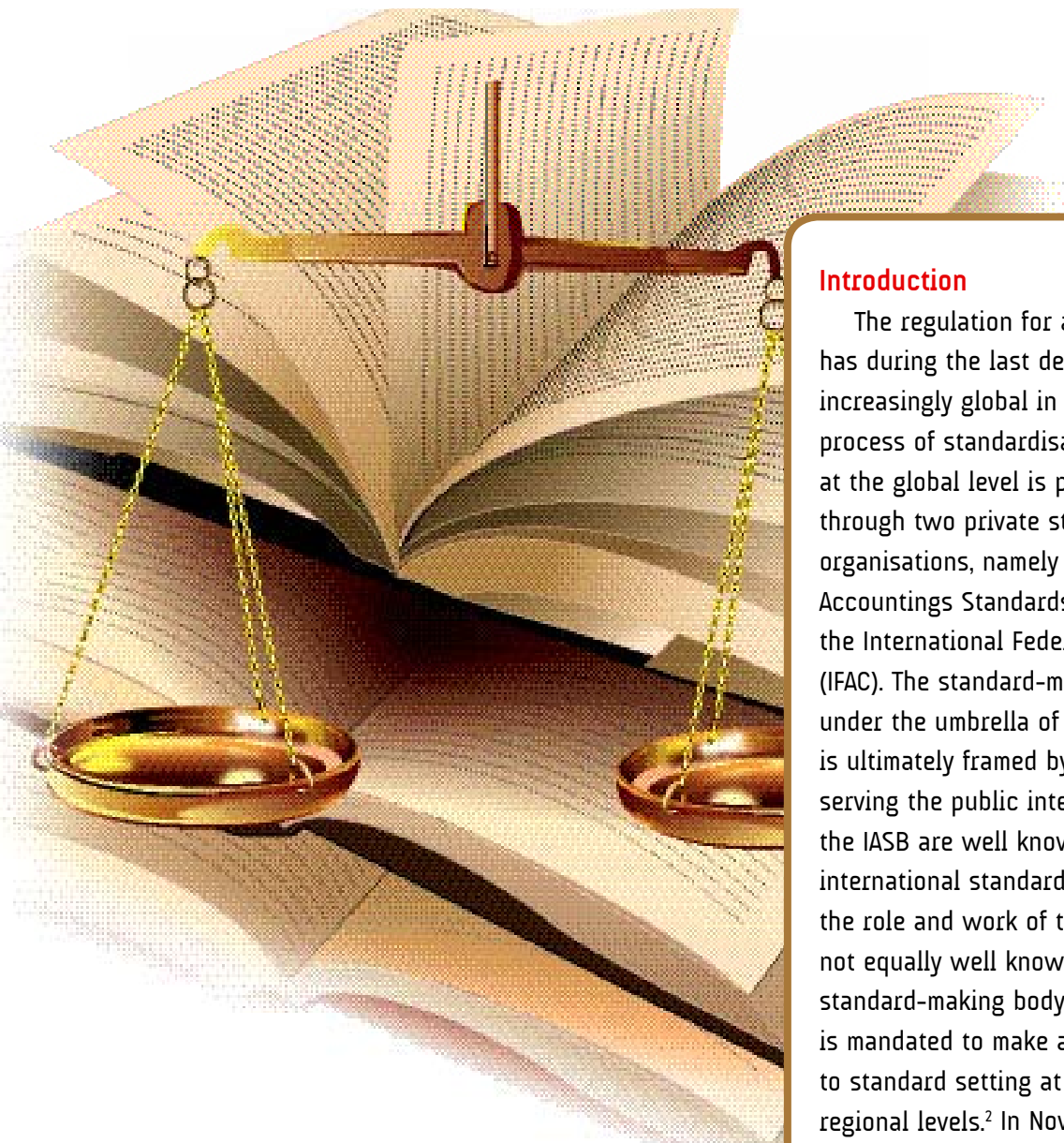


The United Nations Intergovernmental Standards of Accounting and Reporting

25 years of work on promoting international transparency in corporate reporting



Introduction

The regulation for accountancy and audit has during the last decades become increasingly global in its nature. The process of standardisation of the regulation at the global level is primarily pursued through two private standard-making organisations, namely the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC). The standard-making work pursued under the umbrella of both the organisations is ultimately framed by the aspiration of serving the public interest.¹ Both IFAC and the IASB are well known in their capacity as international standard-making organisations, the role and work of the UN-ISAR is however not equally well known. Albeit not a standard-making body per se, the UN-ISAR is mandated to make a positive contribution to standard setting at the national and regional levels.² In November 2008 UN-ISAR celebrated their 25th anniversary at their annual session.³ This article thus provides an opportunity to become introduced and acquainted with the mandate and role of the UN-ISAR.



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More specifically, this article highlights the key proceedings from the United Nations Intergovernmental Standards of Accounting and Reporting (UN-ISAR) celebration of 25 years of work in promoting international transparency in corporate reporting at their annual session in November 2008. In celebrating a quarter of a century's worth of work the UN-ISAR, at their annual session in 2008 the agenda comprised of the following subject matters: 1) Reflecting on the organisation's achievements during the last 25 years; 2) Country case studies of International Financial Reporting Standards (IFRS) implementations; 3) Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA) and 4) Corporate Social Responsibility reporting (CSR).

