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(Members: View an easy to print version of this newswire from here)
WELCOME to the second issue of the re-issued EAA Newswire.

This issue is focused at developing the theme of our President's Message from issue 1 - the EAA's role in developing accounting in Europe, and beyond. Professor Elling proposed the establishment of a committee within the Association to support the European financial reporting standard setting process. This was partly to ensure that academics play a role in developments in this area and also to ensure standard setters are able to hear the opinions and advice of academics - a mutually advantageous situation. Professor Elling develops his proposal calls for specific comments on this proposal to be made ahead of the Seville meetings at the start of next month. He plans formally to the EAA Executive at its meeting in Seville so 'listen out' for further developments being announced there (if you are going to the Congress this year), or via subsequent issues of this newsletter.

The two other formal pieces contained in this issue are also related directly to the same area. We have an interview with Professor Begoña Giner Inchausti, a well-known member of the Association and TEG member of EFRAG - the group tasked with providing technical advice to the EU as it moves towards adoption of IFRS across Europe in 2005. She provides details on the background of the work of EFRAG and kind of support for its work Professor Elling is proposing.

Our final formal contribution to this issue is a thought piece from the USA - from a regular and long-standing supporter of the EAA, Professor Stephen Zeff. His piece, commissioned for this newsletter, again follows the issues of the future of financial reporting standard setting and subsequent regulation. He addresses the balance between rule- and principles-based standard setting and subsequent regulation. A rule-based future may be on the cards for us all however much some may expound the value of a principles-based approach.

We also have other recent news updates, job details, updates from the EAA Secretariat and Seville Congress organisers issue!

Thank you to those who provided feedback from the first issue. The second issue follows much the same format and style as you seemed to like it. Please let me have other comments, of any kind (positive and negative), either via email, or why not speak to me in person at the EAA Congress in Seville next month? I'd very much welcome the chance to talk to you.

As before, please send me proposals for future content, jobs adverts, comments on the current issue or past issue, or anything else that you think may be of interest to EAA members. The deadline for content for the next issue of the newsletter is June 13th. The third new newsletter series will be then distributed at the end of June.

Andy Lymer
EAA Newsletter Editor & Web manager
March, 2003

The editor can be contacted at newswire@eaa-online.org or on +44 870 7415934

ADVERT

Thomson are pleased to announce two exciting new titles publishing this semester for your upper level accounting courses...
International Financial Reporting and Analysis, 1e, David Alexander, Anne Britton and Ann Jorissen

This brand new textbook is a development of the best selling, Financial Reporting by Alexander and Britton. It is designed to meet the rapidly emerging demand for coverage of the International Accounting Standards that will be compulsory for the EU by 2005. This is a both a European and a global book with a wealth of worked examples and real world cases. The combination of an experienced author team and student orientated material make this text invaluable for the advanced financial accounting or financial reporting student at undergraduate or post graduate level.

Principles and Practice of Group Accounts, 1e, Aileen Pierce and Niamh Brenna

This title covers the background, context, technicalities and practice of group accounts for all financial accounting and reporting courses, professional accountancy courses and general practice. The up date coverage of EU Law and the International Accounting Standards is set firmly in a European context. Real UK and European companies, such as Abbey National & Swiss Air, are used for the examples and questions. This powerful blend of the principles and the practice make this a resource a European and International audience.

Need more details or want to order an inspection copy? See the Thomson website here

MESSAGE FROM THE PRESIDENT -

In the first issue of our newsletter I launched the idea of setting up a committee to coordinate the activities of the Association with respect to financial accounting standard-setting. In this issue I shall further elaborate on my proposal, which may also be seen as input for discussion at the Congress in Seville.

