognizes the potential success of accounting convergence in Thailand, despite the negative signs of this classification.

Moreover, considering the accounting system as an institution, it contains 'cultural values', as shown in *Figure 2,* which are difficult to change. Therefore a successful revolution has to maintain the core value, while shifting behavior, attitude, and norms (Nam, 2009). As the IFRS's status is a 'Principle-based' system, any country can adopt the IFRS by "agreeing on the major principles on the standards to be set, leaving some practical details to be flexible enough to suit the situations found in each individual country" (Narongdej, 2005). This means that by adapting, with professional judgment, the IFRS to match the local constrains, while maintaining the main principles, the accounting revolution can be successful. As a result, this study perceives that accounting harmonization in Thailand is possible.

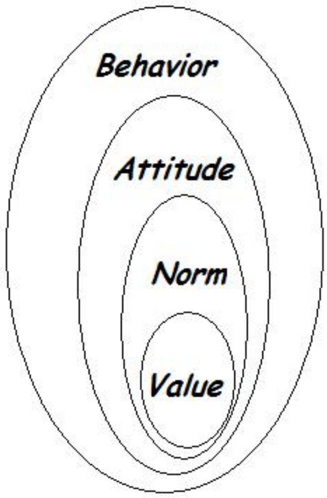

Figure 2: Cultural Structure (Nam, 2009)

3. RESEARCH METHODOLOGY

This section exhibits the methods exercised to answer the research questions: [1] what are the main obstacles of full implementation of the IFRS in Thailand, and [2] how can these obstacles be overcome. In this section, the design and instruments of each method will be rationally demonstrated together with a discussion of the validity and reliability. Procedures of data collection and analysis are also described.

This study focuses on qualitative research to determine the causes of obstacles and thus suggest strong and practical recommendations. Quantitative research is abandoned due to the nature of this research: case and comparative analysis, in which is more appropriate to apply qualitative methods. The separate research methodologies utilized are an analysis of the differences between the Thai accounting environment and the most suitable structure for the IFRS, and an analysis of case studies of the successfully converged countries. The research design is analytical, to understand on the impacts of the accounting environment on adoption of IFRS; and exploratory, to provide information of how other countries successfully converge to the IFRS.

The first part of the research works on the comparative analysis of differences between the Thai accounting environment and the most suitable structure for the IFRS. The objective of this method is to identify the obstacles of IFRS convergence in Thailand. The analyses are conducted in 3 areas: cultures, legal system, and stage of economic development. The cultural area, in particular, is concerned with 3 dimensions, namely the cultures surrounding the fields of business, accounting, and auditing. This framework is adapted from the studies of Zeff (2007) and Wunder (2004), which both demonstrate theoretical obstacles of convergence to the IFRS. Since their work is applicable to any specific accounting environment, the researcher applies and combines their principles to create the comparative analysis framework for this study.

The second part of this research is an analysis of accounting harmonization in Belgium and the United Arab Emirates (UAE). The purpose of this analysis is to identify how harmonization proceeded in other countries, which will lead to rational recommendations for Thailand. Belgium and the UAE are categorized by Doupnik and Salter (1993) in the same accounting group with Thailand and have converged to meet the IFRS guidelines for all listed companies in 2005. Thus, this study perceives that they are the best models for Thailand due to their similarities in accounting practices. The research applies the Logical Framework, an effective tool commonly utilized for managing the complete project cycle (World Bank, 2002), in order to analyze each case study by examining the objectives, procedures, and results of each case. Empirical studies on barriers and recommendations from similar research concerning the cases of accounting in Belgium and the UAE are also discussed in order to provide guidance for the further analysis.

This study synthesizes all research on the relationships between the IFRS, Thailand, the UAE, Belgium, obstacles, and harmonization processes. The online databases: JSTOR, SSRN, ScienceDirect, and Google Scholar, were used to collect related studies. These databases provide only those studies published in reputable journals and international conference reports held by professional authorities and consequently are held by this paper to be reliable. Additionally, to improve creditability, the official websites of accounting professionals, notably IASC, FAP, Ernst and Young, PricewaterhouseCoopers, KPMG and Deloitte, are utilized as sources of research information. These organizations, except for FAP, are international professional bodies that significantly influence IFRS harmonization around the world, while FAP is involved in every process concerning TAS. Interviews with accounting specialists are omitted to ensure reliability of the study as the current circumstance is viewed differently by each individual expert. Accordingly, using the equivalent set of research instruments as this paper, any other similar study concerning the current situation would reach similar conclusions.

To understand the barriers of IFRS convergence in Thailand and provide appropriate recommendations, this study utilizes qualitative research methods with a set of valid and reliable instruments. The comparative analysis demonstrates areas that create difficulties to full adoption, while the case studies of Belgium and the UAE provide guidance for the case of Thailand. The result and analysis of this research methodology is shown in the next section.

4. RESULT AND ANALYSIS

This section is divided into 2 parts: [4.1] the obstacles to IFRS convergence; and [4.2] the case studies of IFRS convergence in Belgium and the UAE. The results and analysis were generated by utilizing the research methods and instruments stated in the *Methodology* section and serve as the basis of the policy recommendations in the final section.

