IASC: A STRUCTURE TO ACHIEVE A UNIFIED GLOBAL ACCOUNTING SYSTEM

Michael Waite
IASC: A STRUCTURE TO ACHIEVE A UNIFIED GLOBAL ACCOUNTING SYSTEM

BY

MICHAEL WAITE

A Thesis Submitted in Partial Fulfillment of Requirements of the CSU Honors Program For Honors in the degree of Bachelor of Business Administration (Accounting & Management), Abbott Turner College of Business, Columbus State University, Columbus, Georgia.

Thesis Advisor: Roelof D. Hoff Date 3/29/01
Committee Member: Date 3/29/01
Committee Member: Linda N. Bradley Date 3/29/01
CSU Honors Committee Member: Barbara J. Hunt Date 5/29/01
Coordinator, Honors Program: Barbara J. Hunt Date 5/29/01
IASC: A STRUCTURE TO ACHIEVE A

UNIFIED GLOBAL ACCOUNTING SYSTEM

By: Michael Waite
Abbott Turner College of Business
Columbus State University
Columbus, Georgia

Date: May 25, 2001
# TABLE OF CONTENTS

List of Figures .................................................................................................................. iii
List of Tables ...................................................................................................................... iii

Chapter I: Introduction ..................................................................................................... 1
  Background ....................................................................................................................... 3
  IASC ............................................................................................................................... 4
  IFAC ............................................................................................................................... 6
  IOSCO ............................................................................................................................ 7
  United Nations .............................................................................................................. 8
  OECD ............................................................................................................................ 9
  European Union ........................................................................................................... 10
  SEC & FASB ................................................................................................................. 12
  Others .......................................................................................................................... 13

Chapter II: IASC Formulation .......................................................................................... 14

Chapter III: IASC Achievements .................................................................................... 17

Chapter IV: IASC Challenges ......................................................................................... 19

Chapter V: Evaluation of the IASC .................................................................................. 23
  Strengths ....................................................................................................................... 23
  Weaknesses .................................................................................................................. 26
  IASC 2001 .................................................................................................................... 32
Chapter VI: Analysis and Proposals Regarding the Structural Changes in the IASC

Political
Proposal No. 1
Operations
Proposal No. 2
Proposal No. 3
Proposal No. 4
Proposal No. 5
Financial
Proposal No. 6
Proposal No. 7

Chapter VII: Conclusion

Index of Terms
Works Cited

Appendix A: Members of IASC
LIST OF FIGURES

Figure 1: Current IASC Structure ................................................. 16

LIST OF TABLES

Table 1: Environmental Factors and Conditions .......................... 20
IASC: A STRUCTURE TO ACHIEVE A
UNIFIED GLOBAL ACCOUNTING SYSTEM

Chapter I

INTRODUCTION

The aim of this paper is to analyze the International Accounting Standards Committee (IASC) and the structure it has in place to develop a unified global accounting system. A unified global system implies a single accounting system that is implemented around the world creating readily comparable and accurate accounting information for the global community. The extent to which a single system is all encompassing is an important factor in this analysis because the levels of support for various international accounting systems are likely to vary according to the level of harmonization sought. For example, a proposal to require a certain format for a cash flow statement is likely to be more widely accepted by accounting entities worldwide while a proposal to account for goodwill in a specific manner immediately divides the accounting community.

The case that is presented in this paper is for a progressive and extensive global accounting system that will better serve the needs of stakeholders and interested entities irrespective of their national origin. To achieve this a balance must be struck between accounting standard unification and the needs of independent nations.

In presenting this model for accounting harmonization the path to the present environment of International Accounting Standards (IASs) is retraced. Also, the present climate of national and international accounting standards and the recent steps towards harmonization are examined. The IASC is regarded as the leading authority on IASs and
therefore it is likely that any future obtainment of unified accounting standards will be implemented through this organization. The structure of the IASC is evaluated in light of its restructuring which took effect on April 1, 2001 (IASC Structure 1).

There are an array of future directions and outcomes possible for the IASC’s International Accounting Standards (IASs) framework. Several proposals for alterations to the IASC are presented in this paper. These suggestions are made to increase the likelihood and timeliness of a unified global accounting system. The justifications for each recommendation are discussed to assist the case for their implementation.
BACKGROUND

The IASC is presently the leading authority in the formulation of an internationally accepted accounting framework through the development and implementation of global accounting principles. In existence since 1973, the IASC has had limited success in achieving its stated objectives. A central objective of the IASC since its inception is to “harmonize the accounting principles which are used by businesses and other organizations for financial reporting around the world” (IASC Home Page). Other objectives of the IASC include providing a source of objective accounting principle formulation, encouraging the implementation of international accounting standards (IASs), and providing professional leadership on global accounting issues.

While the IASC is the leading IAS setting body, it operates in co-operation with or independently to multiple national and international organizations. National organizations operating in this capacity include accounting standard setting bodies such as the Financial Accounting Standards Board (FASB) in the United States, the Australian Accounting Standards Board (AASB), and the Canadian Accounting Standards Board (CASB). Entities on an international level include the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), and the International Organization of Securities Commissions and Similar Organizations (IOSCO).

According to Robert Larson the “roots of international accounting and harmonization can be traced back to a series of international congresses beginning in St. Louis in 1904” (Larson 1). The second Accounting Congress was held in 1910 and it was at this time that “the problems arising from non-standardized accounting” (Samuels 58) were discussed. A total of ten world congresses were held between 1910 and 1939 under the
direction of the Association Internationale de Comptabilité headquartered in Belgium. Momentum for IASs continued to develop through periodic forums beginning in Amsterdam in 1926 with the second International Congress (Samuels 60). The international scope of these meetings was evidenced by representation of accountants from seventeen nations at the inaugural meeting. International Congresses were held around the world at locations that included New York (1929), London (1933), Berlin (1938), Amsterdam (1959), Sydney (1972), and Mexico (1982).

An indication of the different values placed on historic events is suggested by Juan Rivera who writes that “attempts to harmonize international accounting standards at the international level began in 1966 when accountants from the United States, Canada, and the United Kingdom formed the Accountants International Study Group (AISG)” (The Library 163). From 1966 to 1975 the AISG issued results from studies on fifteen accounting areas. AISG member nations were leaders in the formulation of the IASC during this period.

IASC

In 1973 the IASC was co-founded by professional accounting bodies from ten countries – Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom, Ireland, and the USA. A unique characteristic of this committee is that its members are professional bodies within countries, with nations not directly being represented. For example the United States’ interests are garnered by the involvement of its domestic accounting principle setting body the FASB; the FASB then participates in the development of IASs. The scope of the IASC is evidenced by its current membership of 153 professional accounting organizations located in 113 countries.
The IASC has released 41 IASs to date in its efforts to create a structure that is able to meet the needs of all nations and operating environments. The IASC has recently reorganized its operations in an effort to eliminate major weaknesses of its structure. The new IASC structure replaces an organizational model that existed largely unaltered from 1982 until the current reorganization that took effect on April 1, 2001. The effectiveness of this new IASC structure is evaluated later.

From its inception the IASC has sought to gain acceptance of its IASs through seeking approval of national accounting standard setting bodies and security market controlling entities. In 1981 the IASC began promoting its IASs to national accounting committees and in 1984 the first official approach was made to the United States’ Securities and Exchange Commission (SEC). The 1980s was a progressive period for the IASC as it expanded the diversity of groups involved in the process of consultation in the generation of IASs. In addition to the SEC entities that began to work in alliance with the IASC included the OECD, New York Stock Exchange (NYSE), International Bar Association, IOSCO, FASB, CASB, and the European Federation of Accountants (FEE).

In conducting its daily pursuit of IAS formulation the IASC is lobbied, influenced, and supported by numerous entities from around the world. These relationships and influences are important and should be evaluated as they may identify who is championing a particular reform, the motives of the reform agenda, and possible conflicts of interest.
IFAC

The International Federation of Accountants (IFAC) was formed in 1977 and immediately became a credible body in the area of international accounting practices. The IFAC distinguished itself from the IASC as it “focuses exclusively on the issuance of international guidelines which deal with auditing, ethics, and accounting educational requirements” (The Library 163). The IFAC has 153 member bodies representing over two-million accountants from 113 countries. Through its membership the IFAC executes its activities to “develop the profession and harmonize its standards worldwide” (IFAC About Page). The cooperative relationship between the IASC and the IFAC was ratified in a January 1983 agreement between the two entities. The IASC and IFAC agreement allowed “rationalization of membership of the two bodies” and the “IASC (was) given 10% of its budget by the IFAC” (The Library 199). Therefore, when the IFAC admits an organization to its membership that body simultaneously becomes a member of the IASC.

Prior to the 2001 reorganization, the IFAC Council appointed IASC Board members providing it with enormous influence on the nature of IASC activities. This is no longer the procedure for appointing IASC trustees as the IASC is now responsible for its own personnel appointments. The IFAC has continued to enlarge its efforts of achieving technical and ethical excellence among its members and provide leadership on emerging issues in the accounting industry.
IOSCO

The International Organization of Securities Commissions and Similar Organizations (IOSCO) is an influential entity in world capital markets. The IASC has sought the approval of IOSCO for the IAS framework and principles developed. IOSCO has reflected its reservations about the quality of accounting information provided using IAS through its limited endorsement of early IASC operations. A significant step by the IASC was made in 1987 when “IOSCO accepted an invitation to join the IASC consultative group” (The Library 201). Given that harmonization of accounting information for use in the world capital markets is a key objective of the IASC, having the input of IOSCO in the formulation of these principles provided the IASC with added credibility and broader expertise.

