
AN AGREEMENT

to establish an
International
Accounting Standards
Committee

London
Friday 29th June 1973

agreement

1 The professional accountancy bodies which are signatories hereto, hereby collectively agree:

- (a) to establish and maintain an International Accounting Standards Committee, with the membership and powers set out below, whose function will be to formulate and publish in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance and observance;
- (b) to support the standards promulgated by the Committee;
- (c) to use their best endeavours:
 - (i) to ensure that published accounts comply with these standards or that there is disclosure of the extent to which they do not and to persuade governments, the authorities controlling securities markets and the industrial and business community that published accounts should comply with these standards;
 - (ii) to ensure that the auditors satisfy themselves that the accounts comply with these standards. If the accounts do not comply with these standards the audit report should either refer to the disclosure of non-compliance in the accounts, or should state the extent to which they do not comply;
 - (iii) to ensure that, as soon as practicable, appropriate action is taken in respect of auditors whose audit reports do not meet the requirements of (ii) above;
- (d) to seek to secure similar general acceptance and observance of these standards internationally.

The professional accountancy bodies which are signatories hereto, further agree that the International Accounting Standards Committee, with the objectives, functions, powers, composition, organisation and financial arrangements set out in its Constitution, shall be a part of the International Co-ordination Committee for the Accountancy Profession established by the Heads of Delegations to the Xth International Congress of Accountants in Sydney but shall be autonomous in the issue of exposure drafts and standards. The Constitution of the International Accounting Standards Committee shall not be reviewed until the end of 1976 without the agreement of the International Accounting Standards Committee and the International Co-ordination Committee for the Accountancy Profession.

Constitution

membership

- I** (a) The membership of the International Accounting Standards Committee will consist of not more than 2 members per country (and for the purposes of this Constitution the United Kingdom and the Republic of Ireland shall be treated as though they were one country) .nominated by the accountancy bodies thereof which are signatories to this Constitution. The members may be accompanied at meetings of the Committee by a staff observer.
- (b) An accountancy body of a country not represented on the Committee under (a) above may, on request, become an Associate Member provided that the Committee is satisfied that it is prepared to subscribe to the objectives set out in the Agreement; is representative of the profession in that country; has standards and resources which would enable it to contribute towards the work of the Committee ; and is willing, on the invitation of the Committee, to nominate members to carry out particular assignments or to join working parties or groups constituted to undertake tasks allotted by the Committee. Associate Members would not be entitled to attend meetings of the Committee nor to vote but may attend the meetings of the Committee by invitation.
- (c) The members of the Committee and the persons nominated by Associate Members shall not regard themselves as representing sectional interests but shall be guided by the need to act in the public interest and the general interest of the accountancy profession as a whole.

officers

- 2** The Committee shall be presided over by a Chairman elected by a simple majority for two years by the members of the Committee from amongst their numbers and shall not be eligible for re-election. ~

voting

- 3** Each country represented on the Committee shall have one vote which may be taken by a show of hands or by postal ballot. Except where otherwise provided, the decisions of the Committee shall be taken on a simple majority.

powers

- 4** (a) The Committee shall have power, subject to a vote of two-thirds in favour, to issue proposals (including

amendments to existing statements) in its own name in the form of exposure drafts for comment. Exposure drafts shall be addressed to professional accountancy bodies entitled to participate in International Congresses. They may also be addressed to such governments, securities markets, regulatory and other agencies as the Committee may determine.

- (b) After a suitable period has been allowed for comment, the Committee shall review such proposals and approve, amend or abandon them as it may consider fit. No standard shall be issued for publication unless it is approved, on a vote, by at least three-quarters of the total voting rights. Every standard so approved shall be published by the participating professional accounting bodies, which are signatories hereto, and in the countries to which Associate Members belong. The standards will also be addressed to other professional accountancy bodies entitled to participate in International Congresses. They may also be addressed to such governments, securities markets, regulatory and other agencies as the Committee may determine.
- (c) Dissident opinions will not be included in any exposure drafts or standards promulgated by the Committee. Exposure drafts will however include the arguments for and against the adoption of a particular standard.

operating procedures

- (**5**) (a) The Committee shall determine its operating procedures so long as they are not inconsistent with the terms of this Constitution.
- (b) The definitive text of any exposure draft or standard shall be that published in the English language. The Committee shall give authority to the individual participating bodies to prepare translations of exposure drafts and standards. The responsibility for and cost of translating, publishing and distributing copies in any country shall be borne by the professional bodies of the country concerned.

~ financial arrangements

- 6** (a) An annual budget for the ensuing calendar year will be prepared by the Committee and submitted in August each year to the Councils of the accountancy bodies which are signatories hereto.
- (b) Each country shall contribute on 1st January each year a sum equal to one-ninth of the annual budget for that year.
- (c) The following expenses will be a charge against the revenues of the Committee:
- (i) costs of staff employed in, and the operating costs of, the permanent office of the Committee *excluding* the rent, rates and any taxes of the permanent office which shall be borne by the professional body or bodies of the country where the permanent office is located;
 - (ii) the travelling, hotel and incidental expenses of one member of each of the countries represented on the Committee;
 - (iii) the travelling, hotel and incidental expenses of the permanent staff who are required to attend meetings of the Committee.
- (d) Any surplus of revenue over expenditure in any one year shall be retained by the Committee and carried forward to the following year.
- (e) The travelling, hotel and incidental expenses of the second member of the Committee and of the staff observer from each of the countries represented shall be borne by the professional body (ies) of the country concerned. The same arrangement will apply to persons nominated by Associate Members to working parties constituted by the Committee or to carry out specific assignments on behalf of the Committee.

meetings

- 7** Meetings of the Committee shall be held at such times and in such places as the members of the Committee may mutually agree.

permanent office

- 8** The location of the permanent office of the Committee shall be London.

secretariat

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The accountancy bodies in the United Kingdom and the Republic of Ireland will be responsible, subject to the approval of the Committee, for recruiting staff for the permanent office in London.

signed for and on behalf of
The Institute of Chartered Accountants in Australia
Australian Society of Accountants

E. H. BURGESS

signed for and on behalf of
The Canadian Institute of Chartered Accountants

P. HOWARD LYONS

signed for and on behalf of
Ordre des Experts Comptables et des Comptables Agréés

ROGER CAUMEIL

signed for and on behalf of
Institut der Wirtschaftsprüfer in Deutschland e V
Wirtschaftsprüferkammer

DR. KRAFFT FRHR. VON DER TANN

signed for and on behalf of
The Japanese Institute of Certified Public Accountants

SHOZO TATSUMI

signed for and on behalf of

Instituto Mexicano de Contadores Publicos, A. C.

J. FREYSSINIER

*Signed for and on behalf of
Nederlands Instituut van Registeraccountants*

J. W. SCHOONDERBEEK

*signed for and on behalf of
The Institute of Chartered Accountants in England and Wales
The Institute of Chartered Accountants of Scotland
The Institute of Chartered Accountants in Ireland
The Association of Certified Accountants
The Institute of Cost and Management Accountants
The Institute of Municipal Treasurers and Accountants*

HENRY BENSON

*signed for and on behalf of
American Institute of Certified Public Accountants*

WALLACE E. OLSON