4.1 The Obstacles to IFRS Convergence

The obstacles to IFRS convergence are strongly focused on the lack of supporting technology, language difference, and untrained staffs (KPMG Thailand, 2008). However, this study perceives that those 'basic' obstacles have already been faced by successfully converged countries such as EU member states. Thus, the researcher aims to demonstrate the specific factors which potentially make difficulties in the case of Thailand. The analyses focus on the following areas as possible obstacles to IFRS convergence: cultural, legal, and economic. The study emphasizes how strong those areas are as barriers to convergence.

4.1.1 Cultures

Culture is considered as the most important factor obstructing any revolution since it is the root of behavior, attitude, norms, and values (Nam, 2009). The cultural differences from one country to another create various accounting principles. This study discusses the cultural impacts on harmonization in 3 dimensions: business, accounting, and auditing cultures.

4.1.1.1 Business Culture

The first issue of analysis is business culture concerning fair value[1]. "Fair value is becoming more prominent in International Accounting Standards (IAS) and IFRS…, including such accounting issues as measuring impairment losses and revaluing property, plant, and equipment as well as valuing investment properties and biological assets (including forestry, orchards, livestock, and crops)" (Zeff, 2007). This means that a functioning asset pricing market is needed to provide the fair value. In Thailand, however, this market is 'shallow' or 'illiquid' which means that it is unable to reliably provide the necessary revalue price of the assets.

(In million of items)

Country/Language / Asset	Thailand / Thai	UK / English
Used Car	5.01 (Google Thailand 1, 2010)	90.50 (Google UK 1, 2010)
Used Machine	0.57 (Google Thailand 2, 2010)	39.90 (Google UK 2, 2010)
Land	1.71 (Google Thailand 3, 2010)	68.60 (Google UK 3, 2010)

Table 3: Search Result of Asset Pricing Website

To compare availability of Thai and UK asset pricing websites, this study used the search engine, Google, with key words concerning relationship between price, asset type, and country name (for UK as English is used by many countries) in their local languages. This is one of the methods used by auditors to verify market price. Regardless of duplication and unrelated items, as shown in Table 3, the researcher found noticeably different numbers of

[1] According to IAS no. 39, 'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (IASB, 2005).

search results. There are relatively few asset-pricing websites, except for used car such as *one2car.com*, in Thailand. This is in contrast to the UK, in which many asset-pricing websites, such as for automobiles, machines and properties, are in place. Some examples of these websites are *carworld.uk.com*; *machinery-market.co.uk*; and *uklanddirectory.org.uk*. If the IFRS is implemented, companies in Thailand will face difficulty on recognition and measurement of asset values (KPMG Thailand, 2008). In this case, the alternative methods, such as Asset Pricing Model and comparison on the price of similar assets, may be used but those alternations are costly, time consuming, and will not directly provide accurate prices.

However, the use of an estimating model turns fair value accounting to be 'mark-to-model' accounting (Ball, 2006). This means that in illiquid pricing market, fair value accounting, instead of providing a 'true and fair' view, offers opportunities for the manager to manipulate financial data. Given the benefit of using fair value, or mark-to-market method, as it reflects the current situation without material managerial control, any alternative approaches, thus, are not only difficult to calculate but also provide less reliable and relevant financial data.

4.1.1.2 Accounting Culture

The second concern of cultural barriers is the accounting culture which is the "cultural value of fixating on the minimization of the income tax burden" (Zeff, 2007). Due to the conservative basis of the Thai Revenue Code, in most case, estimated losses are non-tax deductable, whereas accrued gains are taxable. Regarding the fair value principle, the company may have to recognize a loss on impairment of assets, which usually creates a psychologically negative view from the investors, without any tax benefit (Zeff, 2007). On the other hand, an agricultural business may recognize 'taxable' gain on yearly revaluation of livestock without any actual cash flow or trading transaction (Techamontrikul, 2004). From this perspective, the company may try to avoid the fair value principle by using 'professional judgment' to choose a more preferable accounting measurement.

However, the IFRS may be viewed as an opportunity to manipulate earnings. Duan (2009) find that listed companies tend to have dissimilar accounting behaviors as they try to recognize revenue as much as possible to increase share prices. Manipulation of earnings may take place when management's incentives are tied to performance or when firms need fund raising. As the IFRS is a principal-based system, professional judgment is easily used and thus, earnings can be easily manipulated. From this result, the IFRS can be perceived as a benefit for the entity. Therefore the convergence, regardless its cost, is assumed to be welcomed by the listed companies.

4.1.1.3 Auditing Culture

The auditing culture is the last dimension of analysis in cultural obstacles to IFRS convergence. To avoid conflict with their clients, Thai auditors potentially have motivation to not issue the qualified audit report[2] due to regulation of the Securities and Exchange Commission (SEC) which does not allow any company with the qualified audit report to issue new stocks or bonds in the market (SEC, 2009). Moreover, any qualified audit report of the listed companies will be investigated (Manager, 2005). Cairns (2001, as cited in Zeff, 2007) also find that, in some other countries, auditors do not issue a qualified report in case that the company fail to comply with the IFRS even though the misstatement is significant. This means that after the IFRS enforcement, some Thai listed companies may not conform to the IFRS if they do not have to suffer from the qualified audit report.

[2] Qualified audit report is an "audit report in which some qualification of the financial statements is required because the auditor feels there is a limitation on the scope of the audit examination or because the auditor disagrees with the treatment or disclosure of a matter in the financial statements" (Oxford, 2009).