The Committee might be founded on the following objectives and tasks, and be structured as indicated below:

Objectives

- to increase the quantity and quality of academic input to the standard-setting process in the private sector in Europe. The Committee should thus be limited to issues having sufficient theoretical and research-based substance to make academic comments relevant.
- to stimulate accounting research related to regulatory issues. Often academics are accused of ignoring this area in their choice of research projects.
- to enrich teaching in standards and standard-setting. The analytical approach and broader economic, social and environmental perspectives on regulatory issues taken by the Committee may well be an eye-opener for academics involved in teaching accounting, in addition to emphasizing the purely technical aspects.
- to profile the Association towards European business and accounting practice.

Tasks

- the Committee shall as its primary task evaluate and respond to Exposure Drafts from the IASB and to other issues related to financial accounting and reporting in Europe. The issues may be related to already published EDs or EDs under way. Or they may have a more general nature, e.g. dealing with the need for new ways of regulation in the knowledge society. Some of the issues may be proposed by groups like the IASB or the EFRAG or be based on the Committee’s own discussions.

In order to strengthen the relationship between research, teaching and practice the Committee shall

- make publications of selected responses in EAR and the Newsletter.
- organise a symposium on contemporary regulatory issues at the annual Congress.
- participate in meetings with the standard-setting groups.

Structure

I suggest a Committee consisting of eight to ten members from the European academic community and perhaps also of representatives from the European practice background.
from European accounting practice (auditing firms). Formally, the members shall be selected by the President for a three-year term, on a revolving basis. Every year the chairperson will present a report on the activities of the year at the Executive Meeting and General Assembly Meeting.

I will make a proposal to the above effect to the Executive Committee of the EAA at its next meeting in Seville and will be able to report on the response of this Committee during the collective members meetings to be held in Seville. I would very much encourage members to make their opinions known to their national representatives ahead of coming to the Seville Congress so that these opinions can be heard at the Executive Committee.

Jens O. Elling
President
Copenhagen Business School

EAR NEWS AND ANNOUNCEMENTS - http://www.eaa-online.org/EAR

Current Outstanding Call for Papers -

- The Adoption of IAS in Europe (edited by Begona Giner and William Rees) - deadline for submissions is 30th June 2003
- Transitional Economies and changing notions of accounting and accountability (edited by Pat Sucher, Katarzyna Kosmala MacLullich, Irene Jindrichovska & Svetlana Bychkova) - deadline for submissions is 1st June 2003

Contents of the next issues of EAR:

12:1
- Black, E.L. & White, J.J. - An international comparison of income statement and balance sheet information: Germany, Japan and the U.S.

Special section on 'Management control and new information technologies'

- Introduction by the Guest editors Markus Granlund and Jan Mouritsen.
- Caglio, A. - Enterprise Resource Planning systems and accountants: Towards hybridisation?
- Hyvönen, T. - Management accounting and information systems - ERP vs BoB.
- Nicolaiou, A. - Manufacturing strategy implementation and cost management systems effectiveness.
- Scapens, R.W. & Jazayeri, M. - ERP systems and management accounting change: opportunities or impacts?

12:2 (as currently planned by subject to change or addition)

- Van der Stede, W. - The Effect of National Culture on Management Control and Incentive System Design in Multi-Business Firms: Evidence of Intracorporate Isomorphism.
- Wagenhofer, A. - Accrual-based compensation, depreciation and investment decisions.
- Gröjer, J.-E. & Catasús, B. - Intangibles and credit decisions: Results from an experiment.

Things you may not have known about the EAR website - http://www.eaa-online.org/EAR:

- Full details of each issue of EAR can be found on the EAR home page at http://www.eaa-online.org/EAR.
- The website also contains details of the next issue due for publication and accepted papers for future issues - regularly updated as papers are accepted.
- Author submission guidance is also on this website.
PRINCIPLES OF EXTERNAL AUDITING by B. Porter, J. Simon, & D. Hatherly (Publisher: Wiley Europe), describes and explains, in non-technical language, the nature of the audit function and the audit process. The book covers both UK and International Auditing Standards and relevant statute and case law. It explains the fundamental concepts of auditing and takes the reader through the various stages of the audit process. It also discusses topical aspects of auditing such as legal liability, audit risk, quality control, and the impact of information technology. This new edition of the text has been thoroughly revised and new chapters have been provided on the conceptual framework, internal auditing and environmental audits.

