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TRADE AND DEVELOPMENT BOARD  
Commission on Investment, Technology and Related Financial Matters  
Intergovernmental Working Group of Experts on International  
Standards of Accounting and Reporting  
Twenty-third session  
Geneva, 10-12 October 2006

**AGREED CONCLUSIONS**

**Review of Practical Implementation Issues of International  
Financial Reporting Standards**

1. At its twenty-third session, the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (ISAR) reiterated the importance of principles-based, high-quality financial reporting standards, such as International Financial Reporting Standards (IFRS), for the coherence and efficient functioning of financial infrastructure, as well as the mobilization of financial resources for the development of developing countries and transition economies. It also stressed the importance of a forum, such as ISAR, where member States could share their views and experiences in this area and identify best practices for guidance and further dissemination towards further harmonization of reporting requirements to facilitate investment and development.

2. The group recognized that following the widespread adoption of International Financial Reporting Standards (IFRS) in 2005 by a large number of countries and enterprises, various stakeholders including regulators, preparers, users and auditors, continue to encounter various practical implementation challenges. In particular, it concluded that an effective regulatory regime, as well as an adequate audit system and professional education requirements, should be in place to facilitate the successful implementation of the IFRS. Implementation is a long-term process and requires a defined strategy and appropriate mechanisms in order to build an institutional and technical capacity supported by adequate resources.

3. The Group of Experts observed that the IFRS were initially formulated for large listed companies of developed financial markets. In this regard, the Group underscored that the issue of accounting by SMEs has to be addressed separately to enable the vast majority of enterprises around the world to meet their user's reporting needs in a cost-effective and useful manner.

4. The Group discussed the initiatives by the International Accounting Standards Board (IASB) and other standards setters to develop standards to meet the financial reporting requirements for SMEs and resolved to support such endeavours and provide inputs into the processes, as necessary.

5. The Group identified a need to update its SMEGA 3 guidance that addresses the accounting and reporting needs of micro-enterprises, which are of particular importance in developing countries and transition economies. It requested UNCTAD to reconvene a Consultative Group to assess the feedback on the practical use of the SMEGA 2 and 3 guidance issued by ISAR in 2003; to facilitate ISAR's input into the deliberations on accounting by SMEs currently taking place within the IASB and the International Federation of Accountants (IFAC); and to update its SMEGA 3 guidance.

6. The Group also agreed to conduct additional studies and reviews to gain further insight into the challenges faced by developing countries and countries with economies in transition, in meeting international requirements for high-quality and adequate standards with a view to developing guidance on good practices.

### **Comparability of existing indicators on corporate responsibility**

7. ISAR recognized the increased interest among corporate responsibility (CR) reporters in creating more concise, more useful and more performance-oriented reports. It also acknowledged a general trend towards the inclusion of non-financial reporting as a supplement to financial information, and the increasing demand among investors for comparable and relevant data on business practices related to corporate responsibility issues.

8. The Group reviewed the secretariat report on "Guidance on corporate responsibility indicators in annual reports" (TD/B/COM.2/ISAR/34), and agreed that the report provided a useful contribution towards identifying core indicators and their measurement methodology for harmonized reporting on corporate responsibility information as part of annual reports.

9. The Group agreed that UNCTAD should further refine and finalize the guidance on selected corporate responsibility indicators and their measurement methodology with a view to providing a voluntary technical tool for enterprises. This guidance would include previous findings of the project regarding criteria for selection of indicators and the information needs of users. It should also take into account the cost/benefit considerations of preparing this information, and should thus be elaborated in consultation with the preparers. The Group agreed that UNCTAD should continue to coordinate this work with other international

organizations active in the area of corporate responsibility reporting, along with private and public sector stakeholders. It was also suggested that, if resources permit, pilot testing of indicators could be conducted.

10. The Group recognized the usefulness of the secretariat study "2006 Review of the implementation status of corporate responsibility indicators" (TD/B/COM.2/ISAR/CRP.2) in providing practical feedback for further refining and finalizing the guidance on indicators and suggested that UNCTAD should continue to conduct such reviews.

### **Corporate governance disclosures**

11. ISAR reiterated the importance of good practices in corporate governance for promoting investment, stability and economic growth. The Group commended the secretariat for its "Guidance on good practices in corporate governance disclosure", which was noted with appreciation by UNCTAD's Commission on Investment, Technology and Related Financial Issues.

12. In accordance with the agreed conclusions of its twenty-second session, ISAR at its twenty-third session considered the results of the annual review of corporate governance disclosure contained in the "2006 Review of the implementation status of corporate governance disclosures" (TD/B/COM.2/ISAR/CRP.3). The Group commended the survey for its quality and noted that it helped to identify a number of important trends in corporate governance reporting. The Group further recommended the voluntary use of an ISAR index on corporate governance disclosure as an innovative practical tool for improving corporate transparency.

### **Follow-up to environmental accounting**

13. The Secretariat was requested to consider updating the "Manual for the preparers and users of eco-efficiency indicators" as a complement to the corporate responsibility indicators.

### **Follow-up to the model curriculum**

14. The Group requested UNCTAD to continue its work in this area with a view to strengthening the accountancy profession in member States, particularly in developing countries and countries with economies in transition, by taking into consideration the memorandum of understanding signed between UNCTAD and the International Federation of Accountants (IFAC).