The fact that auditors may not report significant misstatements in their audit reports in order to secure a relationship with their client is illustrated by the role of the SEC. Currently; the SEC plays an important function as the auditor of listed companies' auditors. The Certified Public Accountant (CPA) who fails to report a significant misstatement regarding TAS and related regulations in the financial report of listed companies will be strongly punished, together with the entity itself, by the SEC. By this control, the cost of punishment by SEC is extremely high, for example: withdrawing the CPA license and holding back the securities issue process. The most famous case in 2009 is putting the Chairman of FAP, Kesaree Narongdej, on 2-year probation due to her serious mistakes in the auditing of Tongkah Harbour for the period ended 2006 (NKT NEWS, 2009). This case has proved the authority of the SEC watchdogs in monitoring all auditor of the listed company. The legitimated power of the SEC, consequently, is capable to shape the listed companies and their auditors to conform with the regulation whether they are willing or not.

4.1.2 Legal system

Legal systems are divided into 2 categories: common law and civil law (code law). The important element of the common law is 'flexibility' on interpretation and application of the law while the civil law is based on sets of codes (Wunder, 2004) in which a public hearing is limited (Saudagaran & Diga, 1998). As the legal system in Thailand is the civil law (CIA, 2009), the processes of TAS issuing are responded by FAP in consultation with government authorities, notably the Ministry of Commerce and the SEC. The role of the public is limited to commenting on an exposure draft only (FAP, 2004). This situation decreases the possibility of the stakeholders to be involved and understand the IFRS. Ball (2006) additionally comments that the IASC is mainly influenced by the common law countries, notably Australia, Canada, New Zealand, the UK, and the US, "which have comparatively deep markets and comparatively developed shareholders' rights, auditing professions, and other monitoring systems". As a result, the civil-law countries: those in Continental Europe and Asia will need to dramatically change their accounting behavior to comply with the IFRS, thus leading to difficult implementation.

Despite the code-law system, the contents of the law do not contradict the IFRS in the case of Thailand. The Civil and Commercial Code states that "true accounts" consists of the "sum received and expended by the company for each receipt and expenditure" and "the assets and liabilities of the company" (ICAAT, 1973, as cited in Saudagaran & Diga, 1998). The term "true account" conforms to the 'true and fair' view of the international standard (Craig & Diga, 1996). In order to protect the investors, the Securities and Exchange Act B.E. 2535 also requires sufficient disclosure (SEC, 1992), similar to the IFRS requirement (Zeff, 2007), in the financial statement of listed companies.

Grouped as a 'macro group' by Doupnik and Salter (1993), the major users of the financial reports in Thailand are government sectors like the Revenue Department which, comparing to the investors, have different purposes for using the report. According to Craig & Diga (1996), nevertheless, "The legislative framework for financial reporting regulation [in Thailand] is provided principally by each company's respective country's laws, but not by tax statutes". This means that TASs comply with the Civil and Commercial Code; the Securities and Exchange Act B.E. 2535; and the Public Limited Company Act B.E.2535, which conform to the principles of the IFRS as stated formerly. The Revenue Code does not directly relate to TAS but, as mentioned in section *4.1.1 Cultures*, can have a mental effect on the chosen accounting policy.

4.1.3 Stage of Economic Development

Wunder (2004) claims that "differences in the stage of economic development across nations constitutes a significant friction to international commerce since the parties to any particular business transaction are not on an equal economic footing with regard to the economic infrastructure in which they operate and the degree of economic leverage that they bring to the transaction". In this sense, for Thailand, the stage of economic development creates difficulties in two major concerns: regional accounting harmonization; and country individual adoption.

The first concern, regional accounting harmonization, views that the harmonization among members of the Association of South East Asian Nations (ASEAN)[3] is much more difficult than that of the EU. *Table 4* reveals remarkable differences in the level of regional dependence within ASEAN and the EU for 2008. While EU countries trade within the economic bloc for 73% of their total exports, ASEAN's intra-regional exports report only 25%. The relatively low interdependency between ASEAN members weakens Thailand's interest to achieve harmonization within the group.

Origin	Intra-regional Export (Billion USD)	Total Export (Billion USD)	% Intra-regional to Total Export
Europe	4,695.03	6,446.55	73%
ASEAN	252.16	990.18	25%

Table 4: Intra-regional Export 2008 (WTO, 2009) with author's own adjustment

[3] ASEAN was established on 8 August 1967 by Indonesia, Malaysia, Philippines, Singapore and Thailand. In 2009, ASEAN consisted of 10 members, with the joining of Brunei Darussalam, Viet Nam, Lao PDR and Myanmar, and Cambodia in 1984, 1995, 1997, and1999 respectively (ASEAN Secretariat, 2009). One of ASEAN's objectives concerning regional accounting harmonization is "to create a unified market for accounting and auditing services in ASEAN that can be integrated into international profession" (AFA, 2005).

The second concern on differences in the stage of economic development is that the Thai capital market (SET) is relatively small compared to other Asian countries that have planned to adopt the IFRS for the listed companies. Figure 3 reveals significant differences between the size of the capital markets of Hong Kong, and Thailand. The portion of foreign investors trading in Thailand, 32% (SET, 2007), is also smaller than in Hong Kong, 43% (HKEx, 2007). Although these countries have planned to converge to the IFRS in the same year, by 2011(Deloitte, 2009), the companies listed in Thailand have less pressure to conform to the IFRS. They also distinguish the benefit on fund-raising from foreigners as less than do those companies listed in Hong Kong. Even though their objectives are the same, to enhance compatibility and transparency of the listed companies' financial reports, the benefits, comparing to the perceived costs, of the convergence are different for each individual nation.