25 years with the UN-ISAR

During the last 25 years the UN-ISAR has provided a forum for experts from both developing and developed economies to consider and discuss continued requirements in the area of financial and non-financial reporting. The UN-ISAR has always played a special role in its capacity as an intergovernmental body and the interest for the sessions, often with around 200 experts attending, has been high. In times when experts in accountancy and financial reporting from developing economies have been under-represented in private standard-setting bodies, the UN-ISAR has offered these actors an all inclusive forum where they could identify their policy needs and agree on common approaches. A critical contribution of the work of the UN-ISAR has been its focus on accounting and financial reporting not only in developed economies but also, and perhaps foremost in developing economies. Through their work important questions on, for example, why accounting matters

in terms of socio-economic development or the role it plays in transition economies. In addition the organisation was a pioneer, already back in the early 1990s attempting to push to create a more equal education basis for professional accountants with the aim of harmonising the 'status' of professions across the globe.

Over its 25 years of activity the UN-ISAR has worked with numerous issues relevant to the global world of accountancy and financial reporting. Topics have included; reporting on environmental performance; accounting reform and retraining transition economies; strengthening the accounting profession and hereunder the development of a global model curricula for the education of professional accountants; corporate governance disclosure; corporate responsibility reporting; and accounting and small and medium sized enterprises (SMEs).

Current focus of the UN-ISAR

The credit crisis: The UN-ISAR has throughout their history been attentive and involved in accountancy and financial reporting issues that emerge during and after financial crises. The current credit crisis was a key focus at the 25th session of the UN-ISAR. Concerns were raised at the session in regard to the negative impact that the unfolding credit crisis has on investors' confidence. The Secretary-General of UNCTAD, Supachai Panitchpakdi, noted that "the crisis has put to test the robustness of accounting and reporting standards. One lesson that could already be learned from the current crisis is the need to thoroughly consider – early in the standard setting process – the practical implications of recognition, measurement and disclosure requirements including in circumstances where

markets around the world become severely illiquid. A truly global standard setting process needs to take into consideration the liquidity of financial markets not only from the perspective of developed markets, but also from those of emerging and developing ones."

Review of practical implementation of IFRS:

The UN-ISAR has for a number of years issued reviews of practical implementation of IFRS. At their session in 2008, the UN-ISAR discussed country case studies of Egypt, Poland, Switzerland, and the United Kingdom of Great Britain and Northern Ireland (available at www.unctad.org). In similarity to the session held in 2007, the deliberations of the 2008 session on this agenda item highlighted a number of technical and institutional challenges.

Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA), Level 3 guidance:

An important activity during 2008 for the UN-ISAR was that of updating their document on "Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA) – Level 3 guidance" (TD/B/C.II/ISAR/50) (available at www.unctad.org). Representatives at the 25th session of the UN-ISAR welcomed the revisions proposed and requested that the publication was finalised and disseminated widely.

Corporate responsibility and corporate governance disclosure:

UN-ISAR has over the last decade recognised the increasing integration of social and environmental issues into the broader corporate governance framework will be of increasing importance. The organisation emphasises that high-quality reports on environmental, social and governance issues add value for policymakers, shareholders and other stakeholders as well as promoting more stable and sustainable economic development.

Guide to Energy Derivatives and Energy Hedging

This paper is produced in an endeavor to educate professionals from diverse backgrounds at a policy making level. The paper introduces the reader to the building blocks of hedging or commodity risk management. The following pages provide a conceptual overview of Derivatives, Applications, and Potential Benefits.

This paper must be seen as a foundation to the arena of Derivatives and Hedging. Written in simple language, it is within the comprehension of those involved in the non-financial sector. Focus is on the basic concepts, targeted at those who seek to gain a rudimentary knowledge on these instruments.

We have seen an exponential growth in the use of Derivatives and it keeps growing with new exotic and structured products being developed and brought to the market on a regular basis for retail and institutional investors. As the global capital markets get increasingly competitive, commodity prices become volatile due to multiple reasons. The introduction of Hedging has become imperative in order for margin preservation and for survival.

A review of the aviation industry's sensitivity to the rising jet fuel price explicitly reflects the merits of having a fuel hedging program in place. Analysis of the empirical data provides a black and white snap shot of the results of the jet fuel hedging program. Air lines that had a hedging program in place or introduced such a program on a timely manner survived. Those who failed to hedge the fuel exposure went into bankruptcy. The message is clear. Hedging has become a critical survival tool for those entities that have an exposure to energy commodities (crude oil, propane) and foreign exchange.

Following the recent failures of Barrings Bank, Enron, and Orange County, which were caused by blatant misuse of Derivative trading, and departure from established trading protocols, there are apprehensions about Derivative trading. These are but a few isolated incidents.

This paper aims to "demystify" Derivatives and Hedging.

I welcome comments on the paper from my readers. I can be contacted at uarunajith@can.rogers.com

HEDGING

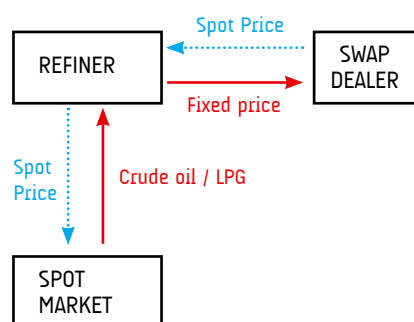
Hedging – What is hedging?

Hedging is a commodity price risk management mechanism in a volatile cash market. "Futures", "Options" and "OTC" Derivatives facilitate the hedging process by taking an opposite position to the cash market.

The objective of hedging is margin preservation by means of obtaining purchase / sale price stability in a volatile spot market regardless of the direction of the spot market price movement.

Hedging has become an integral part of the crude oil, and LPG trading process to insulate the producers, refiners and the end users from adverse price movements of the global spot market.

Fixed for floating commodity swap



Above is a box and arrow graphical illustration of a fixed for floating vanilla commodity swap. Herein, the refiner has locked in a fixed purchase price or the



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