

Developments in International Accounting Standards

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This year has seen some significant developments towards a set of global, high quality accounting standards—namely International Financial Reporting Standards (IFRSs)—but at the same time, potential barriers to convergence remain. Although the focus in this article is on financial reporting in the European Union (EU), in truth, the move to worldwide convergence of accounting standards means that no jurisdiction can be looked at in isolation if a full picture is to be given.

By way of background, IFRSs¹ are developed by a private sector body, the International Accounting Standards Board (IASB), which is based in London. The IASB is governed by the International Accounting Standards Committee Foundation (IASCF), which appoints members of the IASB and deals with governance issues. The IASB and its governance was radically overhauled between 2000 and 2001, moving it from a large body of volunteers to a smaller, full-time, paid body. More fundamentally, the organization shifted away from setting international standards for developing markets; instead, the focus moved to the international capital markets, driven largely by EU proposals to adopt IFRSs wholesale as part of the EU Financial Services Action Plan.²

I. U.S. Acceptance of IFRSs Financial Statements

The most significant recent development in the progress towards globally accepted standards is the decision by the U.S. Securities and Exchange Commission (SEC) in late 2007 to approve a rule amendment that will allow foreign private issuers in the United States to file financial statements prepared under IFRSs without reconciliation to U.S.

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1. IFRSs encompass old International Accounting Standards (IASs) published by the predecessor organization to the IASB, the International Accounting Standards Committee (IASC), as well as official interpretations of the standards.

2. The FSAP was designed to create a single market for financial services in the EU and has consisted of a series of directives and other legislative measures. Documentation relating to the FSAP is available from the European Commission at http://ec.europa.eu/internal_market/finances/actionplan/index_en.htm.

Generally Accepted Accounting Principles (GAAP).³ The SEC is also considering whether to allow domestic issuers to use IFRSs if they wish.⁴ The SEC and the European Commission (EC) had previously agreed upon a formal roadmap to mutual recognition of accounting standards.⁵ The SEC has moved more quickly than anticipated in the roadmap (the anticipated date was 2009, but the rule amendments will apply to financial statements covering years ending after November 15, 2007), but the relaxation of the requirement only applies if the financial statements are prepared using IFRSs as issued by the IASB.⁶ As stated in the SEC press notice:

The purpose of the requirement to use the IASB-approved version is to encourage the development of IFRS as a uniform global standard, not a divergent set of standards applied differently in every nation. Consistency of application of IFRS will help U.S. investors who own foreign securities to have better comparability.⁷

The move was welcomed by many European bodies as the removal of the requirement has been a long-term European objective.

The SEC recognized the differences between IFRSs adopted for use in the EU and IFRSs issued by the IASB (primarily a carve-out of certain requirements in IAS 39 “Financial Instruments: Recognition and Measurement”). The new SEC rules will include a two-year transitional provision, during which time foreign issuers using the IAS 39 carve-out may reconcile their financial statements to IFRSs as issued by the IASB in lieu of reconciling their financial statements to U.S. GAAP.⁸ But, if after the two-year transition period those issuers are still applying the carve-out version, they will have to revert to performing a reconciliation of their financial statements to U.S. GAAP.⁹ This prospect is likely to cause a fundamental problem for the EU, which is discussed further below.

II. IFRSs in the European Union

Since 2005, most EU-listed companies have been required to prepare their consolidated financial statements under IFRSs as adopted in the EU.¹⁰ The first two years of application of IFRSs in the EU have been reasonably trouble-free, perhaps surprisingly so. An

3. Press Release, SEC, SEC Takes Action to Improve Consistency of Disclosure to U.S. Investors in Foreign Companies (Nov. 15, 2007), available at <http://www.sec.gov/news/press/2007/2007-235.htm> [hereinafter SEC Press Notice 2007-235]. See also Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP, 73 Fed. Reg. 986 (Jan. 4, 2008) (to be codified at 17 C.F.R. pt. 210) [hereinafter SEC Final Rule].

4. Press Release, SEC, SEC Soliciting Public Comment on Role of IFRS in the U.S., (July 25, 2007), available at <http://www.sec.gov/news/press/2007/2007-145.htm>.

5. Press Release, EU, Accounting Standards: EU Commissioner McCreevy Sees Agreement with S.E.C. as Progress Toward Equivalence (Apr. 22, 2005), available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/05/469&format=HTML&aged=0&language=EN>.