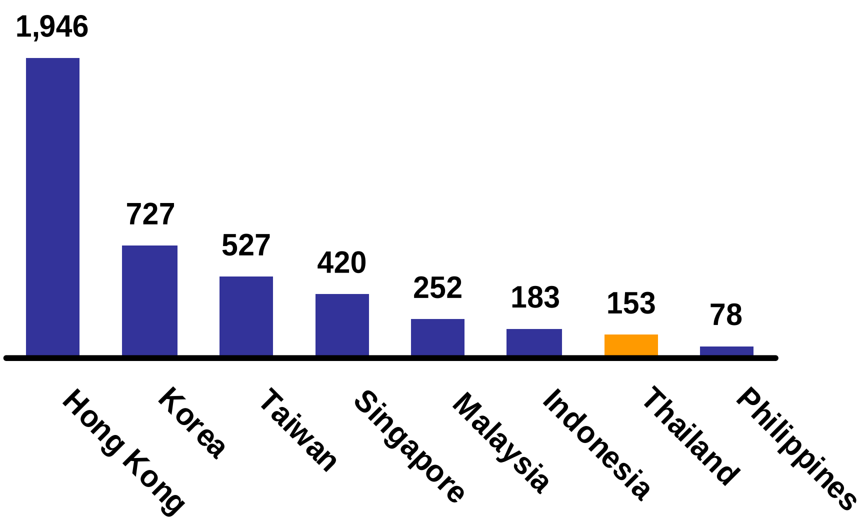

Figure 3: Market Capitalization (billion USD) as of August 31, 2009 (SET, 2009)

4.2 The case studies of IFRS convergence in Belgium and the United Arab Emirates

This study analyzes the cases of Belgium and the UAE due to their similarities of accounting nature when compared to TAS. The analyses are divided into 4 areas: [1] Objective; [2] Procedures, Activities, and Policies Issued to Achieve the Convergence; [3] Result of Convergence; and [4] Recommendation from Similar Studies. The broad and deep case analyses, as presented in *Table 5*, would provide lessons for Thailand using exemplary practices.

Table 5: Analysis of IFRS convergence in Belgium and the UAE

Objective	
Belgium	**The UAE**
• To harmonize accounting strategy among EU countries • To serve the needs of the capital markets by enhancing comparability of the financial report (Jermakowick, 2004)	• To serve the needs of the capital markets by enhancing comparability and transparency of the financial report (Irvine & Lucas, 2006)

Procedures, Activities, and Policies Issued to Achieve the Convergence	
Belgium	**The UAE**
• In 1973, the Royal Decree on Financial and Economic Information for Workers' Councils was issued. The main goal is to provide a ‘clear’ and ‘correct’ picture, comparable to a true and fair principle of the IFRS, of the enterprise for the benefit of workers. • In the 1990s, some Belgian companies were allowed to use IAS or US GAAP for their consolidated reports instead of national standards. • In 2003, the Belgian Accounting Standards Commission (ASC) allowed all Belgian private companies to prepare their consolidated reports under IFRS (Jermakowick, 2004). • In 2004, the Minister of Finance published a Royal Decree that require the IFRS for companies listed in Belgian market (BEL); and non-listed banks, insurance companies and regulated investment companies (Deloitte, 2007).	• In 1972, the UAE joined the World Bank leading to the technical cooperation including convergence to the international acceptable accounting standards (Irvine, 2008). • In 1999 Central Bank announced that banks, finance companies and investment companies were required to follow the IAS (Central Bank of the UAE, 1999). • In 2003, all companies listed on the Abu Dhabi Securities Markets (ADSM) are required to prepare IFRS financial statements. Note that all listed companies in the UAE, except for those from Dubai, are listed in the ADSM (Deliotte, 2003). • In 2004, Dubai International Financial Exchange (DIFX) published the company law for the companies listed in DIFX to prepare financial statements under the IFRS (DIFX, 2004).

<table>
<tr><th colspan="2">Result of Convergence</th></tr>
<tr><th>Belgium</th><th>The UAE</th></tr>
<tr><td colspan="2">Year of full adoption</td></tr>
<tr><td>• 2005 for all listed companies and non-listed banks, insurance companies and investment companies
• 2007 for all Belgian companies (Deloitte, 2007)</td><td>• 1999 for banks, finance companies and investment companies (Central Bank of the UAE, 1999)
• 2003 for all companies listed in ADSM (Deliotte, 2003)
• 2005 for all companies listed on the DIFX (AMEinfo, 2005)</td></tr>
<tr><td colspan="2">Perceived Impediments to Achieving IFRS Convergence</td></tr>
<tr><td>• Decreased stability of earnings
• High implementation cost
• Complicated nature of IFRS
• Lack of IFRS 'getting start' guidance
• Principal differences between the IFRS and the national standard (Jermakowick, 2004)
• Tax-driven nature of local standards (Jermakowick, 2004; Street & Larson, 2004)
• Language translation difficulty (Street & Larson, 2004)</td><td>• Lack of education on the IFRS
• High implementation cost
• Doubtful benefit on adoption as fraud and money laundering remains exist (Irvine & Lucas, 2006)</td></tr>
</table>

Recommendation from Similar Studies	
Belgium	**The UAE**
Street and Larson (2004) suggest the convergent plan such that a country should replace national GAAP with the IFRS to reduce local options or exceptions. The case of Belgium confirms that the allowance to use the IFRS for non-listed companies, before requirement in 2007, eliminated the double-standard problem which some EU countries, such as Germany and Portugal, had faced. They also note that financial accounting (using the IFRS) and tax accounting should be separated due to diverse needs of the users.	Aljifri and Khasharmeh (2006) recommend several policy applications to develop the use of IFRS in the UAE as following: • To examine the problems in the UAE • To set up accounting research centers in the major universities • To translate the IFRSs to local language • To construct an effective business academic system • To apply the IFRSs to outfit the environment in the UAE • To work together with international institutions • To revise rules and policies relating to the accounting systems Irvine and Lucas (2006) additionally suggest that to ensure the reality, rather than ideology, of transparency after adopting the IFRS is an important topic to be considered.