The overall objectives of IOSCO in its field of securities are complementary to the IASC’s mission in the accounting area. For example, IOSCO has “resolved, through its permanent structures to cooperate together to promote high standards of regulation in order to maintain just, efficient, and sound markets” (IOSCO Annual Report App.I.1). Likely to be among the most identifiable advantages of a single global accounting system are a more accurately informed market and consequently a more efficient allocation and movement of funds.
UNITED NATIONS

The UN, in 1976, expressed its interest in a unified global accounting framework when a “report from (the) Group of Eminent Persons advocated formulation of an international, comparable system of standardized accounting and reporting” (Belkaouï 187). A result of this committee’s report was the formulation of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting which was to “contribute to the harmonization of accounting standards” (Belkaouï 187).

An additional element to the unification of accounting standards would be the harmonization of guidelines for the qualifications of professional accountants. An United Nations Conference on Trade and Development (UNCTAD) expert group agreed upon extensive guidelines for the qualifications necessary of a professional accountant. This UN expert group was comprised of over 100 accounting experts from 53 countries. The group found consensus on the definition of a professional accountant as “a person who is qualified to be, or who is, a member of a recognized professional body of accountants or auditors, or who is recognized as such by a regulatory body” (UN UNCTAD Press Release 1). This achievement is significant because if a global minimum standard for accounting professionals can be established and maintained the process of adopting alternate accounting measures, i.e. IASs, will be more efficient. An integral part of this accountant competency guideline is that accountants must retain membership of a recognized professional body. This increases the likelihood of continual education of accountants leading to a better execution of duties and a more dynamic body of industry professionals. The benefits of improved professional standards for accountants
worldwide are likely to provide a positive impact on the push for and implementation of IASs.

**OECD**

Similarly, the Organization for Economic Cooperation and Development (OECD), whose members include twenty-four industrialized countries, released a *Declaration on International Investment and Multinational Enterprises* in 1976. This declaration has been maintained by the OECD with its latest revision being in June 2000. In accepting the terms of the declaration all OECD members and four non-members agreed to initiatives including “a policy commitment to improve the investment climate, encourage the positive contribution multinational enterprises can make to economic and social progress and minimize and resolve difficulties which may arise from their operations” (OECD Declaration 1). The OECD’s current membership stands at 30 countries from a diverse political and economic background. Significant to the achievement of the OECD’s objectives is the development of links “with the rest of the world through dialogue and cooperation programs with the countries of the former Soviet bloc, Asia, and Latin America” (OECD “What is OECD” 1).

The OECD is a key body for the acceptance of any proposed global accounting system as it is a forum of national governments whose economies “produce two thirds of the world’s goods and services” (OECD “What is” 2) and has an expanding membership.
EU

The European Union (EU), formally European Community, has significantly impacted harmonization of accounting principles within its geographic region through the release of guidelines and directives. Since its inception in 1951 the EU has grown to include 15 member states and is on the verge of adding additional members from southern and eastern Europe. With a central purpose of its existence being “to organize relations between the Member States and between their peoples in a coherent manner and on the basis of solidarity” (EU ABC 1), the scope of EU responsibility extends into the economic operations of member nations.

The EU has recently renewed its efforts to harmonize accounting standards among its member nations. As evaluated by the EU’s Lisbon Council the “EU accounting legislation, adopted in the 1970s, provided a base level for harmonization…however it has not been able to deliver sufficient comparability for publicly traded companies” (EU). In November 1995 the EU initiated a formal strategy to achieve accounting harmonization. A product of this strategy was the report from the Contact Committee on the Accounting Directives which evaluated the level of EU companies’ conformity to IASs. Released in early 1996, this document provided a preliminary analysis of IASs that were in compliance to existing EU accounting directives and those that were the source of conflicting requirements. Conflicts identified included accounting measures for goodwill, research and development, and business combinations. For example, under IASs guidelines research costs must be expensed as incurred whereas EU regulations allowed for such expenses to be capitalized under certain circumstances.
The March 2000 release of a report by the EU's Lisbon Council recommends that the EU legislative body require that all publicly traded companies prepare consolidated accounts in accordance with IASs no later than 2005. The council reports that “adoption of uniform, high quality financial reporting rules in EU capital markets will enhance overall market efficiency, thereby reducing the cost of capital for companies” (EU Proposal 2). While the goal of compliance by EU listed companies by 2005 has some critics, EU legislators may draw some confidence from a Price Waterhouse Coopers survey in 2000 “of 700 EU listed companies [which] reveals that 79% of Chief Financial Officers (CFOs) support the European Commission’s recommendation that IASs should be mandatory for listed companies by 2005” (EU Proposal 4). This level of CFO endorsement will need to be widely shared within European companies given that as at March 2000 “there are … around 7000 companies listed on EU regulated markets, 275 of which already apply IASs” (EU Proposal 16). This amounts to less than 4% of EU listed companies currently apply IASs.

The legislative authority held by the EU parliament over member states provides a guaranteed system of compliance that will support the implementation of IASs should they be adopted by the EU legislature. This block of nations under the auspices of the EU is another critical component of any overall strategy to establish a global accounting system.
SEC & FASB

The FASB is the private sector body responsible for the establishment and maintenance of the accounting system in the United States. This power is given to it by the SEC which has held statutory authority over this area under the Securities and Exchange Act of 1934. The FASB and SEC are highlighted here to indicate the level of influence they hold in the push for an international accounting system.

The pioneering scholarship of the FASB prompted by challenges in the dynamic US market has meant that IASs put forward by the IASC often closely identify with previously released FASB standards. As expanded on in the evaluation of the IASC in a later section this seemingly close affiliation between the American standard setter and the IASC has alienated sections of the IASC membership. The leadership of SEC Chair Arthur Levitt in the IASC restructuring implemented in 2001 did nothing to quell the concerns of many IASC members who believe the American entities hold a disproportionate degree of influence.

The participation and endorsement of the SEC and FASB is critical to the success of an international accounting system. This importance is evidenced by the enormous capital raising power the American markets offer to companies. Companies are willing to invest in activities that gain them access to the US market and therefore it is important that IASs are accepted by U.S. agencies to permit access.
OTHERS

Furthermore, additional groups from a diverse array of backgrounds and membership are contributing to the international debate on accounting standards. The strength of the membership of these groups located around the world means that interests of these bodies must be considered in the generation and application of a unified accounting system.

The European Federation of Accountants (FEE\(^1\)) is an example. The FEE membership comprises 38 professional bodies from 26 nations, including all 15 member states of the EU, and these bodies have a combined membership of over 400,000 individuals. Another of these groups is the Association of South East Asian Nations (ASEAN) which is a progressive group of the ten nations that make up the south-east Asian area. This area is critical for the credibility of any global accounting system as the Asian financial crises of the mid-1990s sparked much of the renewed push for IASs.

Similarly influential bodies in their respective geographical spheres of influence include:

- American Institute of Certified Public Accountants (AICPA)
- Australian Accounting Standards Board (AASB)
- United Kingdom Accounting Standards Board (UKASB)
- Association of Accountancy Bodies in West Africa (ABWA)
- Arab Society of Certified Accountants (ASCA)
- African Accounting Council (AAC)

Given the presence of so many accounting bodies, the majority of which share a similar aspiration to develop a unified system, it is important to understand the present day environment that these bodies are operating in and reacting too.

---

\(^1\) European Federation of Accountants is the English translation of the Europe Federation des Experts Comptables Européens (FEE) which is the organization's official name.
Chapter II

IAS FORMULATION

The extent of interest and proposed involvement from such a diverse array of local, regional, and national entities has influenced the organizational structure of the IASC. The most recent reorganization of the IASC came into effect on April 1, 2001, reflecting the increased responsibilities of the IASC and the need for a more dynamic structure in order to achieve its objectives. The IASC is now incorporated as a not-for-profit organization called the IASC Foundation in the state of Delaware, USA. The IASC Foundation is the parent entity of the International Accounting Standards Board (IASB) which replaces the IASC, with its central responsibility being the formulation of IASs. The revised IASC Constitution has strengthened measures to ensure representation of Trustees is representative of geographic considerations while “the foremost qualification for membership of the Board shall be technical expertise” (IASC Constitution 7).

The 19 Trustees are the overseers of the operations of the formulation of IASs. The Trustees are responsible for the fundraising required to support the activities of the IASC, manage its legal and operating structure to ensure efficient and effective use of resources, and uphold the IASC’s constitution. In accordance with the restructuring the Trustees were appointed from the Trustees of the former IASC Trustee committee. The 19 Trustees are limited to a 3-year term renewable only once. In seeking to cultivate an internationally accepted agenda Trustee appointments must be in accordance with geographic distribution rules. This requirement is that six trustees be appointed from North America, six Trustees appointed from Europe, four Trustees from the Asia/Pacific region, and three Trustees from any geographic area. The interests of the IFAC are
protected through the requirement that its membership appoints five of the nineteen Trustees. The power of the Trustees extends to the capacity of appointment and termination of members of the IASB, Standing Interpretations Committee (SIC), and the Standards Advisory Council (SAC).