Follow this link to obtain a copy of the book directly from Amazon.com, or Amazon.co.uk. See Wiley Europe’s website for further details on this book, including the full chapter listing and a downloadable version of the first chapter.

NEWS UPDATE
This news section is produced in conjunction with AccountingEducation.com - the key global community for accounting educators and researchers. Visit their website at to sign up for their free weekly news alert service - called Double Entries - and receive free weekly readers receiving weekly news such as that below.

[01] EAA SECRETARIAT MOVES HOUSE
As of 5 December 2002, the EIASM (European Institute for Advanced Studies in Management) who provide the Secretariat services for the EAA have moved to new premises. These are located Place de Brouckère-plein 31, in the beautiful 19th century Hotel Metropole in the heart of Brussels. Inside on the first and second floor is a modern dedicated centre that provides pleasant offices as well as very well equipped conference rooms and meeting rooms.

[02] EIASM WORKSHOP ANNOUNCEMENTS
EIASM is organising a series of workshops in Accounting. For full details, please visit their website (http://www.eiasm.org/index1.html) and select the Functional Calendar of Events.

EUROPEAN NEWS - supplied by AccountingEducation.com

[03] DELOITTE & TOUCHE RELEASE GUIDE ON TRANSITION TO IAS/IFRS IN DANISH
Deloitte & Touche in Denmark has developed a 28-page publication on transition to IAS/IFRS. The booklet is written mainly for the members of the supervisory boards and the executive boards of entities listed on the Copenhagen Stock Exchange and other large Danish entities. Of course, other Danish readers can get a quick overview of the process of transition to IAS by reading it. The booklet highlights areas of focus that are likely to require most resources for Danish entities. See http://www.accountingeducation.com/news/news3861.html for further details.

[04] CHARTERED ACCOUNTANTS LAUNCH REVISED GUIDANCE ON REALISED PROFITS UNDER THE COMPANIES ACT
New guidance on the determination of realised and distributable profits under the Companies Acts has been issued by The Institute of Chartered Accountants in Scotland (ICAS) and The Institute of Chartered Accountants in England and Wales (ICAEW). See
ICAS AWARDS HONORARY TITLE TO STEPHEN ZEFF
The Institute of Chartered Accountants of Scotland has awarded its former International Research Adviser Professor Stephen Zeff with the title of ICAS Honorary Research Fellow. The Institute made the award for Professor Zeff's enthusiastic support of ICAS and for promoting its research activity with regulators, standard-setters and academics around the world. See http://www.accountingeducation.com/news/news3854.html for further details.

UK COMPANIES URGED EU TO DITCH QUARTERLY REPORTING PLANS
The publication of the proposed Transparency Directive, which was expected to contain plans to introduce mandatory quarterly reporting across the EU has been postponed. Commenting on the delay, Andrew Hawkins, Chief Executive of the Investor Relations Society said the IRS welcomed this delay in the publication of the proposed Transparency Directive and hoped that the Commission took this opportunity to reconsider its plans for mandatory quarterly reporting in Europe. See http://www.accountingeducation.com/news/news3852.html for further details.

FEE PRESENTS EUROPEAN ACCOUNTING PROFESSION VIEWS ON FUTURE EU/USA ACCOUNTING REGULATORY ENVIRONMENTS
FEE has expressed the view of the European accountancy profession to Commissioner Bolkestein, ahead of his discussions with the US authorities on the EU's response to Sarbanes-Oxley. Topics covered include: regulation of global capital markets; principle-based international standards; auditor independence; registration of European audit firms with the US PCAOB; and oversight of the profession. See http://www.accountingeducation.com/news/news3850.html for further details.

