

### Global Accountancy Leaders Identify Key Issues for 2012

The International Federation of Accountants (IFAC) recently released the results of its *2011 IFAC Global Leadership Survey of the Accounting Profession*. Respondents identified three issues of particular concern to the profession in 2012: the Difficult global financial climate, Enhancing the reputation/credibility of the profession, and Addressing the needs of SMPs and SMEs. Additional concerns for this year include: Issues related to EU draft legislation, Public sector/sovereign debt issues, Increased regulation, Global regulatory convergence, Role of the professional accountant in business, and Auditor independence. Accountancy leaders around the world said that the difficult financial climate was a key concern in this year's survey addressing the needs of SMPs and SMEs, important engines of economic growth and development that could be instrumental in improving the world's economies. Continued global regulatory convergence—which can help promote growth and development, reduce economic uncertainty, and enhance international financial stability—was also highlighted as a significant issue. Addressing the ongoing sovereign debt issues, which are impacting growth and contributing to economic uncertainty, were also highlighted as key concerns for 2012.

(Source: <http://www.ifac.org/>)

### Year-End SMP Quick Poll Reveals Burden of Regulation and Economic Uncertainty as Top Challenges

Regulatory burdens and economic woes continue to top the list of challenges faced by small and medium-sized accountancy practices (SMPs) and their clients, according to the fourth quarter SMP Quick Poll results released recently by IFAC. Burden of regulation and economic uncertainty were tied for the top challenge faced by practitioners' SME clients, with nearly 30% of respondents choosing each. Difficulties accessing finance followed closely behind with 25%. Similarly, for accountants within small practices, keeping up with new standards and regulations (41%) ranked as the top challenge, followed by attracting and retaining clients (25%). As a whole, pessimism increased since the August-September 2011 poll was conducted, which may be due in part to the high European response rate in the fourth quarter and deepening debt crisis across the region. Overall, in the fourth quarter poll, only 29% reported that business was better in 2011 than 2010, while nearly 50% of those from North and South America said that business was better. Looking forward, over one-third of respondents expect an improvement in business performance in 2012 over 2011, while 44% expect no change, showing that respondents are slightly more optimistic about the year to come. When asked about the main driver of growth for their practice, revenue from new clients (38%) came out on top with nearly twice the number of responses as revenue from existing clients (20%).

(Source: <http://www.ifac.org/>)

### 'Professional Accountants Need to Respond to Increasing Demands from Investors for ESG Information'

The Professional Accountants in Business

(PAIB) Committee of the International Federation of Accountants (IFAC) has published a report on *Investor Demand for Environmental, Social, and Governance Disclosures: Implications for Professional Accountants in Business*. The report considers trends in investor demand for and use of environmental, social, and governance (ESG) information, and recommends how professional accountants can better support their organisations in responding to these demands, and ultimately improve the management and reporting of ESG performance. The report highlights an evolving trend toward greater interest in ESG factors, and integration of these factors and ESG performance information into investment processes and decisions. It also reviews investor approaches to acquire information on ESG factors, including positive and negative screening, engagement, and ESG integration. To alert professional accountants to essential ESG metrics and indicators sought by investors, the report provides a sector-neutral list of core performance indicators most frequently used by investors to evaluate ESG performance, and a review of how investors might consider the financial implications and monetisation of these factors. In response to the challenges of ESG integration, the report recommends five actions for the accountancy profession and professional accountants in business *viz* engaging investors effectively to understand their information needs and communicate performance, incorporating ESG factors and non-financial performance information into governance and accountability arrangements to improve information and disclosure quality, linking financial and non-financial performance and outcomes to improve understanding of sustainable value creation, ensuring that ESG disclosures meet investor needs by being material, timely, consistent, and comparable in order to improve usefulness of reporting and greater transparency and bringing together data that may be dispersed in different parts of the organisation or its supply chain to support internal and external decision making.

(Source: <http://www.ifac.org/>)

### Exposure Draft of the IFRS Taxonomy 2012

The IFRS Foundation has published for public comment an exposure draft of the International Financial Reporting Standards (IFRS) Taxonomy 2012. The proposed Taxonomy is a translation of IFRSs and interpretations as issued in January 2012 into XBRL (eXtensible Business Reporting Language). The 2012 Taxonomy consolidates all IFRS Taxonomy interim releases that were published in 2011. In addition, the proposed IFRS Taxonomy 2012 will be the first IFRS Taxonomy to include common practice extensions to the IFRS XBRL Taxonomy. These extensions were derived from an analysis of approximately 200 IFRS financial statements and will diminish the need for preparers to customise the taxonomy to fit their individual business when filing IFRS compliant financial statements online. The exposure draft IFRS Taxonomy 2012 is open for comment until 17<sup>th</sup> March 2012. IFRSs issued by the International Accounting Standards Board (IASB) from 1<sup>st</sup> January 2012 onwards will be published as interim releases to the Taxonomy.