The IASB, known as the Board, has 14 members who are appointed by the Trustees. The Board is the engine room of the international accounting harmonization movement as it is responsible for “all IASC technical matters including the preparation and issuing of International Accounting Standards” (IASC Constitution 9). The Board’s power extends to full discretion over the technical agenda of the IASC and the assignment or outsourcing of projects. Appointments to the Board are based on the Trustees’ determination of applicants’ skill level in accordance with the IASC Constitution. The skill sets required for the 14 member Board are a minimum of five individuals with a background in auditing, three individuals with a background in financial statement preparation, three individuals with backgrounds as users of financial statements, and one with an academic background. The Board receives reports from the SAC, SIC, Steering and Advisory Committees, and the activities of the Commercial and Technical Director’s respectively. The Trustees “review annually the strategy of the IASB and its effectiveness” and “approve annually the budget of IASB and determine the basis for funding” (IASC Structure: Trustees 1).

The SIC is similarly appointed by the Trustees and is comprised of twelve members. The SIC is bound to “interpret the application of International Accounting Standards, in the context of IASC’s framework, and undertake other tasks at the request of the board” (IASC Constitution 10). SIC members are limited to a single term of three years.
The SAC membership is also appointed by the Trustees but differs from the other areas as it allows for a more unstructured debate on current issues. The SAC is headed by the Chair of the Board and has approximately thirty members. The objectives of this group include:

(a) Giving advice to the Board on agenda decisions and work priorities
(b) Disseminating the views of member organizations and individuals on the issues being considered by the Board
(c) Providing the Trustees with the perspective of membership interests and views.

The offices of Technical Director and Commercial Director have non-voting roles in the administration of IASC activities. Their appointments are at will with the Chair of the Board. The Chair of the Board and the Trustees jointly monitor the activities of the Commercial Director.

Figure 1: Current IASC Structure (IASC Structure 2)
Chapter III

IASC ACHIEVEMENTS

The IASC endured an array of barriers to obtain its present status as the global leader in the formulation of an international accounting system. Since it began formulating IASs in 1973 the IASC has released 41 standards of which 34 standards remain outstanding as part of the comprehensive framework designed to “result in transparency and comparability” (IASC Home Page 1) of accounting information. The primary objective of creating a comprehensive and broadly accepted international harmonized accounting system has eluded the IASC to date.

The initial efforts of the IASC to gain broad international acceptance resulted in many of the initial IAS standards allowed multiple methods to be recognized as being in accord with IASs. This may in part have been caused by the IASC procedural requirement of 11 out of 14 members voting in favor of a proposed standard. This meant that “in order to get that many to agree, in its initial stages, (the) IASC often had to accept the two most popular practices in a particular area in order to get 11 votes” (McKee 31).

The material effect of this compromise is evidenced by IAS no.22, published in 1991, which allowed the expensing of goodwill over its useful life or for goodwill to be immediately charged to stockholders’ equity. Combined with other similar compromises the multiple approaches allowed inhibits the comparability of financial information between companies, this being a central objective of the IASC.

The work of the IASC has enabled the vision of unified accounting standards to be advanced. According to S.M. McKinnon and Paul Janell the IASC has been effective in three major ways:
(1) It has identified and codified the most generally accepted principles in use in the developed nations,

(2) Its standards have provided a neutral source for countries in the process of standard setting,

(3) Influencing world accounting harmonization through the IASC’s ability to have its standards considered by other, more powerful groups.

(The Library 150)

This evaluation of the IASC is significant because it provides a base from which the IASC can expand its power and influence in pursuit of standard harmonization. The IASs released on many issues relevant to the international accounting environment was a means by which the IASC could engage a broad cross-section of accounting organizations in the pursuit of international harmonization. The criticism that IASs were too broad, mainly from developed countries, may have provided a net gain for the IASC through the ongoing involvement of entities who felt included in the harmonization process. The stature of the IASC has benefited from the diverse and inclusive nature of its membership, indicated by the 113 countries represented. This strength of representation has resulted in organizations such as IOSCO seeking leadership from the IASC on the creation of international harmonization in its area of operations, world capital markets. The consultation between the IASC and IOSCO advanced significantly in 2000 with IOSCO recommending to its members the use of thirty IASC standards in cross-border offerings and listings (IASC).
Chapter IV

IASC CHALLENGES

Out of the achievements and shortcomings of IASC activities over its twenty-eight year history come an array of challenges for the IASC, many of which have existed since the organization’s beginnings. The ultimate goal of global harmonization is still a long-term goal, at best. However, important progress towards this point is obtainable in the short term. Current challenges include relevancy of IASs to all nations; political, cultural, and economic environmental barriers; and the ability to govern compliance.

The issue of IASs being relevant to individual domestic economies has resulted in a majority of nations either maintaining their present accounting standards or altering IASs to meet local demands. If the IASC is not able to develop standards over time that unify nations under a single set of standards then David McKee and Don Garner may be correct, when they stated that “judging by past arrangements within countries, it would appear that, whatever the state of international reporting, individual countries can be expected to need a more situation-specific set of domestic accounting standards” (McKee 34). Therefore, the challenge to the IASC is to establish standards through consultation and then, by proving the ability of IASs to meet a country’s particular needs, convince all nations to implement and enforce the standards.

A perception that also requires the attention of IASC membership over the short-term is that the IASC is not viewed as an extension of the United States standard setting body, the FASB. This concern appears to be legitimate given “that only two\(^2\) of the 28 international standards advanced by the IASC [by 1989]... had not been preceded by a

U.S. accounting pronouncement which dealt with the same subject matter and arrived in general at the same acceptable methods and procedures” (The Library 166). The requirements of the IASC’s constitution to avoid individual national dominance may require continual review to ensure that industrialized nations, such as the United States, do not hold a disproportionate amount of influence. If left unabated such an imbalance of influence and power could result in the reestablishment of domestic accounting standards that would likely better fulfill the needs of these less developed nations.

The cultural, political, and economic environments that pervade each society are the source of an array of factors that will continue to impact on the creation of a harmonized accounting framework. The extent of factors that IAS must endeavor to cater to is evidenced by the following list of environmental factors and conditions that “directly influence the nature of accounting in a given national setting” (Choi 25):

**Table 1: Environmental factors and conditions**

<table>
<thead>
<tr>
<th>1. Legal System</th>
<th>7. Presence of specific accounting legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Political System</td>
<td>8. Social Climate</td>
</tr>
<tr>
<td>5. Stage of economic development</td>
<td>11. Speed of business innovations</td>
</tr>
</tbody>
</table>

(Choi 25-27).
The IASC faces the challenge of incorporating the necessary guidelines to address the unique situations as they occur in respective countries. Also, the IASC must provide reasonable assurance that the IASs will provide the nation with a net benefit over the use of domestic standards. If the IASC can demonstrate the adaptability of IASs to the spectrum of world economies it will aid the attainment of harmonization through generating broader international support.

The ability to punish noncompliance can have a significant impact on a standard setting entity’s ultimate success. The establishment of the IASC as a private entity resulted in it possessing no regulatory means through which it could require adoption of its published IASs. The unregulated adoption of IASs is not a realistic outcome, which is shown by the current absence of harmonization across the international accounting industry. McKinnon and Janell support this in their article *The IASC: A Performance Evaluation* with “a primary impediment to the IASC’s effectiveness is its lack of enforcement powers” and “the IASC depends on others for its enforcement. Often these other parties are ineffectual in achieving compliance” (The Library 148). Parties that are responsible for requiring entities to adhere to IASs on the IASC’s behalf are usually the national standard setting body for each country. Examples of such entities are the FASB in the United States and the Japan Accounting Association (JAA). The lack of enforcement authority is a barrier for the IASC to overcome either directly or through appropriate national watchdogs that are often able to legally require operating entities to use appropriate accounting standards.

Since its formation in 1973 the IASC has initiated the development of a global set of accounting standards. The IASC currently has 34 outstanding pronouncements that serve
as the standards that contribute to transparency and comparability among financial transactions around the world. The IASC has successfully forged a reputation as the leader in IAS formulation through the inclusion of its extensive membership into its activities. The involvement of many of the 153 membership entities from 113 countries has provided the IASC with a pool of expertise and resources that will be of assistance in pursuit of its objectives. To achieve a single set of standards would enhance the flow of funds around the world. This would be clearly evident in the improved operation of world capital markets. To receive these benefits the international community must overcome extensive environmental issues and endorse, implement, and then enforce a unified set of accounting standards.
Chapter V

EVALUATION OF THE IASC

Given the challenges discussed above, the demands that the IASC and its organizational structure are subject to are extensive. To succeed in its quest for accounting standard harmonization the IASC must seek acceptance from the majority of its 153 member bodies, and then gain compliance in practice throughout every nation. The newly restructured IASC came into effect on April 1, 2001 and despite the untried nature of this structure there are some inherent strengths and weaknesses that can be evaluated.