FEE RELEASES SURVEY ON CONVERGENCE OF EUROPEAN ACCOUNTING PROFESSION
FEE, the representative body for the accountancy profession in Europe, has launched a new survey examining both the conditions for entry into the profession of accountant and auditor, and the free movement for professionals between member states of the European Union. See http://www.accountingeducation.com/news/news3849.html for further details.

NEW ASSOCIATION LOOKS AT RESTORING INTEGRITY IN ACCOUNTING
The Association for Integrity in Accounting (AIA), a new public interest accounting group formed in the wake of the recent corporate scandals, has outlined an ambitious agenda to restore integrity to the accounting profession. See http://www.accountingeducation.com/news/news3867.html for further details.

IFAC EXPANDS WEB SITE TO INCLUDE INFORMATION ON CORPORATE GOVERNANCE
The International Federation of Accountants (IFAC) has introduced a new Internet resource center for the public entitled: Viewpoints: Governance, Accountability and the Public Trust. Individuals may access it directly by going here. See http://www.accountingeducation.com/news/news3858.html for further details.

NEW IFAC PUBLICATION FOCUSES ON QUALITY OF EARNINGS
The International Federation of Accountants' (IFAC) Financial and Management Accounting Committee (FMAC) has released a new publication designed to educate management, accountants and other business decision makers about a wide range of issues that impact the quality of earnings. Quality of Earnings Case Study Collection was first published by the American Institute of Certified Public Accountants (AICPA). See http://www.accountingeducation.com/news/news3835.html for further details.

IAASB 2002 ANNUAL REPORT NOW AVAILABLE

INSIGHTS INTO IFRS

AUDIT COMMITTEE RESOURCE GUIDE
Deloitte & Touche have produced a new booklet, "Audit Committee Resource Guide", that is focused on the impact that new financial reporting rules will have on the role and responsibilities of the audit committee. The publication is useful in understanding and implementing the new requirements of the Sarbanes-Oxley Act and the proposed requirements of the national securities exchanges or associations. See http://www.accountingeducation.com/news/news3805.html for further details.

SEC Commissioner Paul S. Atkins recently spoke to a German audience at the University of Cologne about 'The Sarbanes-Oxley Act: Goals, Content, and Status of Implementation'. His remarks addressed the effects of the Act on non-US companies that issue in the United States. See http://www.accountingeducation.com/news/news3796.html for further details.

CONGRESS UPDATE -
Looking forward to EAA’2003, Seville, Spain

EAA’2003 is now just around the corner. We hope you all have your flights booked and accommodation reserved for what is set to be another great EAA Annual meeting at the start of next month.

The Congress Organisers are busy making the final arrangements for the event. The following information may be of interest to those of you planning on attending. It details the themes and coverage of the main and symposia sessions (please note that timings given are subject to change and should be confirmed on arrival at the event itself).

The symposia themes are:
1. "Research fields of Accounting History. Only Business Accounting? Why?" (Thursday, April 3, 15:00 - 16:30)
2. "Accounting for Central Government: Radical Reforms in the New Europe". (Thursday, April 3, 9:00 - 11:00)
3. "An European Research Arena on Intangibles" (Thursday, April 3, 17:30 - 19:00)
4. "The HARMONIA project ; research studies in Earnings Management and the Properties of Earnings in Europe". (Friday, April 4, 9:00 - 11:00)
5. "Regulatory Reforms in the Aftermath of ENRON: Accounting, Auditing and Corporate Governance" (Thursday, April 3, 11:30 - 13:00)
6. "New Perspectives of Auditing in the European Union" (Wednesday, April 2, 15:30 - 17:00)
7. "Accounting Research and Accounting Decisions: Implications of Accounting Research for Accounting Regulation and Corporate Management" (Wednesday, April 2, 17:30 - 19:00)
8. "New Technologies and Accounting: Continuous Auditing, XBRL and Assurance Services" (Friday, April 4, 11:30 - 13:00)
9. "The Challenge of ERP Systems for Management Accounting Research, Education and Practice" (Friday, April 4, 15:30 - 17:00)

