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## Appendix 1

# IASC Constitution

(approved by the Members of IASC on 11th October 1992)

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### Definitions

The following terms are used in this Constitution with the meanings specified:

Members of IASC shall be the Members defined in clause 3.

Board Members shall be the countries and organisations defined in clause 4. Board Members need not be Members of IASC.

Board Representatives shall be the individuals appointed to represent the Board Members in accordance with clause 6.

Country shall include two or more countries that may be appointed jointly as a Board Member.

### Name and Objectives

1. The name of the organisation shall be the International Accounting Standards Committee (IASC).
2. The objectives of IASC are:
  - (a) to formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance; and
  - (b) to work generally for the improvement and harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements.

### Membership

3. The Members of the International Accounting Standards Committee shall consist of all professional accountancy bodies that are members of the International Federation of Accountants (IFAC).

### The Board

4. The business of IASC shall be conducted by a Board consisting of:
  - (a) up to thirteen countries as nominated and appointed by the Council of IFAC that shall be represented by Members of IASC, and
  - (b) up to four organisations having an interest in financial reporting co-opted under clause 12(a).

5. (a) The term of appointment of a Board Member selected under clause 4(a) shall be no more than five years. A retiring Board Member shall be eligible for re-appointment.  
(b) The term of appointment of a Board Member co-opted under clause 4(b) shall be determined by the Board at the time of appointment.
6. The Board Members may nominate not more than two Board Representatives from their country or organisation to serve on the Board. The Board Representatives from each country or organisation may be accompanied at meetings of the Board by a Technical Adviser.
7. The Board Representatives and the persons nominated to carry out particular assignments or to join steering committees/working parties/groups shall not regard themselves as representing sectional interests but shall be guided by the need to act in the public interest.
8. The President of IFAC, or his designate, accompanied by not more than one technical adviser, shall be entitled to attend meetings of the Board of IASC, be entitled to the privilege of the floor, but shall not be entitled to vote.
9. The Board shall prepare a report on its work each year and send it to the Members of IASC, the Council of IFAC, and other interested individuals and organisations.

### **Chairman**

10. The Board shall be presided over by a Chairman elected for a term of two-and-a-half years by the Board Representatives from among their number. The Chairman shall not be eligible for re-election. The Board Member providing the Chairman shall be entitled to a further Board Representative.

### **Voting at Board Meetings**

11. Each Board Member shall have one vote which may be taken by a show of hands or by written ballot. Except where otherwise provided either in this Constitution or in the operating procedures, decisions shall be taken on a simple majority of the Board.

### **Responsibilities and Powers**

12. The Board shall have the power to:
  - (a) invite up to four organisations having an interest in financial reporting to be co-opted on to the Board;
  - (b) remove from membership of the Board any Board Member whose financial contribution determined under clause 14(d) is more than one year in arrears or which fails to be represented at two successive Board meetings;
  - (c) publish documents relating to international accounting issues for discussion and comment provided a majority of the Board votes in favour of publication;
  - (d) issue documents in the form of exposure drafts for comment (including amendments to existing Standards) in the name of the International Accounting Standards Committee provided at least two-thirds of the Board votes in favour of publication;

- (e) issue International Accounting Standards provided that at least three-quarters of the Board votes in favour of publication;
- (f) establish operating procedures so long as they are not inconsistent with the provisions of this Constitution;
- (g) enter into discussions, negotiations or associations with outside bodies and generally promote the worldwide improvement and harmonisation of accounting standards;
- (h) seek and obtain funds from Members of IASC and non-members which are interested in supporting the objectives of IASC provided that such funding is organised in such a way that it does not impair the independence, or the appearance of independence, of IASC.

**Issue of Discussion Documents, Exposure Drafts and International Accounting Standards**

- 13. (a) Discussion documents and exposure drafts shall be distributed by the Board to all Members of IASC. A suitable period shall be allowed for respondents to submit comments.
- (b) Dissident opinions will not be included in any exposure drafts or International Accounting Standards promulgated by the Board.
- (c) Exposure drafts and International Accounting Standards may be distributed to such governments, standard-setting bodies, stock exchanges, regulatory and other agencies and individuals as the Board may determine.
- (d) The approved text of any exposure draft or International Accounting Standard shall be that published by IASC in the English language. The Board may give authority to the Members of IASC and others to prepare translations of the approved text and to publish the approved text of exposure drafts and International Accounting Standards.