Strengths in the new IASC structure can be defined as components that will aid IAS formulation and its application into use around the world. Any weakness of the IASC is identified as such because it may reduce the cohesion of the IASC membership, limit consensus of IASs produced, or inhibit the adoption of IASs.

STRENGTHS

From an overall perspective the fact that the IASC is a private non-profit corporation enables it to hold the advantage of being able to reorganize itself according to its operational environment. This is an advantage over a standard setting government agency that is likely to face bureaucratic constraints to reorganization proposals. It should be noted that this potential strength has not been utilized by the IASC given that the previous restructure prior to the 2001 act was in 1982.

A current environmental strength for the IASC is the degree of worldwide agreement in principle for the pursuit of a unified set of accounting standards. With crises such as the Asian financial crisis and the collapse of the Russian Ruble still fresh in the minds of financial and capital market stakeholders there is a broader endorsement of the IASC’s
objective now than at anytime in its history. The degree of commitment and willingness among members to compromise on the adoption of IASs varies significantly. Given the diversity of IASC membership, which is apparent in cultural, political, and economic areas, an array of positions taken by members will always exist.

The practical experience of the IASC’s membership is unparalleled and is therefore a strength in the formulation of IASs that can be applied in the business community. With the IASC’s shared membership base with the IFAC providing access to over two-million accountants worldwide the technical expertise available in formulation of IASs is extensive and should be readily used.

A strength that resulted from the reorganization was that twelve of the fourteen members of the Board became fulltime office holders of the IASC. This ensures greater focus and commitment from the Board which is the driving authority on the formulation of IASs. The requirement that Board members hold no other employment positions is important not only for their attention to the issues before them but also for reducing possible conflicts of interest between Board members and companies that will be affected by the Board’s decisions.

The forced geographic diversity of the Trustees as required by the new IASC constitution advances the IASC’s legitimacy in claiming that it is a global accounting standard setter and not an extension of dominant national standard setting agencies. The requirements for Trustee members are that six Trustees be from North America and Europe respectively, four from the Asia/Pacific region, and three from any other regions. There is a limit on this strength because the requirement guarantees a majority of the Trustees reside in developed nations in North America and Europe.
The separation of duties now in place between the fundraising activities of the Trustees and the authority of “full discretion over the technical agenda of the IASC” (IASC Constitution 9) provided to the Board is a significant organizational strength of the IASC. This provides both the Trustees and the Board with clearly defined roles within the organization. Of importance to the credibility to the IASC is that contributions to the IASC are made to the Trustees and not directly to the IAS formulators that form the Board. This control should be governed by the Trustees to protect the integrity of the Board’s work so that the IASs produced can not be said to have been influenced by specific contributions made to the IASC.

The inclusion of a requirement to hold public meetings for each IASC committee and board is an important strength that enhances the operational integrity of the IASC and will aid the pursuit of a unified accounting system. The IASC Constitution includes clauses stipulating that public meetings are preferred or recommended for each of the respective groups; these groups include the Trustees, Board, SIC, SAC, and Steering and Advisory committees. The benefits that result from publicly accessible meetings are numerous. Firstly, the IASC demonstrates the openness of its operation and is able to display the due process and careful consideration given to all issues brought before each group. Secondly, it can provide a valuable forum for public comment on proceedings thereby allowing the injection of views, thoughts, and recommendations from any interested party. This decreases the risk of public views being lost in the process and never being considered by the appropriate committee. Such public hearings can also serve to publicize the activities of the IASC on a national and global scale as it provides a
unique opportunity for the agents in the media to identify significant achievements or passing of IASs as completed by the respective IASC bodies.

The role of the SIC to develop extensive explanations and guidance for the use and application of IASs is a strength of the IASC’s structure in achieving its long-term goal of harmonization. The segregation of duties for IAS interpretations from the Board, which produces each standard, provides feedback to the Board on what industry experts view as the requirements of the proposed IAS. This can provide the Board with an opportunity to ensure that this group of industry experts understands the key components of the respective standards. The use of the SIC also provides a fresh perspective and view on standards that are often in the late stages of their development. Therefore, the SIC can provide a timely round of views that can sharpen and better define the nearly completed IAS draft.

WEAKNESSES

The difficulty of constructing an organization viewed as representative of members’ views is particularly difficult when that entity is the IASC with a membership that originates from 113 countries. Given this diversity there is perhaps always going to be some degree of discontent within the organization over the specific influence one member, or a group of members, is perceived to hold in comparison to other members. Although the restructuring was a difficult task the resulting structure retains many of the weaknesses that have limited the success of the IASC since its last reorganization in 1982.

The Trustees’ responsibility to appoint all members of its own board, the Board, SIC, and SAC is a significant weakness of the IASC structure. To invest all of this personnel
appointment power in one entity of nineteen individuals essentially ensures that many of
the 156 professional bodies that make up the ISAC/IFAC membership will feel that their
views are not satisfactorily represented. While the use of the Trustees to fill positions
vacated by either term limits, retirement, or termination simplifies the process this gain is
far outweighed by the likely limits placed on the effectiveness of the newly installed
IASC office holders. Their assignment to one of the respective IASC boards’ is
effectively undermined by the fact that the member bodies did not directly install that
person. This reduces the level of ownership and access the member bodies are likely to
feel and also establishes the psyche that the office holder is accountable to the Trustees
and not the diverse membership. Also, the procedure of Trustees filling vacancies of
outgoing Trustee individual office holders is likely to result in structural weakness for the
IASC over the medium to long term. This can occur because the Trustees’ in charge of
the hiring process are likely to recruit similarly viewed individuals who share similar
beliefs and have a comparable agenda to the present Trustee members. The weakness
that results is that there is a reduced likelihood that candidates for Trustee positions will
be accepted if they are believed to hold views contrary to that of the existing Trustees.

A particular concern regarding the individuals selected to makeup the IASC Trustees
is the requirement of the constitution regarding the background of Trustee appointees.
The IFAC is given the authority to appoint five of the nineteen Trustees at any one time.
As stated in Part A/Section 10 of the IASC Constitution “two of the five Trustees
nominated by IFAC shall normally be senior partners/executives from prominent
international accounting firms” (IASC Constitution 3). This requirement, or at least
strong suggestion, of the incorporation of prominent executives to the exclusive board of
Trustees reflects a major weakness in the IASC’s organizational structure. Consultation with the world’s prominent accounting firms is and should continue to be an integral part of the IAS formulation and implementation as this group is a significant user of the resulting system. However to include these firms in such a powerful way, perhaps at the expense of a more internationally diverse group of Trustees, indicates that the formulation of IASs holds greater value than the global acceptance of such standards.

The contention is that these Trustee positions could be used more strategically to bring nations, groups of nations, or international trading zone members more comprehensively into IAS compliance.

The selection process for Board members as conducted by the nineteen individuals that constitute the Trustees is not the immediate weakness for consideration. The weakness of the assembly of technical expertise for representation on the Board is that the Trustees making the decisions are not representatives of the membership. This fact occurs because none of the Trustees are elected by the IASC membership. As a result it is possible that the personal agendas of Trustee’s will influence the Board members selected; this would be acceptable if the Trustee’s were elected representatives of the membership. Instead, Trustees are acting on their assessment of what the Board requires in terms of technical expertise in consultation with other Trustee’s and the IASC Constitution but are not obligated to seek consultation from the professional bodies that form the membership.

While the objective of the strict requirements for specific professional experience of members of the Board seeks to balance the makeup of the Board it has the inherent risk of limiting the Board’s ability to meet the ever-changing demands of its environment.
The IASC Constitution requires that twelve of the fourteen members of the Board have specialized expertise in the following aspects of accounting: auditing (5 members), financial statement preparation (3), financial statement users (3), and the academic discipline (1). This may deny the Board being enriched by an individual with exceptional IAS formulation skills by virtue that their skills background was not required at the time of an opening on the Board.

A weakness of the IASC in each of the Board, SIC, and SAC is that the Trustees appoint the respective chairs of each committee. This practice presents two apparent shortcomings. First, it assumes that the Trustees are better informed of each of the Board, SIC, and SAC’s group dynamics than the members of these committees themselves. This creates the likely problem of the respective committee chair not being revered as the group leader. Problems that may result from such a situation include the pursuit of alternate agendas by group members, public or private confrontations over the agenda sought by the chair, sabotage of the chair’s proposed agenda by powerful subgroups. Second, it does not take advantage of the ownership of group success that can result from the members of each respective committee’s selecting their own chair. The risks of infighting over the position of group chair are minimal and of a short term nature versus the costs of an ineffective chair established by the Trustees who leads the group for up to six years.

The separation of duties strength mentioned earlier, regarding the fundraising responsibilities of the Trustees and the IAS formulation required of the Board, are compromised by the appointment authority for Board appointees being vested with the Trustees. The direct link between the Trustees and the Board over such a crucial issue as
placement allows observers to draw a conclusion that financial contribution to the IASC through the Trustees could garner influence in Trustees appointment of members of the Board. A similar conclusion can be drawn regarding possible influence of appointments to the SIC and SAC committees as the Trustees are similarly responsible for the appointment of members to these committees.