The result of the study shows that the main objective of both Belgium and the UAE to adopt the IFRS is to develop the national capital market's image by providing comparable and transparent financial reports. Both Belgium and the UAE started the harmonization processes at the beginning of the 1970s when the idea of international accounting was introduced (IASB, 2009). Banks and financial institutes were the first groups that prepared their reports under the IFRS, followed by all listed companies.

However, Belgium and the UAE had different perceptions of the challenges of the convergence. Due to the conservative and tax-oriented accounting culture (Jermakowick, 2004), Belgian accountants focused on volatility of earnings. Conflicts occurred between the IFRS and local regulations in both taxation and accounting standards. On the contrary, the UAE capital markets were originally established to attract foreign investors (Irvine, 2008). The government and companies there thus have promptly responded to the needs of the market (Irvine & Lucas, 2006). Most of the UAE companies prepare their reports in English. They also welcome the IFRS as the way to increase their market value (Aljifri & Khasharmeh, 2006). However, as the UAE is viewed as a 'center' of fraud and money laundering (Irvine, 2008), the benefit of convergence in terms of transparency remains beyond doubt. These differences between the two business cultures should be considered in their application to the case of Thailand.

5. RECOMMENDATIONS

The objective of this section is to demonstrate the relationship between the results of the study and the research question. The main difficulties of accounting harmonization in Thailand, supported by the results of this study, are logically presented in order to provide strong and practical recommendations on how those barriers could be overcome.

The major obstacles of convergence to the IFRS in Thailand are the business cultures, as well as the stage of economic development. The business culture which creates a barrier to convergence is evidenced by the lack of an efficient asset pricing market. Given the fact that 'fair value' is the critical concern of valuation according to the IFRS, Thai accounting preparers face unfamiliar difficulties since TAS does not require the use of fair price for valuation. Thus, Thai businesses have never needed to refer to the pricing market. This subject is similar to the case of Belgium, where the principals of local standards differ from the IFRS, leading to the lack of support structures needed by the IFRS.

According to the case studies of the developed countries Belgium and the UAE, the main objective of using the IFRS is to serve the market needs of comparability and transparency. Belgium, in particular, needed to harmonize accounting strategy with other EU members due to the regional trade benefit. Therefore, the relatively low, both in term of market size and level of intra-regional trade, stage of Thai economic development declines the interests of both companies and government agencies to push convergence into action.

After the Asian Financial Crisis in 1997, the financial and accounting system in Thailand had been criticized for an absence of transparency, good governance, and accountability. In view of the requirement for strong financial reporting standards as an essential instrument for sustainable growth, the IFRS has been introduced "in order to improve the comparability, reliability and decision-usefulness of accounting information disclosed by business entities" (Srijunpetch, 2004). The fact that a number of problems have emerged along the process of convergence cannot overshadow the necessity of the IFRS to Thai economy. This study, as a result, proposes practical policy recommendations based on the causes of obstacles found in the previous section.

The recommendations start at the role of the SEC because the first group of convergence is the SET 50 entities. As stated formerly, the SEC plays a vital part in the economic system as the auditor of listed companies' auditors. If the IFRS is implemented, SEC watchdogs must carefully monitor IFRS compliance, in both financial statements and disclosures, of the listed companies. For example, in the case that a company applies local options, the disclosures concerning this should be monitored. Additionally, whenever the limitations of full adoption no longer exist, the company must discontinue applying local options.

The Big Four, the four largest world accounting professional services firms including Ernst and Young, PricewaterhouseCoopers, KPMG and Deloitte, are also needed in this accounting revolution. As the Big Four audit almost all of the Thai listed companies, they are closely involved with all IFRS adoption plans, and thus should provide necessary information to support their clients' success. Auditors' services are not only to assure the transparent report but also to serve as their clients' consulting partner. They should present the advantages of using IFRS which improve not only the firm's image but also management decision making by providing the true and fair financial reports. If the entity recognizes the benefit of the IFRS and is willing to converge itself, the works of auditor are expected to be easier since the number of misstatements and conflicts would be lessened.

The public hearing of an exposure draft is one of the chief activities in the convergence plan. The Federation of Accounting Professions (FAP) is supposed to encourage the IFRS stakeholders to join the public hearing process in order to collect diverse opinions on potential limitations of the new standards. Until 2009, public hearings of accounting standards have been acknowledged to narrow groups only. Thus, multi-communication channels, including the internet, accounting newsletters, SET newsletters, and business magazines, are needed to reach the stakeholders.