6. SEC Final Rule, *supra* note 3, at 1011-12.

7. SEC Press Notice 2007-235, *supra* note 3.

8. SEC Final Rule, *supra* note 3, at 1011-12.

9. *Id.*

10. Under Regulation 1606/2002, EU Member States may also permit listed companies to prepare their individual entity accounts under IFRS and unlisted companies to prepare their consolidated and individual entity accounts under IFRS. The English language version of the Regulation is at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2002/l_243/l_24320020911en00010004.pdf.

ICAEW report for the EC on the first year of application has indicated no systemic problems.¹¹ Although there have been complaints reported by companies about the cost and complexity of the standards, users of financial statements have been broadly supportive of the move to IFRSs, which allows greater comparability of companies within the EU, while the IFRSs themselves tend to give more information than previous country GAAPs.

In contrast, however, the legislative process for adoption has become fraught with difficulty. A formal adoption process is necessary in order for IFRSs to have legal force in the EU. This process involves, *inter alia*, adopting each standard through a regulation which is proposed by the EC and scrutinized by the European Parliament. The original regulation bringing in IFRSs, Regulation 1606/2002,¹² states that standards can only be adopted for use in the EU if:

- they are not contrary to the principle set out in Article 2(3) of Directive 78/660/EEC and in Article 16(3) of Directive 83/349/EEC [they produce information that gives a true and fair view] and are conducive to the European public good and,
- they meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.¹³

These regulations bind EU Member States directly without the need for them to change their national legislation.¹⁴

At the time of this writing, there is one element of divergence between full IFRSs and IFRSs as adopted in the EU, relating to IAS 39 as noted above. The EC, under pressure from the European banking industry, adopted IAS 39 on financial instruments but with two “carve-outs.” One of these has been dealt with by a revision to IAS 39 by the IASB, subsequently adopted in the EU, but the other still exists as a difference between EU IFRSs and full IFRSs. This difference has led to a variety of problems in practice, including how companies and their auditors refer to the financial reporting framework: the legal requirement is to comply with “IFRS as adopted in the EU,” but companies wishing to raise funds in global capital markets will often prefer to state compliance with IFRSs in full. At the moment, most companies can still assert both, mainly because compliance with the full version of IAS 39 is not in breach of the less restrictive EU-adopted version.

More recently, however, there has been an attempt to stop the EU from endorsing another standard, this time IFRS 8 on segmental reporting. The EC is advised by an Accounting Regulatory Committee (ARC) of civil servants, which in turn is advised by a technical group under the direction of the European Financial Reporting Advisory Group (EFRAG), a private sector body. EFRAG and the ARC had already issued positive endorsement advice on IFRS 8 in mid-2007, having received no adverse comments, when

11. ICAEW Financial Reporting Faculty, *EU Implementation of IFRS and the Fair Value Directive: A Report for the European Commission*, (2007) available at <http://www.icaew.com/index.cfm?route=151992>.

12. Council Regulation 1606/2002, *On the Application of International Accounting Standards*, 2002 O.J. (L 243) 1 (EC), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0001:0004:EN:PDF>.

13. *Id.*

14. TREATY Establishing THE EUROPEAN COMMUNITY, art. 249, Dec.24, 2002, 2002 O.J. (C 325) 65.

the Investment Management Association (IMA) wrote to the EC asking it to defer adopting IFRS 8.¹⁵ The two main reasons put forward by the IMA were that:

- IFRS 8 is based on the US's SFAS 131 and endorsing it in effect means that the US standard is being adopted unilaterally when the underlying legal framework in the US is completely different from that in many EU Member States[; and]
- One of the principle aims of converging IFRS[s] with US GAAP is to eliminate the need for US GAAP / IFRSs reconciliation. However, IFRS 8 only relates to disclosures which are not components of the reconciliation.¹⁶

This view was supported by some other groups representing users of accounts, although several others supported the standard. Subsequently, the Economic and Monetary Affairs Committee of the European Parliament proposed a Parliamentary resolution¹⁷ that:

- expressed significant concerns about the adoption of IFRS 8 in Europe;
- “[c]all[ed] on the [EC] to urgently carry out an in-depth impact assessment before endorsing the standard; [and]
- [s]tress[ed] that, should the [EC] fail to do so [carry out the assessment], Parliament will carry out its own impact assessment[.]”¹⁸

Earlier in 2007, the EU Parliament had obtained new and significant powers allowing it to scrutinize regulations put forward by the EC, which has given a new route of protest to those objecting to some or all IFRSs. The strength of the views expressed, and the involvement of the Parliament, caused the EC to pause in its usual process towards endorsement—which already takes a considerable period of time, partly due to having to translate the standards into all the official EU languages—and consider again whether it should endorse IFRS 8 under the criteria set out in the IAS Regulation, in spite of all the due process that the standard had already gone through.