The *Annex* to the IASC’s Constitution outlines the criteria for determining a candidate’s preparedness for a position on an IASC board or committee. The IASC lists eight criteria that it views as essential elements for an IASC board member. These elements are summarized from the IASC Constitution as:

1. Demonstrated technical competency and knowledge of financial accounting and reporting
2. Ability to analyze
3. Communication skills
4. Judicial decision making
5. Awareness of the financial reporting environment
6. Ability to work in a collegial atmosphere
7. Integrity, objectivity, and discipline
8. Commitment to IASC’s mission and public interests

These qualities are extensive and candidates who are deemed to fulfill each of these characteristics are likely to be well qualified for work with the IASC. The presence of such a policy for hiring purposes is a strength, and the degree of implementation to this criteria should be monitored for adherence. Given that an extensive array of IASs have been developed to date, these criteria are potentially outdated given that much of the
present demands on the IASC are for increasing the level of international compliance to IASs. Therefore, with international compliance being of at least equal importance to the continued technical development of IASs a level of political experience or legislative experience should be evident in the professional experiences of some selected board members. This will assist the development of IASs and the IASC’s push for their broad acceptance because board and committee members with this experience can assist in the presentation and promotion of the standards in potentially recalcitrant political climates.

The unsecured source of funding for the IASC’s activities is a weakness of the organizational structure. The weakness was cited in the December 1998 report from the IASC’s Strategy Working Party. This report stated that the “IASC relies on volatile and uncertain sources of funding. This inhibits long term planning, diverts scarce staff time and makes it difficult to recruit permanent staff” (IASC Strategy Working Paper 32). The 2001 expected budget for the IASC is approximately US$16.7 million, all of which is derived from donations. Sources of these donations are predominantly major accounting firms, business organizations, banks, and national stock exchanges; the IASC reports that no portion of its income is received from regional or national governments. A result of private funding is that a disproportionate amount of the donations come from entities in developed nations. This undoubtedly leads to concerns of other entities over the independence of the IASC in all facets of its operations.

The most significant implementation problem the IASC has is that it is not the enforcing agent of the standards it creates, monitors, and adjusts. Being a private organization results in the IASC having to seek third parties to implement IASs and be the custodian of compliance. An example of the organizations that the IASC has
arrangements with, and continues to develop agreements with, are IOSCO and each country’s national accounting standard body. The glaring concern over this arrangement is that the degree of commitment by each of these third party IAS enforcing agencies varies significantly. For example the Australian Stock Exchange (ASX) will enable a company to list using the IASC’s system whereas the SEC, whilst sharing the ASX’s endorsement of IASs in principle, requires that foreign companies reconcile their financial reports to United States Generally Accepted Accounting Principles (U.S. GAAP). As evidenced in many areas of society, irrespective of the intent and effort of third party entities, few will care and protect a property, item or IAS like the creator. Therefore, a major weakness is that the integrity of an international accounting system is likely to be compromised by adjustments and accommodations made by these third parties as they implement IASs in their respective areas.

IASC 2001

Upon evaluation of the strengths and weaknesses that result from the current IASC structure the progress towards a single set of global accounting standards can continue to advance without significant alteration of the IASC structure. However this advancement of IAS harmonization is likely to be less effective than is otherwise possible. This suggested limit on the success that can be achieved by the restructured ISAC is supported by the weaknesses of the organization discussed above. The following section will suggest changes that should be considered for the IASC’s operating structure and its activities. Each recommendation put forward will be expanded on to include a justification and resulting benefits for its adoption.
Chapter VI

ANALYSIS AND PROPOSALS REGARDING THE STRUCTURAL CHANGES IN THE IASC

Political, operations, and financial are the three categories of proposals for the improved performance of the IASC. The basis of these proposals is that their implementation may assist the obtainment of a unified global accounting system. These proposals should be considered in the context of the many years that any global agreement takes to ratify and implement. So, while the proposals that follow suggest a change and present possible benefits the reality may be that these changes and the resulting benefits seep into the global accounting landscape over the next few decades. A reflection on the path since the 1904 Congress in St. Louis to achieve the limited level of harmonization that exists today shows the limits of what can be achieved on a global scale over a substantial period of time i.e. over twenty or more years. The proposals in reference to the political activities of the IASC relates to its role in the world and respective national political environments. The reflections pertaining to the IASC’s daily operations and overall structure refer to its membership, the number and use of staff, and providing a more visible path for nations to follow to harmonization. The financial proposals put forward may enable the IASC to increase its annual operating budget and thereby enhance the scope and depth of its operations.
POLITICAL:

PROPOSAL NO. 1: Further engage in the world and independent national political environments.

This factor is held as the most critical for the IASC in its efforts to reach a single set of accounting standards. An increase in the level of engagement on the world political landscape includes active communication and representation to entities including the European Union legislature, United Nations, International Monetary Fund, and the like. Increased participation in national and regional political environments is of equal importance as these nations represent the ‘grass roots’ support for global adoption of IASs.

As the IASC directs its efforts towards a nation, an evaluation of the political and legislative structure as it affects accounting standards could be completed. From this analysis a strategy for the successful integration of IASs into the national business-reporting environment can be formulated. It should become apparent from the survey of each national political environment exactly who the key people or organizations are and whose support is critical for the successful adoption of the IAS framework in each country.

Prior to an approach to a nation and its relevant financial entities, expert opinions from professional, academic and government backgrounds may be sort in confidential corporate consulting roles. Such a group of experts from a nation should be used as the test group for the IASC’s presentation and the entire package that it intends to present to the particular nation. The feedback obtained from this group is likely to significantly reduce the incidence of miscommunication while improving the quality and direction of
the presentation. Use of this test-group will assist the IASC in identifying where the key strengths of its IAS framework are from the perspective of the nation under analysis. It is likely that the cultural differences of nations will result in the various benefits of a global accounting framework being assigned more significance. The realization of the strongest benefits for a particular nation prior to the approach on a national level can allow the IASC to structure the presentation around these benefits.

The suggestion of IASC engagement in the political process of nations would ideally be conducted in an environment that reaches across diverse local political agendas wherever possible. This may be achieved through an approach to the national standard setter of the nation, if it is not a direct government department, and requesting the relevant members of the government and opposition parties to actively participate the presentation. This could have the potential gain of de-politicizing the issue of IAS adoption if significant support can be achieved for the IASs in these initial consultations. It should be stressed that this approach is not appropriate in many nations due to the ideological divides that fracture many national political landscapes. It is suggested that the given existence of approximately 190 independent nations (Yahoo: Ask Earl 1) the IASC could approach nations at a rate of five to ten nations per year. Such a timeframe is sensitive to the possibility that each IASC presentation may need to be altered to appeal to the specific cultural aspects of each nation. This country-specific presentation requires reporting the same IAS framework in a style that emphasizes the strengths that are going to appeal to the country being lobbied. Other factors considered for the presentation may include the language spoken in making the presentation, the appropriateness of graphics, photos, and terms used, and the location to deliver the presentation. For example, IASC
presentation teams should consider what international strategy implementation firm Achieve Global refers to as “cultural engines [which are] the drivers that support thousands of behaviors shared unconsciously by all in that culture” (Impact! 17). Such an analysis of a culture is likely to give any presentation made to representative from that nation a better chance of success in communicating its intended messages.

This nation-by-nation approach through the legislators of each nation may help the IASC retain the IAS framework in its entirety. This approach reduces the possible compromising actions of national governments to generate short-term political gains by adjusting the IASs. The operational demands placed on the IASC will continue to increase; however, this is manageable. Suggestions to assist IASC operations are presented next. It is also unlikely that individual approaches to each of the 190 independent nations would be required. The strategic selection of nations to approach in the first wave of IASC presentations is important. Successful initial harmonization efforts with the initial nations approached may provide remaining nations with identifiable benefits that result from the application of the IASC’s accounting framework. These successes could then act as a stimulus for other nations to actively pursue the adoption of IASs in their own economies.
OPERATIONS:

PROPOSAL NO. 2: Development of specialized presentation teams, specialized audit teams, and follow-up teams.

This suggestion builds upon the increased involvement of the IASC in the world's political environments. The formulation and use of these focused task teams could provide a visible operational framework which national and international observers would be able to see in operation. The most visible components of the IASC, in addition to its executive leadership, would be these three task based groups – Presentations, Auditing, and Follow-up.

The presentation groups would be responsible for making the specific appeal to an independent nation or international governing body. To complete this task the group would likely utilize domestic expertise in understanding the inner-workings of the nation, region, and legislature to which the approach is to be made. The presentation task force could engage the services of local experts as counsel to the project, and would formulate the overall strategy to be implemented by the IASC. This group would have the discretion to use all resources available within reasonable budget constraints. The presentation group would be available for consultative services to the IAS adopting nation throughout its implementation efforts, and to other IASC members and groups who require assistance in executing their duties.

The auditing task force is also a proposed new extension of the IASC’s operations as it would seek to assist the IAS adopting nation to monitor and uphold the new accounting structure. This audit team could be assigned numerous responsibilities that include the education of national auditors to audit financial statements prepared according to IASs,
consultation with national legislators on issues pertaining to compliance, and providing an assessment for the international community on the effectiveness of IAS implementation in the country.