There are two also Special sessions planned:
(I) Special session: In memoriam of Dieter Ordelheide (Wednesday, April 2, 15:30 -17:00)
(II) Editor’s Panel (Wednesday, April 2, 17:30 -19:00)

For further details on EAA 2003, including contact details for any queries you may have, please see the Congress website at http://www.eaa-online.org/EAA2003

All the abstracts and the full programme for EAA'2003 will shortly be accessible online as part of our EAA website Please visit the Annual Congress section of the site at http://www.eaa-online.org/. This searchable database also contains all abstracts from the Copenhagen Congress in 2002 and the Athens Congress in 2001 whilst our old site contains presentation information all the way back to Birmingham in 1995 for each presentation given at each Congress

Please note - details for the EAA'2004 Congress in Prague are being prepared and will be launched at the Seville Congress. The next Congress will shortly be available from its Home Page on the EAA website at http://www.eaa-online.org/EAA2004
Listed below are brief details of other (i.e non-EAA) events that we have been notified about that we consider to be of possible interest to members:

- **6th European Conference on Accounting Information Systems**
  Event dates: 31-Mar-2003 to 1-Apr-2003
  City: Seville
  This annual event, brings together academics and practitioners interested in the latest development in accounting research and teaching in a European context. The event is sponsored by CIMA, Bentley College, Elsevier Science Publishers, and the Universities of Maastricht and Birmingham

- **Financial Reporting and Regulatory Practices in Europe**
  3-May-2003 to 7-May-2003
  Sponsor: European Commission, EIASM, Elsevier Science
  City: Île Rousse
  The Euroconference project aims to enable a multidimensional understanding of the consequences for financial regulation of accelerating economic integration in Europe. The fields covered by the Euroconference are increasingly attracting research interest at each national level but there is still a remarkable lack of research and training at the European level. For most participants who are at the career stage where they are beginning to take over wider responsibilities for university courses and departmental research efforts, the Euroconference will be an opportunity to discuss the wider implications of financial accounting and corporate governance research areas with colleagues from across Europe.

- **2nd International Conference on Corporate Governance**
  19-May-2003 to 20-May-2003
  Sponsor: The Research Center of the Warocqué Faculty, HEC Montreal
  City: Mons
  The Research Center of the Warocqué Faculty (Mons-Hainaut University) and the Chair in Governance and Forensic Accounting (HEC Montreal) will jointly organize the 2nd International Conference on Corporate Governance under the general theme of “Governance and New Economy”.

- **6th Manufacturing Accounting Research conference**
  26-May-2003 to 28-May-2003
  Sponsor: CIIMA, University of Twente
  City: Enschede
  The seminar focuses on the interface between accounting innovations and developments in manufacturing and operations.

- **The 7th Interdisciplinary Perspectives on Accounting Conference**
  13-Jul-2003 to 16-Jul-2003
  Sponsor: Universidad Carlos III de Madrid
  City: Madrid
  The IPA conference is an established forum for research into the social, political and organizational aspects of accounting theory and practice. For the first time in its 18-year history the IPA will be held outside of Manchester. The IPA 2003 will retain the most distinctive features of past IPAs including: a thorough review of papers received and the presentation of papers by discussants with responses from the author. See the full event listing for further details.

- **Centre for Social and Environmental Accounting Research (CSEAR) - 13th Summer School**
  1-Sep-2003 to 3-Sep-2003
  Sponsor: Centre for Social and Environmental Accounting Research, University of Glasgow
  City: Dundee
  This Conference is normally a deliberately informal gathering of researchers, teachers, students and practitioners in all fields of accounting, teaching and research in the very widest sense.