The EC questionnaire focused on whether the principles on which IFRS 8 is based, in particular the fact that information for segment reports should be prepared through the eyes of the chief operating decision maker, is more relevant, reliable, comparable, understandable, and useful than information prepared under the current standard.¹⁹ The re-

15. Press Release, Investment Management Association, IMA Urges the European Commission to Defer the Introduction of IFRS 8-Operating Segments (Mar. 15, 2007), available at <http://www.investment-tuk.org/press/2007/20070315.asp>.

16. Letter from Liz Murrall, Senior Advisor, Corporate Governance, Investment Management Association, to Pierre Delsaux, Director-DG MARKT/G/2, European Commission (Mar. 9, 2007), available at http://www.investmentuk.org/news/research/2007/topic-corporate_governance/imalettertoecreifrs8.pdf.

17. Motion for a Resolution, EUR. PARL. DOC. B6-0157/2007 (2007), available at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+MOTION+B6-2007-0157+0+OC+PDF+V0/EN>.

18. *Id.*

19. Internal Market and Services DG (EC), Endorsement of IFRS 8 Operating Segments: Analysis of Potential Impacts, Public Consultation Document (May 30, 2007), available at <http://www.efrag.org/files/News%20related%20documents/IFRS8-consultation.pdf>.

sponses to this consultation were broadly supportive of IFRS 8,²⁰ so the EC pushed ahead with an adopting regulation.²¹

This episode underlines the difficulties that can arise when a formal legal adoption process is in place because it gives an opportunity to reopen the debate on the issues addressed in the standards. The EC has already responded to concerns expressed by the EU Parliament about the process by setting up a Standards Advice Review Group (SARG)²² to oversee the work of EFRAG. It has also undertaken to carry out cost-benefit assessments of new IFRSs before they are endorsed.

Events of this nature could, at the very least, cause timing problems in the future. The delay in adoption of IFRS 8 was not critical for timing purposes because the IASB had agreed to a period of stability when no new standards came into force. Therefore, IFRS 8, along with other new standards, is scheduled to come into force only from January 1, 2009. From 2009, however, delays in the approval process, if significant enough, could put companies in the EU at risk of being unable to follow a new standard at its due date, instead having to wait until EU adoption. This delay will mean companies may (if the new standard replaces an existing one that is still in force in the EU) be unable to state unreserved compliance with IFRSs as issued by the IASB. For SEC registrants, this problem could now have potentially serious consequences.

Undoubtedly, it will still be most serious if EFRAG and/or the ARC fail to deliver positive endorsement advice on a new standard, although it is hoped that EFRAG's early involvement in IASB projects and significant comments on the early stages of the development of standards will avoid this outcome. Even when the advice from EFRAG and the ARC is positive, however, challenges may still be made to a standard in the same way that occurred for IFRS 8, and there are several potentially controversial standards under consideration or due to be so shortly. IFRIC 12, an interpretation on public-private service concession arrangements, is very unpopular with construction and facilities companies in certain EU countries, and no formal ARC vote has taken place yet on whether positive endorsement advice should be given, even though the interpretation was issued by the IASB back in November 2006. And in December 2007, it is expected that the IASB will publish a revised version of its standard on business combinations (IFRS 3), which is also likely to be controversial.

III. The EU Equivalence Project

In contrast to the unexpected speed of the move by the SEC to allow foreign issuers to use IFRSs without a reconciliation to U.S. GAAP, the process of the EU journey towards recognizing equivalent GAAPs has been more measured. But EU legislation produced as

20. Internal Market and Services DG (EC), *Endorsement of IFRS 8 Operating Segments: Analysis of Potential Effects—Report* (Sept. 3, 2007), available at <http://www.efrag.org/files/ProjectDocuments/Other%20projects/ifrs8-operatingsegments-report.pdf>.