**Financial Arrangements**

- 14. (a) An annual budget for the ensuing calendar year shall be prepared by the Board each year and sent to the Board Members and to the Council of IFAC.
- (b) The Board shall determine the aggregate amount of the net budgeted expenditure which should be borne by the Board Members and by IFAC.
- (c) IFAC shall contribute 5% of the aggregate amount determined under (b) in January and 5% in July of each year. The remainder of the aggregate amount determined under (b) shall be borne by the Board Members, except that the Council of IFAC may decide to reimburse wholly or in part the share charged to one or more Board Members.
- (d) The Board Members shall contribute on 1st January and 1st July each year a sum in such proportions as shall be decided by a three-quarters vote of the Board. Unless otherwise agreed, Board Members shall contribute equally to the annual budget. Board Members which are represented on the Board for part only of a calendar year shall contribute a pro rata proportion calculated by reference to the period of their representation on the Board in that year.
- (e) The Committee shall reimburse the travelling, hotel and incidental expenses of attendance at Board meetings by one Board Representative from each Board Member.

In addition, the Committee shall reimburse the Chairman for expenses incurred in attending Board meetings and otherwise on behalf of IASC.

- (f) The Board shall determine in its operating procedures what other expenses shall be a charge against the income of the Committee.
- (g) The Board shall annually prepare financial statements and submit them for audit and send copies thereof to the Members of IASC and to the Council of IFAC.

### **Board Meetings**

- 15. Meetings of the Board shall be held at such times and in such places as the Board Members may mutually agree.

### **Meetings of the Members of IASC**

- 16. A meeting of the Members of IASC shall be held in conjunction with each General Assembly of IFAC.
- 17. Each Member of IASC shall have one vote. The method of voting shall be determined by the meeting and shall be either by a show of hands or by ballot. A Member of IASC may give a proxy to another Member of IASC to vote on its behalf subject to the Chairman receiving notice from the Member of IASC giving the proxy prior to the meeting.

### **Administrative Office**

- 18. The location of the administrative office of the Committee shall be determined by the Board.

### **Amendments to Constitution**

- 19. Amendments to this Constitution shall be discussed with the Council of IFAC and shall require a three-quarters majority of the Board and approval by the Members of IASC as expressed by a simple majority of those voting.

This revised Constitution was approved by the Members of IASC at a meeting in Washington D.C., United States of America on 11th October 1992.

## Appendix 2

### Strategy Working Party - Membership and Terms of Reference

The Strategy Working Party was appointed by the Chairman and Deputy Chairman of IASC, in accordance with authority delegated by the IASC Board. Its members are:

<i>Edward Waitzer (Chairman)</i>	<i>Partner, Stikeman, Elliott Former Chairman, Ontario Securities Commission Former Chairman, IOSCO Technical Committee</i>	<i>Canada</i>
<i>Georges Barthès de Ruyter</i>	<i>Chairman, Conseil National de la Comptabilité Former Chairman of IASC</i>	<i>France</i>
<i>Jacques Manardo</i>	<i>Chairman - Europe, Deloitte Touche Tohmatsu International</i>	<i>France</i>
<i>Werner Seifert</i>	<i>Chief Executive Officer, Deutsche Börse AG</i>	<i>Germany</i>
<i>Kazuo Hiramatsu</i>	<i>Professor of Accounting, Kwansei Gakuin University Member, Business Accounting Deliberation Council</i>	<i>Japan</i>
<i>Peter Sjöstrand</i>	<i>Partner, BZ Group (Switzerland) Board member, Pharma Vision</i>	<i>Sweden</i>
<i>Sir David Tweedie</i>	<i>Chairman, Accounting Standards Board</i>	<i>United Kingdom</i>
<i>Anthony Cope</i>	<i>Board member, Financial Accounting Standards Board</i>	<i>USA</i>
<i>David Ruder</i>	<i>Professor of Law, Northwestern University Trustee, Financial Accounting Foundation Former Chairman, US Securities and Exchange Commission</i>	<i>USA</i>
<i>Birgitta Kantola</i>	<i>Vice President, Finance and Planning, International Finance Corporation</i>	
<i>Frank Harding</i>	<i>President, International Federation of Accountants</i>	
<i>Stig Enevoldsen</i>	<i>Chairman, IASC</i>	
<i>Michael Sharpe</i>	<i>Past Chairman, IASC</i>	
<i>Sir Bryan Carsberg</i>	<i>Secretary-General, IASC</i>	

The Board gave the Strategy Working Party the following terms of reference:

