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Press release

4 February 2004

Global accounting standards too important to fail now says ACCA

ACCA (the Association of Chartered Certified Accountants) deplores the possible delay in European take-up of the new International Accounting Standards IAS 32 and IAS 39. It warns that any refusal to adopt the full set of IAS standards could threaten the goal of convergence between IAS and US GAAP, and the 'holy grail' of one set of global standards.

The EU said yesterday that it would shelve the planned imposition of the two standards – which would force companies to account for derivatives gains or losses – in 2005 unless agreement could be reached between the International Accounting Standards Board (IASB) and the European Commission, which is under pressure from French banks and insurers unhappy about the potential effects of the standards on their balance sheets.

Allen Blewitt, ACCA Chief Executive, said: "We are deeply alarmed to see that the EU may sideline the two standards if agreement cannot be reached. In view of the urgent need to have all European listed companies reporting on IAS by 2005 this is not a good message to send either to accounts preparers or to the investment community. We certainly do not believe that you can have one or two standards which vary from formal IAS.

Allen Blewitt added: "The goal of achieving a truly global set of financial reporting standards is vital for the credibility of the world's capital markets. All parties must accept that the process of global convergence will necessarily involve some pain and some gain - they must keep their eye on the bigger picture.

He concluded: "An independent IASB was set up three years ago specifically to avoid the problem of political interference and yet now it is being subjected to intolerable lobbying pressure to get it to water down its standards. How will the US take Europe's professed aim of wanting better standards seriously if Europe will not back what the IASB is trying to do?"

For more information please contact:
Roger Adams, ACCA Technical Director 020 7396 5971
Richard Martin, ACCA Head of Financial Reporting 020 7396 5748
Ian Welch, ACCA Head of Corporate Communications 020 7396 5729

Notes to editors

1. The IASB supports the concept of 'fair value' which involves putting a market value on all assets held by a company. Many companies account for derivatives and other financial instruments by quoting how much it costs to acquire them, which means derivative losses or gains often do not appear on company accounts at all. French banks and insurers fear that the standards would mean large holes appearing in their balance sheets.
2. ACCA is holding a conference in Brussels tomorrow 'Beyond 2005: Financial reporting by EU Private Companies', which looks at the issue of reporting by smaller companies, which are not directly affected by the IAS requirements faced by listed companies. For more details call Ian Welch.