21. Commission Regulation 1358/2007, *Amending Regulation (EC) No 1725/2003 Adopting Certain International Accounting Standards in Accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as Regards International Financial Reporting Standard (IFRS) 8*, 2007 O.J. (L 304) 9 (EC), available at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_304/l_30420071122en0009020.pdf.

22. Details of SARG may be found at http://ec.europa.eu/internal_market/accounting/ias_en.htm#standards.

part of the implementation of the Financial Services Action Plan does require the process of judging equivalence to be carried out.

Under the Prospectus Directive, financial information in a prospectus must be prepared in accordance with IFRSs or accounting standards that are “equivalent” to IFRSs.²³ The Transparency Directive requires issuers to prepare their annual financial statements and their half-yearly financial reports in accordance with IFRSs. There is currently no mechanism for deciding which standards are equivalent to IFRSs, although the Committee of European Securities Regulators (CESR) has advised that it considers Japanese, Canadian, and U.S. GAAP to be equivalent, subject to certain additional disclosures being made.²⁴ CESR has also produced various reports on the development of a process to determine equivalence.²⁵

There was a transitional period in the Prospectus Directive whereby the obligation on non-EEA issuers to restate their financial information using IFRSs does not apply to any prospectus published before January 1, 2007. While further work is being done in deciding what is equivalent, the Prospectus Directive has been amended so that certain non-EEA issuers will not have to restate their historical financial information (or provide a narrative description of differences between IFRSs and the accounting principles actually used) until January 1, 2009.²⁶ This exemption is available where:

- the notes to the financial statements . . . [state] that they comply with [IFRSs]; [or]
- the historical financial information is prepared in accordance with the [GAAP] of either Canada, Japan or the United States; [or]
- the historical financial information is prepared [according to another country’s GAAP, and that third country has said it will converge its standards with IFRSs and has demonstrated progress towards convergence].²⁷

Non-EEA issuers that do not meet these criteria are required to report using IFRSs from January 1, 2007.

There is a similar two year transitional period for the Transparency Directive, which allows non-EEA issuers to prepare their annual financial statements and half yearly statement according to a third country GAAP until January 1, 2009 provided they meet one of the criteria set out above.²⁸

23. See Commission Regulation 1787/2006, Amending Commission Regulation (EC) 809/2004, Implementing Directive 2003/71/EC of the European Parliament and of the Council as Regards Information Contained in Prospectuses as Well as the Format, Incorporation by Reference and Publication of Such Prospectuses and Dissemination of Advertisements, 2006 O.J. (L 337) 17 (EC), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:337:0017:0020:EN:PDF>.

24. The Committee of European Securities Regulators, *CESR’s Technical Advice on a Mechanism for Determining the Equivalence of the Generally Accepted Accounting Principles of Third Countries*, (April 17, 2007), available at http://www.cmvm.pt/NR/rdonlyres/542657CE-77E4-47A2-BF28-2A18F392C8C7/7631/doccesr_17042007.pdf [hereinafter CESR Consultation Paper].

25. CESR’s various reports on equivalence can be found at <http://www.cesr-eu.org/index.php?page=groups&mac=0&id=46>.

26. See Commission Regulation 1787/2006, *supra* note 23.

27. *Id.*

28. See Commission Decision (EC) No. 891/2006 of 4 December 2006, 2006 O.J. (L 343) 96 (EC), available at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_343/l_34320061208en00960098.pdf.

On the longer term issues of how to establish a definition of equivalence and a mechanism for determining equivalence, a CESR consultation paper suggests the following procedures could be considered in determining a mechanism for equivalence:

- assessment of whether disclosures and measurement principles are materially the same;
- if significant differences between GAAP and IFRSs exist, equivalence can still be achieved if those differences can be rectified by non-complex disclosures;
- any additional disclosures should be subject to audit;
- CESR would publicly consult on any proposed rectifications;
- an overall assessment of equivalence will be made by the EC via comitology; and
- the assessment of the reliability of the audit of the financial statements should be a step in the mechanism, i.e. compliance with the 8th Directive (discussed further below).²⁹

It remains to be seen whether the EC will now push ahead to establish these mechanisms earlier than 2009, given the SEC's faster progress. A draft regulation has been developed.³⁰

IV. Enforcement and Audit

One of the risks attached to the development of IFRSs as global standards is that local variations will develop as a matter of practice or through regulatory intervention. There is also the question of how IFRS financial statements are audited. Oversight over the auditing profession, as well as the company preparers, is seen as critical in this context.

