MARK GOLD – Panel Presentation – ICAC

Ladies and gentlemen

Given the breadth of the subject matter - the Effective financial reporting framework and mandatory disclosures, including the role of international financial reporting, auditing and prudential standards - I would like to focus on a number of specific issues.

First, and most importantly, there is clearly a role and clearly a need for international standards since it is evident that, left to our own devices, we accountants can come up with more than one way of accounting for things.

And I firmly believe that international standards, despite the barrage of criticism which they have faced in recent months, are the best fit for an effective financial reporting framework.

The most important people in reporting are the readers of financial reports.

They need to have confidence in the financial information they are reading and on which they will rely heavily in order to be able to make informed decisions.

They will only have a reasonable level of confidence when they know the reports they are reading are produced in line with high quality and familiar principles.

Investment allocations are done on a global basis. The more the investors or lenders are confident in the information the better they will be able to price the risks and the better value they should give to businesses.

These are just a few reasons why we believe that most companies should adopt IFRS and ISA. Not only that, but a that attempting to write your own set of standards could be a waste of resources - and would only result in re-inventing the wheel.

From a selfish professional point of view, global standards also improve the mobility of accountants between countries and companies.

However, global accounting standards are not enough.

The surrounding quality of the profession, reliable auditing, good corporate governance for listed companies and credible enforcement of the standards are needed as well.

For example, research commissioned by ACCA in 2008 showed that economies in Europe where equity-based financing and high standards of accounting disclosure were common had benefited most from the adoption of IFRS.

In countries where there was low financial reporting incentives and enforcement -, the findings revealed limited and mixed evidence of a cost of equity capital reduction from pre- to post-IFRS periods .

In stark contrast, where there were high expectations and enforcement - researchers found a significant reduction in the cost of equity capital following the implementation of IFRS.

In countries where equity-based financing dominates, and corporate disclosure quality is already high, the implementation of IFRS appears to be more effective, which has important implications for regulators and auditors, as well as users of financial statements.

Further to this, I would urge you to look at the world economic forum's Global Competitiveness Index. Each year, the WEF asks thousands of executives around the world a number of questions on the business environment.

Among them are three that are close to our hearts at ACCA.

The first one is, "In your country, how would you assess financial auditing and reporting standards regarding company financial performance?"

The second is "How easy is it to raise money by issuing shares on the stock market in your country?"

And the third one is "How easy is it to obtain a bank loan in your country with only a good business plan and no collateral?"

Plot one question against the other, and it becomes clear that higher auditing and reporting standards are associated with better access to finance through local equity markets.

The same goes for loans, and the relationship is even closer. Now I know correlation does not imply causation and so on; but ACCA believes that credible information is one of the key inputs to lending and investment decisions.

Better information, produced at reasonable cost and comparable across jurisdictions, can only lead to better access to finance.

Thank you