*The Strategy Working Party should review the strategy of IASC generally for the period following completion of the current work programme in 1998.*

*Without limit to the generality of the foregoing, the working party should consider whether a major focus of the work of IASC after 1998 should be to narrow further the differences between national standards and international standards. It should consider what procedures would be appropriate for this task and, in particular, whether some new form of association, agreement or working arrangement between IASC and national standard setters is desirable.*

*The working party should consider whether any other new focus should be incorporated in the IASC work plan.*

*The working party should consider the procedures adopted by IASC and form a view as to whether changes in procedures are needed to reconcile the conflicting requirements of efficient decision-making in a group which has already become very large for the purposes of technical discussions and the requirements of being a highly representative body in which more and more nations have strong claims to be included. Without limitations on the generality of its terms of reference, the working party should consider whether a bicameral approach is desirable (e.g. a small standing committee to prepare proposed standards and a larger group to vote upon their acceptability), whether one or more full-time Board Members are needed and whether meetings of the Board or its committees should be open to the public.*

*The working party should consider what role IASC should take in educational and training activities relating to its standards.*

*The working party should review arrangements for funding IASC taking account of the success of the fund-raising programme over the last two years and the needs implied by the proposed strategy for IASC.*

## Appendix 3

### Foundation Working Party (1994) - summary of recommendations

In 1992, the IASC Board set up a Foundation Working Party to review the structure and organisation of IASC. In 1994, the Foundation Working Party recommended to the Board that:

- (a) IASC should create a high level, international Advisory Council consisting of outstanding individuals in senior positions from the accountancy profession, the business community, other users of financial statements and other backgrounds. The objectives of the Council should be to promote the acceptability of International Accounting Standards, enhance the credibility of the work of IASC and ensure that the necessary level of funding is available for IASC's work;
- (b) the Board should continue to deal with all technical issues associated with the work of IASC. It should continue to work for the improvement and harmonisation of financial reporting through the development of International Accounting Standards and the promotion of their use in published financial statements;
- (c) the Board should include a proper balance of representatives from public accounting, the business community and the other users of financial statements as well as representatives who are directly involved in the work of the national standard setters; and
- (d) the Board should work directly with other standard setters in order to achieve common improvements in accounting standards as well as greater compatibility between national requirements and International Accounting Standards and between the national requirements of different countries.

The Foundation Working Party believed that these recommendations could be implemented within the existing IASC Constitution and in such a way that allows IASC the flexibility to adapt further as circumstances demand.

However, the Foundation Working Party also indicated that its recommendations did not preclude further evolution if such evolution were necessary to increase the acceptability of International Accounting Standards and increase the resources available to IASC. The Working Party considered some aspects of the form that such further evolution could take, in particular the replacement of the Advisory Council by a Foundation which would have certain powers and responsibilities assigned by a revised IASC Constitution, rather than delegated to it by the Board.

## Appendix 4

### Summary of IASC's Income and Expenditure

The following table summarises IASC's income and expenditure for 1997, in £'000, and the possible cost, in today's prices, of the revised structure set out in paragraphs 125-200.

	<i>1997</i>	<i>Revised structure</i>
<b>Operating revenue</b>		
Contributions from Board/Board Members and IFAC	725	1,000
Other contributions	742	742
<b>New funding needed to break even</b>	<b>0</b>	<b>2,198</b>
World Bank contribution for Agriculture Project	56	0
	<u>1,523</u>	<u>3,940</u>
Publications revenue	952	1,330
Less direct costs of publications sales	(364)	(420)
	<u>588</u>	<u>910</u>
<b>Total operating revenue</b>	<b>2,111</b>	<b>4,850</b>
<b>Project expenses</b>		
Standards Development Committee salaries (excluding those borne nationally)	0	800
Staff costs	827	1,400
Steering Committee / task force meetings	241	300
Board / Board meetings	274	650
Board and Trustees' Chairmen's salaries (2 @50%)	0	200
Trustees' travel	0	125
SIC Meetings	60	125
Other meetings	158	200
Other operating expenses	61	350
<b>Total project expenses</b>	<u><b>1,621</b></u>	<u><b>4,150</b></u>
<b>Support expenses</b>		
Staff costs	140	250
Occupancy and equipment expenses	161	350
Depreciation	32	100
Other operating expenses	57	150
<b>Total support expenses</b>	<u><b>390</b></u>	<u><b>850</b></u>
<b>Total operating expenses</b>	<b>2,011</b>	<b>5,000</b>
<b>Operating revenue more than expenses</b>	<b>100</b>	<b>(150)</b>
Investment income (net of tax)	86	150
<b>Total revenue less total expenses</b>	<u><u><b>186</b></u></u>	<u><u><b>0</b></u></u>