Considering the role of Thailand in the international stage, currently SEC has set a group of committees consisting of representatives from FAP, private and government sectors (Puwanatnaranuban, 2007). Outside the committee group, however, Thai stakeholders are rarely involved internationally in the public hearing. Thus, Thai professional bodies, notably the FAP, SEC, and the Big Four, should participate more in the international IFRS hearing to ensure that local limitations and specifications are considered by IASB. Some may argue that Thailand is just a small member of IASB and its voice is assumed to be a minority. The similar local problems, however, may be raised by other members, such as ASEAN member countries and those classified by Doupnik and Salter (1993) in the same group with Thailand. This collective participation will outline the new standard to truly serve the international interest and reduce conflict between local practice and the IFRS.

To reduce local conflict, Street and Larson (2004) also suggest that a country should replace national GAAP with the IFRS as in the case of Belgium. This method is agreed by FAP which are working on revising TAS, word by word, to follow the IFRS (Deliotte, 2009). This study views that the wide use of the IFRS will also accelerate the emergence of IFRS support structures, especially the asset pricing market. The use of IFRS in Thailand can occur from both Thai listed companies and foreign subsidiaries which their holding companies are registered in the market requiring the IFRS. Therefore, the problem of fair value measurement will be fixed by the market forces. Before this happens, the uses of alternative methods, such as Asset Pricing Model and comparison on the price of similar assets, are recommended.

In order to harmonize accounting strategies among ASEAN countries, the EU model is taken to represent the best practice due to similarities in the basic objectives of these economic blocs. Although the level of trade-interdependency between ASEAN countries is less than in the EU and the well-developed regional political infrastructure currently does not exist in ASEAN (Saudagaran & Diga, 1998), ASEAN has the potential to create a greater regional market because of the size of its population, 586 million in 2008 (Population Reference Bureau, 2008). Accordingly, the ASEAN Federation of Accountants (AFA) should be granted official authority to oversee the convergence plans of each member. Moreover, FAP and AFA need close cooperation, which can be in forms of financial; academic co-research; professional training; and software development. The collaboration between ASEAN is able to accelerate the accounting revolution process as regional harmonization creates greater dynamic forces of knowledge and benefit sharing than individual convergence.

The further critical concern is to ensure that the transparency and compatibility take place in fact, not just in appearance, as Irvine and Lucas (2006) note for the case of the UAE. Ball (2006) notes that the 'Enforcement Mechanism', which currently does not officially exist worldwide, is necessary. Under this mechanism, any countries failing to effectively implement the IFRS should be punished or not allowed to claim that they are IFRS adopters. As this kind of enforcement is not yet present, group enforcement by ASEAN members, similar to the EU case, can be used to ensure that each member effectively conforms to the IFRS on behalf of the group's interest.

This study provides policy recommendation for the professional agencies based on the research results and analysis. Thailand has faced several difficulties during the convergence process: the delay of implementation; outdated standards; and impractical accounting issues, raising the question of whether the IFRS can be implemented in 2011. This research discovers that there are only 2 critical impediments, the business culture and the stage of economic development. The study views that the success of IFRS convergence in Thailand can be made possible through the collaboration between business entities, government agencies, and professional bodies. Market forces also dictate the direction of business structures and help to overcome some specific limitations. Moreover, a number of successful cases around the world also confirm that, with great effort, to promote the 'international standard' in Thailand is not impossible to accomplish. For Thailand, adoption of IFRS is one of the steps to successful expansion in the world financial market; therefore the continuous process to achieve this goal is necessary for sustainable growth of Thai economy.

APPENDICES

APPENDIX A

Table 6: Summary of TAS and the IFRS on which they are based as at 31 December 2008

No	TAS No	Topic	Effective Date	IFRS/IAS No
1	TAS 11	Doubtful accounts and bad debts	01-Jul-89	-
2	TAS 24	Segment Reporting	01-Jan-94	IAS 14 (1993)
3	TAS 25	Cash Flows Statements	01-Jan-08	IAS 7 (2006)
4	TAS 26	Income Recognition for Real Estate business	01-Jan-94	- (US GAAP)
5	TAS 27	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1-Jan-07	IAS 30 (2005)
6	TAS 29	Leases	01-Jan-08	IAS 17 (2006)
7	TAS 30	The Effects of Changes in Foreign Exchange Rates	1-Jan-96	IAS 21 (1993)
8	TAS 31	Inventories	01-Jan-08	IAS 2 (2006)
9	TAS 32	Property, Plant and Equipments	01-Jan-99	IAS 16 (1998)
10	TAS 33	Borrowing Costs	01-Jan-08	IAS 23 (2006)
11	TAS 34	Troubled Debt Restructuring	30-Sep-98	- (US GAAP)
12	TAS 35	Presentation of Financial Statements	01-Jan-08	IAS 1 (2006)
13	TAS 36	Impairment of Assets	01-Jan-09	IAS 36 (2006)
14	TAS 37	Revenues	01-Jan-99	IAS 18 (1993)
15	TAS 38	Earnings per Share	01-Jan-99	IAS 33 (1997)
16	TAS 39	Accounting Policies Changes in Accounting Estimates and Errors	1-Jan-08	IAS 8 (2006)
17	TAS 40	Accounting for Investments in Debt and Equity Securities	1-Jan-99	- (US GAAP)
18	TAS 41	Interim Financial Reporting	01-Jan-08	IAS 34 (2006)
19	TAS 42	Accounting for Investment Companies	01-Jan-00	- (US GAAP)
20	TAS 43	Business Combinations	01-Jan-08	IFRS 3 (2006)
21	TAS 44	Consolidated and Separate Financial Statements	01-Jan-07	IAS 27 (2006)
22	TAS 45	Investment in Associates	1-Jan-07	IAS 28 (2006)
23	TAS 46	Interest in Joint Ventures	1-Jan-07	IAS 31 (2006)
24	TAS 47	Related Party Disclosures	1-Jan-00	IAS 24 (1994)
25	TAS 48	Financial Instruments: Disclosure and Presentation	1-Jan-00	IAS 32 (1998)
26	TAS 49	Construction Contracts	01-Jan-08	IAS 11 (2006)