It is proposed that the members of the follow-up group be selected from the presentation team and the audit team that have been working extensively with this nation’s decision makers. This group would be formed upon the achievement of significant progress by the nation in implementing the IASs. The role of this group would be to assist the individual nation in its ongoing efforts to develop an accounting system that is in complete harmony with the IASC’s framework. The use of members of the presentation and auditing groups could enable the IASC to retain a degree of cohesiveness between the nation and the IASC, which will assist the openness of communication channels. This group may also provide the IASC with two important areas of feedback. Firstly, members of the follow-up team should have an excellent perspective on the effectiveness of the overall strategy for harmonization within this country. Secondly, the probable cohesiveness of the follow-up group should provide the IASC with an efficient action-ready task force on the ground in the particular nation to address problems as they arise. This group should provide an advantage for the country adopting the IASs as it would have a knowledgeable group of problem solvers readily available.

The five to ten IASC task forces in operation at any one time would ideally have direct communication access to a nominated member of the Trustees or Board. This communication path would enable the head of the respective task force to seek counsel
for concerns that they may have, and to report observations they have from the front line of implementing the IASC framework.

**PROPOSAL NO. 3: Establish a single unified standard for each accounting issue and maintain a program of continuous review of IASs.**

The work of the IAS formulation group that is headed by the IASC’s Board should endeavor to accelerate the completion of an IAS framework that results in transparent and accurate financial information. The Board could aid acceleration efforts through the development of a single set of accounting standards that do not allow alternate treatments. Such alternate treatments should not be provided when their use is likely to result in material differences from a financial statement users perspective.

The reworking of several IASs in the mid-1990s provided a step towards this goal. The changes made to IAS 22 that came into effect on July 1, 1999 are an example of the IASC refining its IAS framework. The major changes to IAS 22 included “the benchmark and allowed alternative treatments for negative goodwill in IAS 22 [to be] replaced by a single treatment” (IAS 22 Summary 2).

IAS 38 provides an example of refinements to IASs that may require the attention of the Board. IAS 38, issued in September 1998, requires that “an intangible asset should be measured under one of the following two treatments: (a) *benchmark treatment*: historical cost less any amortization and impairment loss; or (b) *allowed alternative treatment*: revalued amount (based on fair value) less any subsequent amortization and impairment losses” (IAS 38 Summary 2).

Even before the formulation of a comprehensive group of IAS standards the IASC should seek to establish an environment of continuous improvement. Such an
environment is likely to be desirable to ensure that the IASs remain relevant to the local, national and international business communities they are designed to serve.

**PROPOSAL NO. 4: Create an objective evaluation system to determine each nation’s compliance with IASs.**

This suggestion for alteration to the IASC’s operations is directed at providing nations who implement IASs and enforce compliance with tangible benefits. The proposal is for an evaluation system that would involve an assessment of a country’s implementation of IASs in every measurable aspect. This assessment may include the degree of compliance among the country’s business community, the accuracy of reports produced using IASs, activities of the national standard setter or government agency, and the extent of communication with IASC groups to promote continuous improvement.

An assessment of each individual national system and its implementation of IASs would provide the global business community with objective groupings of national accounting systems. The assessment would produce a result, most likely in the form of a score or percentage, that indicated the effectiveness of that country’s compliance in each area of IASs and their implementation. Of key importance to the international business community, and even down to individual investors, would be the cumulative score and subsequent grouping assigned to all nations based on the quality of harmonization as evaluated by the IASC’s audit groups.

A ranking system could contain as little as three groups – High-level of Compliance, Moderate-level of Compliance, Low/Zero-level of Compliance – but should not contain more than seven evaluation levels. The limit of seven is suggested to enhance the potential that the scale will be of use to the global community and not become overly
complicated as to be useful only to highly resourced corporate entities. The grouping of nations that results would indicate similar cumulative totals for these nations, however this does not guarantee that they are of equal reporting quality. The information produced by such a ranking system could be further enhanced by supportive rankings derived from each component of the evaluation conducted on each nation. For example, if Pakistan and Malaysia were evaluated to be in group two ( Moderate-level of Compliance) on a three-group scale, an investor could conduct further analysis of each respective nation. This analysis may include a comparison of the rankings or scores each nation received in the sub-sections of the assessment, from which the individual investor or entity could determine which nation scored the highest in the areas of IAS implementation that it views as most important. The ranking according to sections of national assessment increases the importance of limiting the number of groups that the countries can be segregated into to enable ease of use and comparability.

This type of evaluation system could enable the global community to learn of a nation’s accounting system quality and the effectiveness of its infrastructure for applying and maintaining IASs. As a result, investors are also likely to benefit as they are provided with a potentially useful decision making tool. It would be a device that aids the assessment of the confidence that can be placed on financial statements of an organization located in the country that is being considered as the destination for investing funds. It would not be a device from which to solely base a decision to invest in a nation’s corporations but it indicates the likelihood that the financial statements are an accurate, or otherwise, depiction of a company’s financial performance and position.
PROPOSAL NO. 5: Expand membership and increase the voting rights of members through Internet and remote location voting.

A suggestion for further engaging legislators from all nations in the implementation of IASs and in the financial support of the IASC, discussed later, the voting rights of the membership could be enlarged. The present monopoly held by the Trustees of appointing all key IASC office holders may not conducive to the global acceptance of IASs. The recently implemented rules for membership of committees require specific geographic and/or professional backgrounds may require further adjustment. The current balance of Trustees is six from North America, six from Europe, four from the Asia/Pacific region and three from anywhere, provides the developed nations of North America, Europe and Asia with a lock on the IASC’s activities. It is difficult to imagine that the three vacancies for ‘other’ nations adequately reflect the future, or even current, importance of areas including Africa and South America.

The power of the Trustees to elect the members of all significant IASC committees suggests that the make up of this committee should engage as many nations of the global community as possible. This engagement may be achieved through membership on the 19-person group of Trustees or by alternative measures. One such measure may be for members to directly elect IASC Trustees. It would still be possible to maintain a geographic requirement for Trustee office holders if members believe it contributes to the effectiveness of the IASC. Maintaining the geographic locks on membership may help the proposal gain support from the developed nations while the opportunity to vote, even for only as few as three members, could be viewed as an important act of inclusion by undeveloped nations. The Trustees could be responsible for reducing the number of
candidates in races for Trustee positions by considering factors such as the experience of nominees, current geographic balance of Trustee members, and the challenges that currently face the IASC’s harmonization efforts.

The proposed voting could be implemented by utilizing the Internet or if not available by other secure communication. This would help overcome an often-cited weakness of organizations of this size, this being the high cost of bringing members together. Voting from local headquarters will enable members equal participation and, at the conclusion of voting, immediate access to the results. This style of voting could be effective for this organization because the members are not required to negotiate over the formulation of IASs, instead they are voting to appoint people to the IASC’s group of Trustees. This proposal is not intended to alter the present requirements for IASC members of the Board to be selected based upon accounting technical skill and expertise. The board of Trustees would also remain the sole authority, at least initially, for appointments to the Board and other IASC committees.

This proposal is to expand voting rights to all member organizations and nations. Consideration should be given to place a reasonable limit on the number of voting entities that can come from a single country; a suggestion for this limit would be a maximum of three voting entities from a single nation. For example, the United States currently has five members of the IASC, these are:
(1) Institute of Management Accountants (IMA)

(2) American Institute of Certified Public Accountants (AICPA)

(3) National Association of State Boards of Accountancy

(4) Information Systems Audit & Control Association

(5) The Institute of Internal Auditors (IIA)

(Refer to Appendix A)

In this circumstance each nation could determine how the maximum of 3 votes would be agreed upon. A suggestion is that each of the groups broker a compromise in selecting the recipients of the possible 3 votes.
FINANCIAL:

PROPOSAL NO. 6: Expand the source of contributors to the IASC to increase independence.

Given the continuing increase in demands on the IASC the level of resources required to implement its initiatives are likely to require a significantly greater amount of funds than are currently available. The 2001 budgeted expenditures for the IASC are estimated to be US$16.95 million. It would benefit IASC operations in both the short and long-term aspects if it is able to increase its revenue base.

The limited amount of funds the IASC currently has available is apparent when its funding is compared to domestic American entities. The United States standard setting bodies, the FASB and the Governmental Accounting Standards Board (GASB) combined to generate revenues of US$21.08 million in 2000, over 24% more than the entire IASC budget for the year 2001.

A possible benefit of expanding the membership of the IASC to include national governments and international bodies (OECD, ASEAN, UN etc) is that the degree of funding for the IASC could be enlarged. A possible method for ensuring greater levels of funds for IASC initiatives would be to request a specific membership fee from nations; this is expanded in the next recommendation. If an increase in membership occurred funds for the IASC would likely come from an increased array of sources. The possible increase in the number of sources of IASC revenue would advance the IASC’s claim of independence in IAS formulation. A weakness discussed in a preceding section cites the large percentage of donations from corporations based in industrialized nations as harmful to the claim and perceived independence of the IASC. Therefore, by broadening
the scope of the contribution pool the contributions from corporations and nations are likely to become smaller in regards to their percentage of the total contribution.

