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## **International Accounting Standards proposals threaten Co-operative Identity**

Dear Colleagues,

The International Accounting Standards Board (IASB) has advised of their intention to adjust their provisions with regard to the treatment of shares in co-operatives for accounting purposes. We are particularly concerned that co-operative shares hitherto regarded as equity will be regarded as debt. This is a serious issue as it fundamentally challenges the whole basis of ownership in a co-operative enterprise. If accepted, the change will have a negative impact on co-operative balance sheets and considerably complicate co-operative enterprises' access to finance, thus threatening their viability as enterprises.

We wish to bring this issue to your attention so that action at the national and international level can avert changes that will have negative consequences to the Co-operative Movement.

As you know, accounting standards are essential to the efficient functioning of the economy because decisions about the allocation of resources rely heavily on credible, concise, transparent and understandable financial information. Financial information about the operations and financial position of individual entities also is used by the public in making various other kinds of decisions.

Although each country establishes its own accounting procedures, many countries already endorse International Accounting Standards (IAS) as their own, either without amendment or else with minor additions or deletions. Therefore, changes to International Accounting Standards in many cases will be reflected at the national level. (See the IASB website to see how changes in IASB Standards will impact your country's accounting standards: <http://www.iasc.org.uk/cmt/0001.asp?s=10162908&sc={9D2762CE-0927-421F-9C53-9A38B54667A2}&n=4100>).

Furthermore, important developments are taking place in the European Union, where the European Commission is progressing proposals that will require all listed companies in the European Union (EU) to prepare their consolidated financial statements using International Accounting Standards. Already, both inside and outside the EU, many leading enterprises have stated that they prepare their financial reports in accordance with International Accounting Standards. Given the expansion of global trade and the increasing need for transparency and global standards, enterprises will increasingly be impacted by the decisions of International Accounting Standards Board (IASB).

It is for this reason that a number of ICA members have been working on the issue of how co-operatives represent their capital both with regard to International Accounting Standards, but as also in terms of the United States Financial Accounting Standards Board.

IASB Information Resources  
<http://www.iasc.org.uk>

Although there has been recent success at the US level, there is a continued threat to co-operatives with regard to the proposed changes to International Accounting Standard 32 (IAS 32: Financial Instruments Disclosure and Presentation)<sup>1</sup>.

We are pleased to share an analysis of the issue prepared by ICA European members especially in regard to the impact on the financial co-operative sector in Europe, but also on the overall viability of the European Co-operative Movement. We are also attaching information from the National Co-operative Business Association of the United States which outlines the issue with regard to the US Financial Accounting Standards Board and reports on their success.

We hope that this information will assist you to better understand the impact on these changes to accounting standards and allow you to take action at the national and international level to ensure the viability of co-operatives.

Please do not hesitate to contact us to find out more on the initiatives taken to date.

With best regards,

Iain Macdonald  
Director-General

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<sup>1</sup> IAS 32: Financial Instruments: Disclosure and Presentation  
<http://www.iasc.org.uk/cmt/0001.asp?n=976&s=10163094&sc={91A178E2-253D-4C7A-B851-46AA4336C4F1}&sd=906391441>