**NOTE:**

- **ISACA Workshops for Europe**
  Event dates: 31-Mar-2003 to 4-Apr-2003 - Please note this event, advertised in the Issue 1.1, has been cancelled.

Further details on each event can be found on the EAA website at [http://www.eaa-online.org/other/index.cfm](http://www.eaa-online.org/other/index.cfm) or by following the links provided in...
Conference Report:

A conference entitled “The Transparent Enterprise. The Value of Intangibles” recently acted as a knowledge and experience exchange platform, bringing together the state-of-the-art on intangibles management, accounting and reporting. It took place in Madrid, on November 25-26, 2002, under the auspices of the European Commission, the OECD, the Ministry of Economy and the Ministry of Science and Technology. The event was organized by E’know-net, a research network on intangibles funded by the European Commission and coordinated by the Autonomous University of Madrid (www.eu-know.net).

The meeting evidenced a clear need to develop new, widely-accepted tools to visualize, manage and report on the firms’ intangible resources. Intangibles are clearly becoming the key drivers of value creation in today’s knowledge-based economy but generally are not fully considered neither in business management systems nor in financial statements. Many significant advancements achieved in recent years were presented, and the views of the different stakeholders involved were discussed. However, it was clear from the conference delegates that there is still a long way to run to fully embrace the challenges posed by the rapid changes occurring in economic and business environments. In this respect, we are confident that this conference will be a key reference for future policies and research activities to be developed with regard to intangibles and intellectual capital, both from an innovation management and from an accounting perspective.

More than 250 delegates from 18 countries and 140 institutions participated in the event, including firms, research institutes, universities, policy makers and associations. Some of the speakers in the conference, to name a few, were Mr. Pedro Ortún (Director of Services, DG Enterprise, European Commission), Prof. Baruch Lev (Stern School of Business, New York University), Mr. Rainer Geiger (Director, Financial, Fiscal and Enterprise Affairs, OECD), Mr. Kurt Ramin (Commercial Director, IASB), Mr. Jean Jacques Mertens (Principal Technical Adviser, European Investment Bank) and Prof. Luc Soete (Director of MERIT, University of Maastricht). The Conference’s CD of proceedings is available for purchase at www.aeca.es

[Supplied by Professor Leandro Cañibano (Autonomous University of Madrid)]

If you are organising an event of possible interest to EAA members please email the details to us (events@eaa-online.org) for inclusion in future newsletters and on the EAA website.

JOBS -

Following are currently outstanding vacancies from our vacancy advertising service offered via our website. Further details can be found on the website.

- **Fitzgerald Chair of Accounting**
  Institution: The University of Melbourne
  Deadline for applications: 31 March, 2003

- **Full Professor in Accounting**
  Institution: University of St. Gallen: Institute of Accounting, Controlling and Auditing
  Deadline for applications: 30th April, 2003

Our full vacancy service can be found on the EAA website at [http://www.eaa-online.org/vac/index.cfm](http://www.eaa-online.org/vac/index.cfm) and on our web management companies website at [http://accountingeducation.com/jobs](http://accountingeducation.com/jobs)

For future editions of this newsletter, all outstanding vacancies with deadlines beyond the publication date of each issue will be included here. If you have a vacancy you would like to have advertised to the membership please email details to the editor to have them included.
**INTERVIEW**

**Interview with Begoña Giner Inchausti, Member of the Technical Expert Group of EFRAG & Professor of Accounting and Finance, University of Valencia.**

*Editor:* Could you give us a little more detail of who you are please?

*Prof. Giner:* I am Professor in Accounting and Finance at the University of Valencia. My research has been focused on Financial Accounting and Reporting, International Accounting, and Capital Market Research. My experience in the European accounting standards process goes back to 1995, when I was member of the Technical Accounting Subcommittee of the Contact Committee on the Accounting Directives on behalf of the Spanish Institute of Accounting and Auditing (ICAC), that studied the conformity of the Accounting Directives and the IAS. Since June, 2001 I have been a member of the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG).