## Appendix 5

### Economic Data

#### Gross Domestic Product

		US\$ billion
1	USA	7,100
2	Japan	4,964
3	Germany	2,252
4	France	1,451
5	UK	1,095
6	Italy	1,088
7	China (including Hong Kong - 142)	887
8	Scandinavia (Denmark, Finland, Norway, Sweden)	607
9	Brazil	580
10	Canada	574
11	Spain	532
12	South Korea	435
13	Netherlands	371
14	Australia	338
15	Russia	332
16	India	320
17	Mexico	305
18	Switzerland	286
19	Argentina	278
20	Taiwan	260
	World total	27,657

Source: The Economist, Pocket World in Figures, 1998

### Market Capitalisation

1	USA	6,858
2	Japan	3,667
3	UK	1,407
4	Germany	577
5	France	522
6	Switzerland	434
7	Canada	366
8	Netherlands	356
9	China (including Hong Kong - 304)	346
10	Scandinavia (Denmark, Finland, Norway, Sweden)	323
11	South Africa	281
12	Australia	245
13	Malaysia	223
14	Italy	210
15	Spain	198
16	Taiwan	187
17	South Korea	182
18	Singapore	148
19	Brazil	148
20	Thailand	142

Source: The Economist, Pocket World in Figures, 1998

**Largest Exporters as a Percentage of World Trade (Visible and Invisible)**

	% of total world exports	Cumulative
1 USA	13.47	13.47
2 Germany	9.82	23.29
3 Japan	9.55	32.84
4 France	6.92	39.76
5 UK	6.37	46.13
6 Italy	4.59	50.72
7 Scandinavia (Denmark, Finland, Norway, Sweden)	4.32	55.04
8 Belgium/Luxembourg	4.24	59.28
9 Netherlands	3.49	62.77
10 Canada	3.11	65.88
11 China (including Hong Kong 0.93)	3.05	68.93
12 Switzerland	2.15	71.08
13 South Korea	2.11	73.19
14 Spain	2.03	75.22
15 Taiwan	1.87	77.09
16 Singapore	1.53	78.62
17 Austria	1.48	80.10
18 Russia	1.36	81.46
19 Mexico	1.30	82.76
20 Malaysia	1.15	83.91

Source: The Economist, Pocket World in Figures, 1998

**OECD Member Countries**

Australia	Korea
Austria	Luxembourg
Belgium	Mexico
Canada	The Netherlands
Czech Republic	New Zealand
Denmark	Norway
Finland	Poland
France	Portugal
Germany	Spain
Greece	Sweden
Hungary	Switzerland
Iceland	Turkey
Ireland	UK
Italy	USA
Japan	

## Appendix 6

### Possible Timetable for Implementing the Working Party's Proposals

Deadline for comments on this Discussion Paper	30 April 1999
Working Party to discuss comments received	May 1999
Working Party to meet IASC Board to discuss the comment letters	July 1999
Nominating Committee (current Advisory Council plus recent past Chairmen of IASC and IFAC) and IFAC, IAFEI, ICCFAA, FIBV, IAAER to begin work on identifying candidates to be the first Trustees	July 1999
Working Party to finalise proposals	September 1999
Council of IFAC to discuss constitutional changes	November 1999
IASC Board to discuss constitutional changes	November 1999
Nominating Committee (current Advisory Council plus recent past Chairmen of IASC and IFAC) to appoint the first six 'at large' Trustees and to consider the six 'constituency' trustees by nominated by IFAC and bodies such as IAFEI, ICCFAA, FIBV, IAAER and to appoint one of the Trustees to be the first Chairman of the Trustees [ <i>These appointments will be provisional, pending approval of the constitutional changes</i> ]	December 1999
First meetings of provisional Trustees and Selection Sub-Committee, to begin selection process for Standards Development Committee and enlarged Board	January 2000
IASC Board to approve constitutional changes, subject to approval by Members of IASC	March 2000
Meeting of IASC Members to approve constitutional changes	May 2000
Trustees to appoint Standards Development Committee and enlarged Board	June 2000
Enlarged Board and SDC come into effect	1 July 2000
Trustees to appoint / reappoint Technical Director and Commercial Director	3rd Quarter 2000

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