

# Questions over convergence

AT A RECENT ACT MEMBERS' EVENT, IAN MACKINTOSH, THE CHAIRMAN OF THE UK'S ACCOUNTING STANDARDS BOARD (ASB), EXPLORED THE LIKELY FUTURE FOR ACCOUNTING STANDARDS AND CORPORATE REPORTING. PETER WILLIAMS REPORTS.

Treasurers could have been forgiven for thinking that the introduction of International Financial Reporting Standards (IFRS) would usher in an era of calm for financial reporting. But as Ian Mackintosh, the chairman of the UK's Accounting Standards Board (ASB), told a packed ACT Members' meeting major decisions lie ahead and there is still much to play for.

**KEY ROLE OF THE ASB** With the International Accounting Standards Board (IASB) taking over the role of setting accounting standards for many of the world's largest companies, questions have been raised about the future role of the ASB. Indeed the Board is currently consulting on its own future, but it is clear that while the ASB has lost its old task of being a lead standard setter, it still has a vital role to play.

Its new roles include influencing the work and standards of the IASB and providing expert resources that the IASB can call upon for research and developing standards. Perhaps more importantly the ASB seems destined to act as a link between the IASB and a range of its stakeholders and influencers. The ASB is also determined to maintain and strengthen links with non-European standard setters both bi-laterally and through the so-called G8+2. (This is the standard setters from Australia, Canada, France, Germany, Japan, New Zealand, UK and US – plus the IASB and European Financial Reporting Advisory Group (EFRAG). Mackintosh added that he was keen to see the discussion opened up even further.

Mackintosh – a New Zealander who has spent much of his working life in Australia – is keen to make the Board as outward looking and international as possible, he is especially keen for the ASB to play its full role within Europe. Asked whether a corporate should talk about *IAS 39 Financial Instruments: Recognition and Measurement* to the IASB direct or through the ASB, Mackintosh, replied: "Do both, we are going to give the IASB a UK response, but you shouldn't ever preclude going direct."

Discussing the vision of the IASB's standards being accepted without reconciliation by the Securities and Exchange Commission (SEC) in the US, Mackintosh told the meeting that "convergence is looming again",

## Executive Summary

- The Accounting Standards Board (ASB) is looking to redefine its role in the new era of accounting standard setting.
- The International Accounting Standards Board (IASB) wants to achieve convergence with US Generally Accepted Accounting Principles (GAAP). This raises the question of both the principle and the detail of accounting standards.
- Changes in accounting standards which will have a major impact on corporate reporting seem likely in the next few years.

and he added: "This is my personal view – the IASB is very determined to get convergence. But it is really, really hard and the IASB is going to be criticised." European finance directors are worried that IASB may bend over backwards to achieve convergence and in the process end up with standards that are based too much on the standards of the US Financial Accounting Standards Board (FASB). Many see US standards as being a cookbook approach when the European view is that standards should be based on principles. Groups such as leading European finance directors wonder whether such stark differences can be bridged.

That feeling is giving impetus to European standard setters working together, particularly on the EFRAG Technical Experts Group (TEG), which Mackintosh described as the "the only real European [accounting] standard setting body". TEG gives Europe a loud voice at the IASB.

At the moment the IASB and FASB are revisiting the conceptual framework. Mackintosh described this as "critical". "You analyse the basis for your decisions and that sets the course for everything afterwards."

International convergence is a long-held goal; the question that Mackintosh asked of treasurers is whether the likely high price is worth paying.

Peter Williams is Editor of *The Treasurer*.