No	TAS No	Topic	Effective Date	IFRS/IAS No
27	TAS 51	Intangible Assets	01-Jan-08	IAS 38 (2006)
28	TAS 52	Events After the Balance Sheet Date	01-Jan-05	IAS 10 (2003)
29	TAS 53	Provisions, Contingent Liabilities and Contingent Assets	1-Jan-05	IAS 37 (1998)
30	TAS 54	Discontinued Operations	01-Jan-09	IFRS 5 (2006)

*Source: KPMG Thailand (*2009)and Tumanon (2010) with author's own adjustment

APPENDIX B

Table 7: Major differences between TAS and the IFRS as at 31 December 2008

IFRS	TAS/ Effective Date	Significant differences
IAS 1 Presentation of financial statements	TAS 35 1-Jan-08	TAS 35 is based on IAS 1 (2006). Under the revised IAS 1, effective for annual periods beginning on or after 1 Jan 09 • A complete set of financial statements comprises: • Statement of financial position • Statement of comprehensive income • Statement of changes in equity • Statement of cash flows • Notes to the financial statements. • An entity should present either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or an income statement and a separate statement of comprehensive income. • A statement of financial position as at the beginning of the earliest comparative period should be presented following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. In such cases three statements of financial position will be presented. Under the revised IAS 1the term "statement of financial position" is used rather than "balance sheet". However, use of the new title is not mandatory. Also, the income statement is an integral part of the reporting of comprehensive income, which comprises all non-owner changes in equity, and the term "comprehensive income" replaces the phrase "recognized income and expense".
IAS 11 Construction contracts	TAS 49 1-Jan-08	None but refer to comments under IAS 18 on income recognition for real estate business.
IAS 16 Property, plant and equipment	TAS 32 1-Jan-99	TAS 32 is based on the original IAS 16. The major differences from the current IAS 16 include: • IAS 16 requires an entity to determine the depreciation charge separately for each significant

IFRS	TAS/ Effective Date	Significant differences
		part of an item of property, plant and equipment. • IAS 16 requires an entity to depreciate revalued property, plant and equipment through profit or loss based on the revalued amount. TAS 32 also permits two additional options: 1. Depreciation based on cost through profit or loss, with no depreciation of the revaluation surplus; and 2. depreciation based on cost through profit or loss and depreciation of the revaluation surplus through retained profit. • IAS 16 requires an entity to measure the residual value of an item of property, plant and equipment as the amount it estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. In addition to the above, effective for annual periods beginning on or after 1 January 2009, IAS 16 is amended for presentation issues that arise from assets that are rented and then subsequently sold on a routine basis. As a result of the amendment such assets would be transferred to inventories at their carrying amount when they cease to be rented and are held for sale.
IAS 18 Revenue	TAS 37 1-Jan-99 TAS 26 1-Jan-94	None TAS 26 prescribes additional criteria for the commencement of income recognition for real estate business.
IAS 21 The effects of changes in foreign exchange rates	TAS 30 1-Jan-96	TAS 30 is based on the original IAS 21. The major differences from the current IAS 21 include: Under IAS 21, the notion of 'reporting currency' has been replaced with two notions: (a) functional currency, i.e. the currency of the primary economic environment in which the entity operates and (b) presentation currency, i.e. the currency in which the financial statements are presented. • Under IAS 21, (a) there is no distinction between integral foreign operations and foreign entities. And (b) only one translation method is used for foreign operations as applying to foreign entities. The distinction between an integral foreign operation and a foreign entity has been deleted. • IAS 21 requires goodwill and fair value adjustments to assets and liabilities that arise on the acquisition of a foreign entity to be treated as part of the assets and liabilities of the acquired entity and translated at the closing rate.

IFRS	TAS/ Effective Date	Significant differences
		TAS 30 does not include the concept of a 'functional currency'. The reporting and presentation currency is Thai Baht.
IAS 23 Borrowing costs	TAS 33 1-Jan-08	TAS 33 is based on IAS 23 (2006). Effective for annual periods beginning on or after 1 January 2009, the revised version of IAS 23 generally requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Also, it generally does not permit the option of immediately recognizing all borrowing costs as an expense, which is the benchmark treatment in the current TAS 33. Also, IAS 23 revised 2008 is aligned with IAS 39 by referring to the use of an effective interest rate, as described in IAS 39, as a component of borrowing costs.
IAS 24 Related party disclosures	TAS 47 1-Jan-00	TAS 47 is based on the original IAS 24. The major difference from the current IAS 24 is that IAS 24 provides more extensive definitions and requires more detailed disclosures than TAS 47. However the Thai SEC has imposed additional disclosure requirements for related party transactions and balances on Thai listed companies, which result in a comprehensive disclosure of such items.
IAS 27 Consolidated and separate financial statements	TAS 44 1-Jan-07	TAS 44 is based on IAS 27 (2004). Effective for annual periods beginning on or after 1 July 2009, IAS 27: • Requires that upon the loss of control of a subsidiary, any retained investment is re-measured to fair value and a gain or loss is recognized in profit or loss, and any retained non-controlling equity investment in the former subsidiary is re-measured to its fair value at the date that control is lost. • Replaces the term "minority interests" with "non-controlling interests", which is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". • Requires that losses applicable to the non-controlling interests be allocated to the non controlling interests even if doing so causes the non-controlling interests to be in a deficit position. • Requires changes in a parent's ownership interest in a subsidiary after control is obtained that do not