**PROPOSAL NO. 7: Negotiate contracts to guarantee income flow to enhance efficient use of resources.**

A suggestion to increase the annual contributions made to the IASC may be to negotiate binding contracts with members. This could reduce the present IASC problem of not being able to establish and plan an extensive itinerary of programs over the long-term because of its limited resources and the possibility of budget shortfalls.

A suggestion for securing this line of funds for the IASC is for nations to be grouped in a manner that makes that entire group accountable for a predetermined amount. For example, a nation that is evaluated as having an accounting system in a high-level of compliance with IASs, and is financially sound, can be grouped with several nations evaluated as having systems with a lower degree of compliance. The lead nation, better defined as the reconciling nation, will guarantee that from its group of nations the predetermined membership fee for each nation will be contributed to the IASC. Continuing with the example, Australia may be determined as a leading nation and then assigned nations evaluated as having lower levels of compliance such as: Papua New Guinea, Indonesia, Malaysia, New Zealand, and Taiwan. If the membership fee had been determined to be US$250,000 per member nation Australia would be responsible for collecting dues from each nation and, if there was any shortfall due to an inability to pay by any of the nations, Australia would pay the outstanding amount. For example, including Australia, these 6 nations would contribute US$1,500,000 (6 nations x US$250,000) to the IASC at the beginning of each operating year; if PNG contributed
US$150,000 in a year Australia would contribute an additional US$100,000 to its US$250,000 fee in that year.

Such an arrangement may be acceptable to the international community because it places a clearly defined limit on the contributions that a nation can be required to make in any given year and can be easily budgeted for on an ongoing basis. Given that the current world economy contains 190 independent nations a membership fee formula based on 100% compliance set at an annual fee of US$250,000 per nation would provide the IASC with an initial annual operating budget of US$47,500,000; a 280% increase on the present budget. If the grouping of nations was able to guarantee contributions the IASC could use the amount as a credible figure from which to budget its programs. The membership fee could be indexed at a rate that is derived from a basket of inflation rates from national economies.

The basis of this suggested financing arrangement is for equal contributions from all member nations, even though in practice the affluent nations are likely to bankroll the membership of undeveloped nations by varying amounts. In contrast to the UN rules that allow members to retain voting rights in the UN even though fees are overdue, to a predetermined limit, membership of the ISAC could be contingent upon members being financially up to date. This condition of membership may help the IASC avoid the ongoing financial crisis that the UN is immersed in. As at September 30, 2000 "Member States owed the United Nations over US$3 billion for current and past assessments" (UN Financial Crisis 1) forcing the UN to make significant cuts including a reduction in its workforce to 8,900 employees at year-end 2000 from a high of 12,000 in the mid 1980s (UN Financial Crisis 2).
The suggested incorporation of nations into IASC membership is not intended to invalidate the present or future roles of present members – professional accounting agencies. It is possible that there would not be a restriction needed on contributions from private entities given that it is unlikely that individual donations would amount to a material percentage of total donations. This would minimize the likelihood of a claim that the IASC is not an independent IAS formulator serving the interests of its entire membership.
Chapter VII

CONCLUSION

The IASC is currently the leading global authority on accounting harmonization, a position that it has earned over its twenty-eight year existence. The IASC’s relevance in the future is not guaranteed, unless it continues to remain relevant by developing an accounting system that meets the transparency and quality requirements of the international community. The recent reorganization of the IASC has enhanced the quality of its structure and will assist its efforts for international harmonization in the immediate future.

The proposals presented are complimentary to the current IASC structure in assisting the achievement of the objective for a single unified global accounting system. The proposals maintain the integrity of the IASC’s standard formulation groups – the Board, SAC, SIC, and Steering and Advisory committees – which are central to the continued development of an accounting system that can withstand the challenges of a diverse international business community. The political involvement of the IASC’s is an area suggested for increased focus of the IASC in the future. Also, the IASC may research potential advantages of broadening its membership base and of increasing the rights and involvement of members. A proposal for achieving this was through the extending members the opportunity to vote for Trustee office holders. Measures proposed to develop the financial base of the IASC included the use of contracts and annual membership fees from national governments. The path to accounting harmonization is likely to continue over the long-term given the laborious nature of international
negotiation and compromise; only then, after many more years, will the IASC’s harmonization objective be achieved.
## Index of Terms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>AISG</td>
<td>Accountants International Study Group</td>
</tr>
<tr>
<td>ASEAN Board</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>CASB</td>
<td>Canadian Accounting Standards Board</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CICA</td>
<td>Canadian Institute of Chartered Accountants</td>
</tr>
<tr>
<td>EU</td>
<td>European Union, formally European Community (EC)</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board, USA</td>
</tr>
<tr>
<td>FEE</td>
<td>European Federation of Accountants</td>
</tr>
<tr>
<td>GASB</td>
<td>Government Accounting Standards Board, USA</td>
</tr>
<tr>
<td>IAS</td>
<td>International Accounting Standard</td>
</tr>
<tr>
<td>IASs</td>
<td>International Accounting Standards</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board, the “Board”</td>
</tr>
<tr>
<td>IASC</td>
<td>International Accounting Standards Committee</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organization of Securities Commissions and Similar Organizations</td>
</tr>
<tr>
<td>NYSE</td>
<td>New York Stock Exchange, USA</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>SAC</td>
<td>Standards Advisory Council</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Name</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>SIC</td>
<td>Standing Interpretations Committee</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
</tbody>
</table>
Works Cited


<http://www.ifac.org/About/index.tmpl>


---, The UN Financial Crisis: Setting the Record Straight. October 2000.


Yahoo – Yahooligans. Ask Earl.

Appendix A
MEMBERS OF THE IASC AS AT 22 MAY, 2001

Full Members

<table>
<thead>
<tr>
<th>Country</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARGENTINA</td>
<td>Federación Argentina de Consejos Profesionales de Ciencias Económicas</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>CPA Australia</td>
</tr>
<tr>
<td></td>
<td>The Institute of Chartered Accountants in Australia</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>Institut Österreichischer Wirtschaftsprüfer</td>
</tr>
<tr>
<td></td>
<td>Kammer der Wirtschaftstreuhänder</td>
</tr>
<tr>
<td>BAHAMAS</td>
<td>The Bahamas Institute of Chartered Accountants</td>
</tr>
<tr>
<td>BAHRAIN</td>
<td>Bahrain Accountants Association (BAA)</td>
</tr>
<tr>
<td>BANGLADESH</td>
<td>The Institute of Cost and Management Accountants of Bangladesh</td>
</tr>
<tr>
<td></td>
<td>The Institute of Chartered Accountants of Bangladesh</td>
</tr>
<tr>
<td>BARBADOS</td>
<td>The Institute of Chartered Accountants of Barbados</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>Institut des Experts Comptables</td>
</tr>
<tr>
<td></td>
<td>Institut des Réviseurs d’Entreprises</td>
</tr>
<tr>
<td>BOLIVIA</td>
<td>Colegio de Auditores de Bolivia</td>
</tr>
<tr>
<td>BOTSWANA</td>
<td>Botswana Institute of Accountants</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Instituto Brasileiro de Contadores - IBRACON</td>
</tr>
<tr>
<td></td>
<td>Conselho Federal de Contabilidade (CFC)</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>Institute of Certified Public Accountants of Bulgaria</td>
</tr>
<tr>
<td>CAMEROON</td>
<td>The Institute of Chartered Accountants of Cameroon</td>
</tr>
<tr>
<td>CANADA</td>
<td>CMA Canada</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>The Canadian Institute of Chartered Accountants</td>
</tr>
<tr>
<td></td>
<td>Certified General Accountants' Association of Canada</td>
</tr>
<tr>
<td>CHILE</td>
<td>Colegio de Contadores de Chile</td>
</tr>
<tr>
<td>CHINA</td>
<td>The Chinese Institute of Certified Public Accountants (CICPA)</td>
</tr>
<tr>
<td>CHINESE TAIWAN</td>
<td>Federation of CPA Associations of Chinese Taiwan</td>
</tr>
<tr>
<td>COLOMBIA</td>
<td>Instituto Nacional de Contadores Públicos de Colombia</td>
</tr>
<tr>
<td>COSTA RICA</td>
<td>Colegio de Contadores Públicos de Costa Rica</td>
</tr>
<tr>
<td>CROATIA</td>
<td>Croatian Association of Accountants and Financial Experts</td>
</tr>
<tr>
<td>CYPRUS</td>
<td>The Institute of Certified Public Accountants of Cyprus</td>
</tr>
<tr>
<td>CZECH REPUBLIC</td>
<td>Chamber of Auditors of the Czech Republic</td>
</tr>
<tr>
<td></td>
<td>Union of Accountants of the Czech Republic</td>
</tr>
<tr>
<td>DENMARK</td>
<td>Foreningen af Statsautoriserede Revisorer</td>
</tr>
<tr>
<td></td>
<td>Foreningen af Registrerede Revisorer</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>Instituto de Contadores Públicos Autorizados de la República Dominicana</td>
</tr>
<tr>
<td>ECUADOR</td>
<td>Federación Nacional de Contadores del Ecuador</td>
</tr>
<tr>
<td>EGYPT</td>
<td>The Egyptian Society of Accountants &amp; Auditors</td>
</tr>
<tr>
<td>EL SALVADOR</td>
<td>Corporación de Contadores de El Salvador</td>
</tr>
<tr>
<td></td>
<td>Instituto Salvadoreño de Contadores Públicos</td>
</tr>
<tr>
<td>FIJI</td>
<td>Fiji Institute of Accountants</td>
</tr>
</tbody>
</table>
FINLAND
- KHT-yhdistys-Föreningen CGR ry
- HTM-tilintarkastajat ry