(Source: <http://www.ifrs.org/>)

### □ IIA Report: How Internal Auditors Can Provide More Insight into Their Organisations

The Institute of Internal Auditors Research Foundation (IIARF) has released a report examining the prospect for internal auditors to make meaningful contributions to the organisations they serve by providing insight into organisational risks and opportunities. Based on a 2011 survey of 358 chief audit executives (CAEs), board members, and senior management from organisations in 39 countries, as well as in-depth follow-up interviews, *Insight: Delivering Value to Stakeholders* provides a global snapshot of stakeholders' views on whether internal audit should and is delivering insight, and with what regularity. The IIARF commissioned research to gain an understanding of how CAEs and key stakeholders view the current state of insight delivery. Researchers also explored key enablers or hindrances to insight delivery and provide suggestions for CAEs eager to enhance the delivery of insight by internal audit.

(Source: <http://www.accountingeducation.com/>)

### □ AAA Publishes Study on Disclosure Tone and Shareholder Lawsuits

The American Accounting Association (AAA) has published a study that indicates that an optimistic tone in earnings statements "...makes a major difference in whether or not shareholders initiate lawsuits against companies." The study concludes that managers "can reduce litigation risk by dampening the tone of their earnings announcements either by decreasing their use of positive language or by tempering their optimism with statements that are less favorable. The study titled "Disclosure Tone and Shareholder Litigation," appears in the November/December 2011 issue of *The Accounting Review*. The research focuses on 165 companies sued in federal court for alleged fraud involving the price of their common stock and a matching group of 165 firms similar to the defendant companies but not the targets of lawsuits. In all, 628 earnings announcements from the sued firms were analysed along with 625 from non-sued firms. The authors conclude "Disclosure tone is certainly not the sole determinant of litigation risk. What we view as important, however, is that disclosure tone is both associated with litigation risk and under the discretion of management.

(Source: <http://www.accountingeducation.com/>)

### □ IPSASB Publishes International Public Sector Conceptual Framework Consultation Paper for Comment

The International Public Sector Accounting Standards Board (IPSASB) has released for comment a consultation paper as part of its project to develop a conceptual framework for the general purpose financial reporting of public sector entities. The Conceptual Framework is the IPSASB's key strategic objective from 2010 through 2012, and is of fundamental importance to the future of global public sector standard setting for at least the next 10 to 15 years. The Consultation Paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in*

*General Purpose Financial Reports" (CF-CP4)*, explores concepts applicable to the presentation of information in the general purpose financial reports of public sector entities. It is not limited to the financial statements. The Paper describes what is meant by presentation of information, and explains that presentation covers both display and disclosure. It reviews an approach to presentation of information that involves: presentation objectives based on user needs; application of the qualitative characteristics to presentation decisions; and three presentation concepts. The three presentation concepts are: select information that meets user needs, satisfies the cost-benefit test, and is sufficiently timely; locate information in a way that meets user needs; and organize information to make important relationships clear and to support comparability.

(Source: <http://www.accountingeducation.com/>)

### □ IASB and FASB to Host a Series of Outreach Meetings on Revised Revenue Recognition Proposals

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) will host a series of outreach meetings in March, April and May 2012 on their revised joint proposals for the recognition of revenue that were published in November 2011. The meetings form an important part of the boards' programme of outreach activities on this second set of the revenue recognition proposals and they reflect the importance of revenue to all companies. To date, the boards have already hosted a number of workshops, webcasts and conferences on the topic and have held a number of meetings with auditors, preparers, regulators and users. The roundtable meetings will be held in public and will provide an opportunity for those that have submitted a comment letter, or who still intend to submit a comment letter, to discuss the proposals with the boards in further detail. An audio recording of the roundtable discussions will be made available shortly after each round table on [www.ifrs.org](http://www.ifrs.org) and [www.fasb.org](http://www.fasb.org).

(Source: <http://www.ifrs.org/>)

### □ IFAC Announces Seminar to Address Lessons from the Sovereign Debt Crisis and Steps Needed for Reform

The International Federation of Accountants is hosting *The Sovereign Debt Crisis, a Matter of Urgency—From Lessons to Reform*, a seminar to take place 19<sup>th</sup> to 20<sup>th</sup> March, 2012 in Vienna. In this seminar, IFAC will convene key decision makers, politicians and public finance management leaders to gain a comprehensive understanding of the causes contributing to the international sovereign debt crisis and the steps needed now for meaningful reform. The seminar's speakers will include influential financial and accounting leaders. Seminar attendees will have the opportunity to network with speakers and their fellow professionals. Registration for the conference is open to the public. For more information about the conference and to register, visit <http://sovereigndebt.ifac.org/>.

(Source: <http://www.ifac.org/>)