IFRS	TAS/ Effective Date	Significant differences
		result in a loss of control, and the acquisition of non-controlling interests, to be accounted for as transactions with equity holders in their capacity as equity holders. An amendment to IAS 27 effective prospectively for annual periods beginning on or after 1 January 2009 specifies the accounting in the separate financial statements of a newly formed entity that becomes the new parent entity of another entity in a group when: • The new parent entity issues equity instruments as consideration in the reorganization. • There is no change in the group's assets or liabilities as a result of the reorganization. • There is no change in the interest of the shareholders, either absolute or relative, as a result of the reorganization. In such cases, if the new parent entity elects to measure the cost of the investment in the subsidiary at cost, then cost is equal to its share of total equity shown in the separate financial statements of the subsidiary at the date of the reorganization.
IAS 28 Investments in associates	TAS 45 1-Jan-07	TAS 45 is based on IAS 28 (2004). Effective for annual periods beginning on or after 1 January 2009, IAS 28 requires that upon the loss of significant influence of an associate, any retained investment is re-measured to fair value and a gain or loss is recognized in profit or loss in accordance with IAS 39. The Improvements to IFRSs 2008 amended IAS 28 to clarify that after applying the equity method, any additional impairment recognized by the investor with respect to its investment in an associate should not be allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. The amendment also clarifies that the additional impairment loss is reversed to the extent that the recoverable amount of the investment subsequently increases.
IAS 31 Interests in Joint Ventures	TAS 46 1-Jan-07	TAS 46 is based on IAS 31 (2004). Effective for annual periods beginning on or after 1 January 2009, IAS 31requires that upon the loss of joint control over a jointly controlled entity, any retained investment is re-measured to fair value and a gain or loss is recognized in profit or loss in accordance

IFRS	TAS/ Effective Date	Significant differences
		with IAS 39.
IAS 33 Earnings per share	TAS 38 1-Jan-99	TAS 38 is based on the original IAS 33. The current IAS 33 provides additional guidance and illustrative examples on selected complex matters, such as the effects of contingently issuable shares; potential ordinary shares of subsidiaries and others.
IAS 34 Interim financial reporting	TAS 41 1-Jan-08	TAS 41 is based on IAS 34 (2006). The Improvements to IFRSs 2008 amended IAS 34 (2006) to clarify that an entity is only required to present basic and diluted EPS in its interim financial statements when the entity is within the scope of IAS 33
IAS 38 Intangible assets	TAS 51 1-Jan-08	TAS 51 is based on IAS 38 (2006). The current IAS 38 is amended to clarify that: • Expenditure in respect of advertising and promotional activities should be recognized as an expense when the benefit of those goods or services is available to the entity. • A prepayment should be recognized only for payments made in advance of the receipt of the corresponding goods or services; and • Catalogues are considered to be a form of advertising and promotional material rather than inventory. Also, IAS 38 is amended to avoid giving the impression that the units of production amortization method is not allowed for all intangible assets if it results in a lower amount of accumulated amortization than under the straight-line method.
IFRS 3 Business combinations	TAS 43 1-Jan-08	TAS 43 is based on IFRS 3 (2006). The current IFRS 3 is amended, effective for business combinations for which the acquisition date is in annual periods beginning on or after 1 July 2009 but early application is permitted as long as the amendments to IAS 27 are applied at the same time. Principal amendments include: • Consideration, including contingent consideration, measured and recognized at fair value at the acquisition date. • Non-controlling interest can be measured on transaction-by-transaction basis at fair value at the acquisition date (full goodwill) or acquirer's proportionate interest in fair value of identifiable

IFRS	TAS/ Effective Date	Significant differences
		assets and liabilities (proportionate goodwill). • Transactions costs expensed. • Contingent liability recognized at fair value only if it constitutes a present obligation. • For step acquisitions, difference between the fair value and the carrying amount of previously held equity interest recognized as gain/loss in profit or loss and any amounts previously recognized in equity reclassified to profit or loss. • The acquirer can elect to measure any non-controlling (minority) interests at fair value at the date of acquisition, or at its proportionate interest in the fair value of the identifiable assets and liabilities on a transaction-by-transaction basis. • Adjustments to provisionally determined amounts in a business combination can be made only within the "measurement period", which cannot exceed 12 months from the acquisition date. Adjustments are made retrospectively and comparative information is restated.
IFRS 5 Non-current assets held for sale and discontinued operations	TAS 54 1-Jan-09	TAS 54 is based on the original IFRS 5 (2006). Effective for annual periods beginning on or after 1 July 2009 but early application is permitted, IFRS 5 is amended to specify that if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the relevant criteria of IFRS 5 are met.

Source: KPMG Thailand (2009) with author's own adjustment

Note: From *TAS and IFRS: The major differences* (p. 5-10), by KPMG Thailand, 2009, Bangkok: KPMG Phoomchai Audit Ltd.

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