FRANCE
- Compagnie Nationale des Commissaires aux Comptes
- Ordre des Experts Comptables

GEORGIA
- Georgian Federation of Professional Accountants and Auditors

GERMANY
- Institut der Wirtschaftsprüfer in Deutschland e.V.
- Wirtschaftsprüferkammer

GHANA
- The Institute of Chartered Accountants (Ghana)

GREECE
- Association of Certified Accountants and Auditors of Greece (SELE)
- Institute of Certified Auditors Accountants of Greece (SOEL)

GUATEMALA
- Instituto Guatemalteco de Contadores Públicos y Auditores

GUYANA
- The Institute of Chartered Accountants of Guyana

HAITI
- Ordre des Comptables Professionels Agrees d'Haiti

HONDURAS
- Colegio de Peritos Mercantiles y Contadores Públicos

HONG KONG
- Hong Kong Society of Accountants

HUNGARY
- Chamber of Hungarian Auditors

ICELAND
- Félag lögiltra Endurskoðenda

INDIA
- The Institute of Chartered Accountants of India
- The Institute of Cost and Works Accountants of India

INDONESIA
- Indonesian Institute of Accountants

IRAN
* The Iranian Institute of Certified Accountants

**IRAQ**
* Association of Public Accountants and Auditors (Iraq)

**IRELAND**
* The Institute of Certified Public Accountants in Ireland
* The Institute of Chartered Accountants in Ireland

**ISRAEL**
* Institute of Certified Public Accountants in Israel

**ITALY**
* Consiglio Nazionale dei Dottori Commercialisti
* Consiglio Nazionale dei Ragionieri e Periti Commerciali

**IVORY COAST**
* Ordre des Experts Comptables et Comptables Agréés de Côte d'Ivoire

**JAMAICA**
* The Institute of Chartered Accountants of Jamaica

**JAPAN**
* The Japanese Institute of Certified Public Accountants

**JORDAN**
* Jordanian Association of Certified Public Accountants
* Arab Society of Certified Accountants

**KAZAKHSTAN**
* Chamber of Auditors of the Republic of Kazakhstan

**KENYA**
* Institute of Certified Public Accountants of Kenya

**KOREA**
* Korean Institute of Certified Public Accountants

**KUWAIT**
* Kuwait Association of Accountants and Auditors

**LEBANON**
* Middle East Society of Associated Accountants
* Lebanese Association of Certified Public Accountants (LACPA)

**LESOTHO**
* Lesotho Institute of Accountants

**LIBERIA**
* The Liberian Institute of Certified Public Accountants

**LIBYA**
Libyan Certified and Public Accountants Union

LUXEMBOURG
- Institut des Réviseurs d'Entreprises

MADAGASCAR
- Ordre des Experts Comptables et Financiers et des Comptables Agréés de Madagascar

MALAWI
- The Society of Accountants in Malawi

MALAYSIA
- Malaysian Institute of Accountants
- The Malaysian Association of Certified Public Accountants

MALTA
- The Malta Institute of Accountants

MEXICO
- Instituto Mexicano de Contadores Públicos, A.C.

NAMIBIA
- Institute of Chartered Accountants of Namibia

NETHERLANDS
- Koninklijk Nederlands Instituut van Registeraccountants (Royal NIVRA)

NEW ZEALAND
- Institute of Chartered Accountants of New Zealand

NICARAGUA
- Colegio de Contadores Públicos de Nicaragua

NIGERIA
- The Institute of Chartered Accountants of Nigeria

NORWAY
- Den norske Revisorforening (DnR)

PAKISTAN
- Institute of Cost and Management Accountants of Pakistan
- The Institute of Chartered Accountants of Pakistan

PANAMA
- Colegio de Contadores Públicos Autorizados de Panamá
- Asociación de Mujeres Contadoras de Panamá

PARAGUAY
- Colegio de Contadores de Paraguay

PERU
Federación de Colegios de Contadores Públicos del Perú

PHILIPPINES
- Philippine Institute of Certified Public Accountants

POLAND
- National Board of Chartered Accountants Association in Poland

PORTUGAL
- Câmara dos Revisores Oficiais de Contas

ROMANIA
- Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR)

SAUDI ARABIA
- Saudi Organization for Certified Public Accountants

SIERRA LEONE
- The Institute of Chartered Accountants of Sierra Leone, (ICASL)

SINGAPORE
- Institute of Certified Public Accountants of Singapore

SLOVENIA
- The Slovenian Institute of Auditors

SOUTH AFRICA
- The South African Institute of Chartered Accountants
- Institute of Commercial and Financial Accountants of Southern Africa

SPAIN
- Instituto de Auditores-Censores Jurados de Cuentas de España (I.A.C.J.C.E.)

SRI LANKA
- The Institute of Chartered Accountants of Sri Lanka

SUDAN
- The Sudan Council of Certified Accountants

SWAZILAND
- Swaziland Institute of Accountants

Sweden
- Föreningen Auktoriserade Revisorer (FAR)
- Svenska Revisorsamfundet SRS

SWITZERLAND
- Treuhand-Kammer - Swiss Institute of Certified Accountants and Tax Consultants

SYRIA
Association of Syrian Certified Accountants

TANZANIA
- Tanzania Association of Accountants
- National Board of Accountants and Auditors (NBAA) Tanzania

THAILAND
- The Institute of Certified Accountants and Auditors of Thailand

TRINIDAD AND TOBAGO
- The Institute of Chartered Accountants of Trinidad & Tobago

TUNISIA
- Ordre des Experts Comptables de Tunisie

TURKEY
- Expert Accountants' Association of Turkey
- Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB)

UGANDA
- Institute of Certified Public Accountants of Uganda

UNITED KINGDOM
- The Chartered Institute of Management Accountants (CIMA)
- The Institute of Chartered Accountants in England & Wales
- The Chartered Institute of Public Finance and Accountancy
- The Association of Chartered Certified Accountants
- The Institute of Chartered Accountants of Scotland

UNITED STATES
- Institute of Management Accountants
- American Institute of Certified Public Accountants
- National Association of State Boards of Accountancy

URUGUAY
- Colegio de Contadores y Económitas del Uruguay

VENEZUELA
- Federación de Colegios de Contadores Públicos de Venezuela

VIETNAM
- Vietnam Accounting Association

YUGOSLAVIA
- The Association of Accountants and Auditors of the FR of Yugoslavia

ZAMBIA
- Zambia Institute of Chartered Public Accountants
## ZIMBABWE
- The Institute of Chartered Accountants of Zimbabwe

### Associate Members

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALBANIA</strong></td>
<td>- Albanian Institute of Authorized Chartered Accountants</td>
</tr>
<tr>
<td><strong>IRELAND</strong></td>
<td>- The Institute of Accounting Technicians in Ireland</td>
</tr>
<tr>
<td><strong>KYRGYZSTAN</strong></td>
<td>- Union of Accountants and Auditors of Kyrgyzstan</td>
</tr>
<tr>
<td><strong>MACEDONIA</strong></td>
<td>- Association of Accountants, Financial Experts and Auditors of the Republic of Macedonia</td>
</tr>
<tr>
<td><strong>PAKISTAN</strong></td>
<td>- The Association of Accounting Technicians of Pakistan (AAT)</td>
</tr>
<tr>
<td><strong>Republic of Moldova</strong></td>
<td>- Association of Professional Accountants and Auditors of the Republic of Moldova</td>
</tr>
<tr>
<td><strong>RUSSIA</strong></td>
<td>- Russian Collegium of Auditors</td>
</tr>
<tr>
<td><strong>Sri Lanka</strong></td>
<td>- Association of Accounting Technicians of Sri Lanka</td>
</tr>
<tr>
<td><strong>UKRAINE</strong></td>
<td>- Ukrainian Federation of Professional Accountants and Auditors</td>
</tr>
<tr>
<td><strong>UNITED KINGDOM</strong></td>
<td>- Association of Accounting Technicians (AAT)</td>
</tr>
<tr>
<td><strong>UZBEKISTAN</strong></td>
<td>- Association of Accountants and Auditors of Uzbekistan</td>
</tr>
</tbody>
</table>

### Affiliate Members

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BAHRAIN</strong></td>
<td>- Accounting and Auditing Organization for Islamic Financial Institutions</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>- Fédération Internationale des Experts Comptables Francophones</td>
</tr>
<tr>
<td><strong>UNITED STATES</strong></td>
<td>- Information Systems Audit &amp; Control Association</td>
</tr>
<tr>
<td></td>
<td>- The Institute of Internal Auditors</td>
</tr>
</tbody>
</table>