

# NAREIT Financial Standards Update



National Association of Real Estate Investment Trusts®  
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## NAREIT RESPONDS TO TWO SIGNIFICANT FINANCIAL REPORTING PROPOSALS

### SEC Proposal to Adopt IFRS

On April 20, NAREIT submitted a comment letter to the Securities and Exchange Commission (SEC or Commission) on its *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (the Proposal). NAREIT's letter asserts that there are far too many open questions/issues regarding the adoption of International Financial Reporting Standards (IFRS) to make a decision at this time as to whether or not to adopt IFRS, either in the near term or eventually. NAREIT recommends that, rather than the SEC requiring the mandatory adoption of IFRS for U.S. issuers, the continued deliberate convergence of U.S. Generally Accepted Accounting Principles (GAAP) and IFRS would enable the U.S. companies to successfully implement accounting standards that are significantly different from current U.S. GAAP. NAREIT believes that continued convergence, rather than full adoption at any given date, would create the "best of both" worlds for all interested parties.



NAREIT's major concerns with adoption according to the Commission's proposal are that:

- i) the proposed timeline for adopting IFRS is unrealistic for a

## Highlights

- SEC Proposal to Adopt IFRS
- FASB/IASB Proposed Financial Statement Paradigm Shift

number of reasons; ii) the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) may be unable to achieve the goal of having in place a *comprehensive* set of high-quality accounting standards within the timeframe proposed; and, iii) the International Accounting Standards Committee Foundation (Foundation) may not have established a funding mechanism that would ensure that the Foundation and, therefore, the IASB may be able to operate independently. In fact, it has been recently reported that, based on the current funding status, the IASB may be faced with scaling back its development ambitions for 2010 onward. The comment letter is available for viewing on our web site, which you may access by clicking [HERE](#). If you would like to review comments by others, they are available [HERE](#).

### FASB/IASB Proposed Financial Statement Paradigm Shift

NAREIT submitted a comment letter on the joint FASB/IASB proposal that would significantly modify the form and content of the basic financial statements. This submission



was made on behalf of the Real Estate Equity Securitization Alliance (REESA), the global organization that NAREIT is working with to strengthen real estate industry positions on international accounting and financial reporting proposals.

The comment letter described the unique business and economic characteristics of investment property and the metrics used to analyze the operating results and financial position related to these assets and indicated that these characteristics provide a unique opportunity to link significant elements included in the statement of comprehensive income with significant elements reported in the statement of financial position. In particular, the letter provided research reports prepared by industry analysts that illustrated the fundamental and important link among: i) rental revenue; ii) net operating income; and, iii) the fair value of investment property reported in the statement of financial position or notes as required by IFRS.

Further, the submission included the global real estate financial statement model (the Model) that was developed by NAREIT and its REESA partners over the past three years.

The REESA comment letter, as well as the Model, is available by clicking [HERE](#).

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