On enforcement, CESR has established a forum for EU regulators to discuss issues that arise in practice in order to develop a consistent approach, including how decisions are made to refer questions to IFRIC, the IASB's interpretive body. The output of this forum, the European Enforcers Co-Ordination Sessions (EECS), includes a confidential database of enforcement decisions taken by individual EECS members as a source of information to foster appropriate application of IFRSs. CESR has published extracts from its database of enforcement decisions taken by EU National Enforcers participating in the EECS—those who monitor and review financial statements and consider whether they comply with IFRSs and other applicable reporting requirements, including relevant national law.³¹

This coordination of enforcers is considered vital to prevent the development of local versions of IFRSs that stray too far from the application in other countries and hence lose the benefit of comparability. But it is only pan-European at this stage. Operating such coordination on a global basis will be much more difficult, particularly as some regulators and enforcers have very different procedures for dealing with the examination of financial

29. CESR Consultation Paper, *supra* note 24.

30. Working Document ESC-27-2007 (EC), Draft Commission Regulation Establishing a Mechanism for the Determination of Equivalence of Accounting Standards Applied by Third Country Issuers of Securities Pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council, *available at* http://ec.europa.eu/internal_market/securities/docs/transparency/draft_reg_equivalence_en.pdf.

31. The database extracts were published on April 16, 2007, and are available at http://www.cesr-eu.org/index.php?page=home_details&id=209.

statements. In particular, the SEC's approach to dealing with IFRS financial statements is likely to be critical. Some information-sharing protocols have already been put in place between EU regulators and the U.S. authorities, and this is a developing area of international regulatory cooperation.³²

The audit of IFRS financial statements is, of course, a vital element of the financial reporting regime, engendering confidence in the financial statements and hence information used by the global capital markets. In the EU, the new 8th Company Law Directive, now generally called the Statutory Audit Directive, is due to come into force in EU Member States from June 2008.³³ This directive represents a substantial overhaul of the auditing regime, and, importantly, it includes a commitment to adopt International Standards on Auditing (ISAs) in the EU. The process by which this adoption might happen (which again will involve a formal endorsement mechanism) is still under consideration, and the standards themselves are being examined carefully, perhaps not surprisingly in light of the difficulties that have been experienced with the endorsement process for IFRSs. Some Member States have nevertheless taken up ISAs in advance of EU adoption; in particular, the U.K. Auditing Practices Board has adopted ISAs, with some amendments and additions for the current U.K. and Irish environments.³⁴

V. Other Countries

Many countries—nearly 100³⁵—now require or permit the use of IFRSs or standards that are very similar to IFRSs. The Australian example is an interesting one in that Australia originally adopted IFRSs as Australian standards but made them more restrictive by removing options and choices. But Australia has now rescinded these amendments so that Australian companies can claim to be following the full versions of the standards.

Other important economies have made commitments to converge with IFRSs, often in direct cooperation with the IASB. For example, the Accounting Standards Board of Japan (ASBJ) has a goal of achieving convergence of Japanese GAAP and IFRSs by 2011.³⁶ It signed the "Tokyo Agreement" with the IASB in August 2007, and the two boards meet regularly to take the convergence agenda forward.³⁷ India is also moving to converge with

32. See, e.g., Financial Reporting Council, Protocol Between the Financial Services Authority, UK, the Financial Reporting Council, UK, and the SEC, USA, to Facilitate Implementation of the CESR Work Plan (Apr. 26, 2007), available at http://www.frc.org.uk/images/uploaded/documents/FSA-FRC-SEC%20Protocol%20_FINAL_.pdf.

33. Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on Statutory Audits of Annual Accounts and Consolidated Accounts, Amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, 2006 O.J. (L 157) 87 (EC), available at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_157/l_15720060609en00870107.pdf.

34. See, e.g., Press Release, APB Issues Exposure Drafts of Proposed New and Revised Auditing Standards (July 20, 2005), available at <http://www.frc.org.uk/apb/press/pub0844.html>.