*Editor:* Can you give us a little more detail about what EFRAG is?

*Prof. Giner:* EFRAG is a private and independent organisation, that was created the 31st of March, 2001, this is before the Regulation on the adoption IAS/IFRS was passed. In the middle of 2000, the Commission invited FEE to contribute to the development of an endorsement mechanism for IAS/IFRS, and explore ways to bring about the coordination of the accounting standards setters, the accounting profession, the users and preparers in the EU. After consultation, it was proposed to create the group that has become EFRAG. The European organisations involved, known as 'the founding fathers', come from different interested parties:

- business / preparers: UNICE
- accountancy profession: FEE
- European credit sector associations: EBF; ESBG, GEBC
- insurance industry: CEA
- stock exchanges: FESE
- financial analysis: EFFAS
- SMEs: UEAPME and EF AA

[Ed: for details of all these organisations and what their acronyms mean please see the EFRAG website as described below]

*Editor:* How is EFRAG organised?

*Prof. Giner:* EFRAG is structured into two levels. The Supervisory Board (SB) and the Technical Expert Group (TEG). It has approximately 20 members, representing the European interests through the founding fathers. It undertakes the governance tasks, such as selecting the TEG members, funding, and monitoring the TEG. The TEG carries out the technical work, so it must be composed of technically qualified people, with good knowledge of the international financial reporting scene, thorough experience in standard setting, with national standard setters, and/or experience in applying IAS. TEG members should represent the European point of view rather than the individual organization they come from, and they should come from different countries in the EEA, as well as from different groups. The TEG is limited in size to facilitate the discussions and decisions, currently we have 11 members. The European Commission is an observer in TEG and CSAR (Committee of European Accounting Regulators) in TEG only. Due to the links established with IASB during these nearly two years of activity, IASB members also attend the TEG meetings.

*Editor:* What roles does EFRAG try to carry out therefore?

*Prof. Giner:* EFRAG has two main mandates: to advice the Commission on the endorsement process and to play a pro-active role in the new regulatory process. As most EAA members will know, the 1606/2002 Regulation indicates that only accepted IAS/IFRS will be allowed in the EU, and this leads to the establishment of an endorsement process. According to the Regulation, in making the endorsement decision the Commission will be assisted by a political committee (the Accounting Regulatory Committee) and will receive the support of a technical committee (EFRAG). So the role of EFRAG in this new context is to advice the Commission before deciding about an IAS/IFRS and its Interpretations. In addition the Commission also requires the opinion of EFRAG before introducing changes in the Directives, so as to avoid potential incompatibilities with IAS or for other reasons.

EFRAG’s second, pro-active, role, arose once the EU had decided to leave the establishment of the new accounting rules to the IASB. It is important to design a system that allows Europe to take part in the due process established by the IASB. The IASB produces its interpretations after a consultation period, when the drafts are made public, and discussed with the interested parties. So it seems appropriate to have a European expert group that could establish a dialogue with the IASB and take an active role in forming a common accounting view on accounting issues. In my view the changes in the regulatory process, and the role of EFRAG in this new context, should...
lishes the adoption of accepted IAS/IFRS for the consolidated accounts. The Financial Reporting Review Panel, companies know that full adoption will underpin the adoption of accepted IAS/IFRS for the consolidated accounts.

Editor: How interested groups, such as EAA members, can take part in the work of EFRAG?

Prof. Giner: EFRAG cannot work in isolation in this new context. Its legitimacy is based on representing the opinion of the European business environment and on providing well-founded views on technical accounting issues. So far, the pro-active role of EFRAG has been focused on sending the final response to the IASB. Of course, our pro-active role isn’t limited to this. Our main purpose is to contribute to the development of accounting, and this implies that in the future EFRAG has to take a more active part, producing technical and conceptual papers on topics that could serve as a guidance for the future development of standards by IASB, and in that way trying to influence the regulatory process.