35. International Accounting Standards Board, IFRS Around the World, available at <http://www.iasb.org/About+Us/International+Accounting+Standards+Board+-+About+Us.htm> (last visited Mar. 11, 2008).

36. Press Release, Accounting Standards Board of Japan, The ASBJ and the IASB Announce Tokyo Agreement on Achieving Convergence of Accounting Standards by 2011 (Aug. 8, 2007), available at http://www.asb.or.jp/html_e/asbj/pressrelease/pressrelease_20070808_e.pdf.

37. *Id.*

IFRS by 2011,³⁸ and China is moving to IFRSs, although there are some specific problems that need to be overcome for a state-dominated economy; for example, the IASB is considering an amendment to its standard on related party disclosures in relation to state-controlled entities.³⁹

VI. The Future Challenges for IFRSs

With so many countries either using IFRSs or moving towards the use of IFRSs, one might argue that the global accounting experiment, as it has been called, can already be called successful. But, as noted in a paper entitled exactly that, “The Global Accounting Experiment”⁴⁰ by Nicolas Véron from Bruegel, the European think tank on international economics, it is much too soon to rate IFRSs as a success. The report analyzes the reasons behind the expansion of the adoption of IFRSs in recent years and questions the sustainability of a development that rests crucially on two fragile pillars: the legitimacy of the IASB and the acceptance of its authority by its many stakeholders and the consistency of IFRS implementation in various jurisdictions, mostly in the EU.

As stated in a press release describing the paper,

[a]mongst the recommendations given for enhancing the IASB’s legitimacy, the author calls for:

- the IASB to make itself accountable by giving a formal role to its stakeholders in its governance;
- the IASB to take an uncompromising approach to standards’ quality, if necessary by rescheduling the convergence process with US [GAAP];
- the US authorities to accept the autonomy of the IASB as a *sui generis* global institution;
- EU institutions to use their influence to lead the IASB towards high-quality standards; and
- the investment community to mobilise its financial resources and skills to play a leading role in the standard setting process.

To ensure the consistency of IFRSs implementation across borders the author calls for:

- the creation of a European Accounting Authority to provide guidance for IFRS implementation and ensure proper European input in the standard-setting process;
- the IASB to better monitor local implementation and guidance and exert moral authority to combat inconsistencies;
- the accounting profession to sustain a high level of audit quality; and

38. See Raghavendra Verma, *IFRS Update Summer 2006-Delhi Counter*, ACCOUNTANCY AGE, June 14, 2006, available at <http://www.accountancyage.com/accountancyage/features/2158303/ifrs-update-summer-2006-delhi>.

39. Damian Wild, *IFRS Update Spring 2006-China Closes In*, ACCOUNTING AGE, Mar. 29, 2006, available at <http://www.accountancyage.com/accountancyage/features/2153013/ifrs-update-spring-2006-china>.

40. Press Release, Bruegel, Bruegel Releases New Publication on “The Global Accounting Experiment” by Nicolas Veron, (Apr. 12, 2007), available at http://www.bruegel.org/Files/media/PDF/MEDIA/20070412_BP_accounting.pdf.

- all market participants to spread accounting culture more widely and bridge the knowledge gap between accounting professionals and other players.⁴¹

The EC has also published a report on Governance Developments in the IASB and IASCF.⁴² The EC believes that further amendments to the governance structure of the IASCF/IASB would improve the accountability of the Board and of the Trustees to their constituents, in particular, those jurisdictions which apply IFRSs. The EC believes that strengthened consultation procedures in relation to the IASB's due process with stakeholders are necessary, mainly for IFRIC. In particular, the IASB should explain, preferably in writing, the reasons for not taking into account comments made by stakeholders. And there needs to be adequate representation of stakeholders in governing bodies of the IASCF/IASB. The composition of these bodies should ensure adequate representation and experience from countries and regions committed to the use of IFRSs.

Indeed the IASCF and IASB are already moving to improve their governance, but the very fact that many influential bodies do see room for improvement is instructive. It will take a period of time, perhaps several years, before one can assert with confidence the success of IFRSs as the set of global accounting standards.

41. *Id.*

42. Commission Services Working Paper on Governance Developments in the IASB (International Accounting Standards Board) and IASCF (International Accounting Standards Committee Foundation), available at <http://www.iasplus.com/europe/0704iasbgovernance.pdf>.