In my view European academics can take an active part in this pro-active role serving as an input for the EFRAG activity. They are neither legislators nor members of a government regulator. They are the main consequence of the Regulation. In other words the Regulation establishes the adoption of accepted IAS/IFRS for the consolidated accounts of listed companies, and this opens the door to a new way of developing accounting standards in Europe, where the national regulators have less direct power, and other indirect ways have to be developed to influence the standards. I think EFRAG should play a crucial role in this new scenario.

Editor: How interested groups, such as EAA members, can take part in the work of EFRAG?

Prof. Giner: EFRAG cannot work in isolation in this new context. Its legitimacy is based on representing the opinion of the European business environment and on providing well-founded views on technical accounting issues. So far, the pro-active role of EFRAG has been focused on sending the final response to the IASB. Of course, our pro-active role isn’t limited to this. Our main purpose is to contribute to the development of accounting, and this implies that in the future EFRAG has to take a more active part, producing technical and conceptual papers on topics that could serve as a guidance for the future development of standards by IASB, and in that way trying to influence the regulatory process.

To conclude I want to clarify that EFRAG does not pretend to be seen as a regulatory accounting body. It is not going to prod the IASB to act according to EFRAG’s views, but it is going to provide a framework and stimulus for EU Member States to develop and adopt rules that are based on principles and objectives. The SEC is an example of this approach to setting the standards. The United States is widely regarded as the bastion of rules-based accounting standards. The reasons for this circumstance are not difficult to discern. The highly litigious environment makes lawyers of everyone. Audit firms entreat the standard setter to give them the opportunity to defend their clients in a lawsuit. The United States is a confrontational society, not only in the courtroom but also in pressing Congress and legislators (and on auditors). Moreover, the accounting staff of the US regulator, the Securities and Exchange Commission, can make a defined comparability in terms of conformity with detailed prescriptions (as government regulators are wont to do); the SEC has innumerable conferences with registrants over the bounds of permissible practice. The SEC’s accounting staff has therefor the power of rules-based standards.

Another major reason for the arbitrary and detailed standards in the United States is the self-interested lobbying by Corporate America, seeking exclusions or exceptions or exemptions from standards they know that the rigorous regulator, the SEC, will enforce strictly. While the incidence of litigation against auditors in Europe seems to be rising, it is still a long distance from what occurs in the United States. But Europe now seems to be heading toward national systems of stricter compliance with standards.

As the Committee of European Securities Regulators sensibly acts to provide a framework and stimulus for EU Member States to fortify their system and structure for securing compliance with approved accounting standards, company executives may find avenues of escape from a total and faithful application of IFRS (as endorsed by the EC). Whether EU countries opt for a central commission (or authority) or a monitoring body in the private sector akin to the UK’s Financial Reporting Review Panel, I expect compliance with IFRS will in the future be more strictly monitored and enforced than before. To be sure, a private sector body may be more oriented to principles and objectives than might be true of a government regulator.

This issue becomes particularly acute in a European business environment in which increasing numbers of top executives...
compensated by bonuses, stock options and other incentive plans that, directly or indirectly, are predicated on the subjective measure of earnings. In such a climate, can the standard setter safely assume that executives will implement standards in the spirit of the enunciated principle, notwithstanding their strong self-interest not to do so? If standard setter cannot make this assumption, it might retrogress more toward detailed, inescapable rules.

Already, Europe’s major multinationals have learned how to form alliances to lobby EFRAG and the EC against “competitive disadvantage” and other financial reporting evils. All of these interventions potentially invite exceptions, exclusions, provisos, and other niceties of prescription.

The interesting policy question for Europe is whether principles-based standards can, in such an environment, co-exist with enforcement mechanisms that are bent upon securing faithful application by listed companies of accounting standards.

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