

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE INTERNATIONAL ACCOUNTING STANDARDS BOARD
AND
THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

Objective of the Memorandum of Understanding

- 1) The International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) have objectives that include:
 - a. the development, in the public interest, of high quality and enforceable global financial reporting standards to improve global financial reporting; and
 - b. the promotion, adoption and rigorous implementation of those standards.
- 2) The focus of the IASB's objective is to help investors and other participants in the world's capital markets, and other users of financial information make economic decisions. IFAC's mission is to serve the public interest by, inter alia, contributing to the development, adoption and implementation of high quality international standards and guidance for the public sector.
- 3) The IASB and IFAC share a conviction that that the confidence of all users in the transparency and integrity of financial reporting is critically important to the effective functioning of capital markets and efficient capital allocation. Transparent financial information will improve users' confidence in that information, and thus contribute to promoting global financial stability and sound economic growth. Such information also enhances the accountability of entities to their stakeholders.
- 4) To achieve the objectives set out above, the IASB and IFAC agree to commit to enhance initiatives of common and mutual interest.
- 5) IFAC supports the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board. IPSASB develops International Public Sector Accounting Standards (IPSASs) that provide principles-based requirements for public sector entities. Public sector entities include national

governments, sub-national governments, local government units, agencies and regulatory bodies. They also include international organisations such as bodies within the United Nations group.

- 6) Although the IASB's constitutional brief is wide, it has focused primarily on developing International Financial Reporting Standards (IFRSs) for profit-oriented entities. Profit-oriented entities include those engaged in commercial, industrial, financial and similar activities.
- 7) IFAC and IASB consider that the initiatives in this Memorandum of Understanding will also be beneficial for the financial reporting of not-for-profit entities, which, while predominantly private sector entities, share some of the characteristics of public sector entities.
- 8) Background information on the IASB and the IFAC and the IPSASB is provided in the appendix to this Memorandum of Understanding.

Communication and co-operating process

- 9) In the near term, the IASB and IPSASB will continue to hold regular liaison meetings, to update each Board on their respective work programmes and to highlight financial reporting issues where alignment between the requirements of the IASB and the requirements of IPSASB is necessary.
- 10) The IASB has observer status at IPSASB board meetings. The IASB staff has also contributed, and will continue to provide input, to specific IPSASB technical projects, particularly the project to develop a Conceptual Framework for public sector entities.
- 11) In the light of the sovereign debt and global financial crises, the IASB will emphasise to stakeholders the importance of sound and transparent financial reporting in the public sector, including the application of accrual accounting by public sector entities.
- 12) IFAC is a member of the IFRS Advisory Council, which is the formal advisory body to the IASB and the Trustees of the IFRS Foundation. In that role IFAC provides input on the IASB's agenda, work programme and implementation of standards.

- 13) IFAC, through its independent standard-setting body, the International Auditing and Assurance Standards Board (IAASB), also has an active working relationship with IASB in discussing audit issues in the development of IFRS. There is an annual visit from an IASB member to the IAASB and there are also regular meetings between the Chair and Deputy Chair of the IAASB and members and staff of the IASB.
- 14) IFAC also promotes the use of IFRSs through its member compliance program. Member bodies of IFAC are required to notify their members of the publication of every IFRS. They are also required to use their best endeavours to incorporate IFRSs in their national accounting requirements or to persuade those responsible for developing those requirements that general purpose financial statements should comply with IFRSs, or with local accounting standards that are converged with IFRSs. They are also required to use their best endeavours to assist with the implementation of IFRSs, or with local accounting standards that are converged with IFRSs.
- 15) IASB and IFAC will encourage their respective constituencies, including the preparers and users of financial reports, national and other accounting standard-setting bodies and IFAC member bodies, to provide feedback on relevant projects developed by both organisations. This will assist both organisations to develop standards that could be applicable to both public and private sector entities.
- 16) In the medium to longer term, IASB and IFAC will mutually consult on projects where both parties are likely to benefit from consideration of both private sector and public sector perspectives. Examples could include emissions trading schemes, discount rates, service concession arrangements and regulated activities. IASB and IFAC both recognise the need to undertake such collaborative work in a manner that is consistent with their respective established due processes.
- 17) The IASB and IFAC also agree to discuss the future institutional and governance arrangements for standard setting for the public sector. There are a number of potential options for enhancing the public interest, including the IASB and the IPSASB operating under a single governing body, or a single standard setter setting requirements for both the public and private sectors. It is important to identify which option best serves the public interest.

- 18) The initiatives above will be monitored and the achievements assessed on an on-going basis and reported to the IASB and IFAC Board.
- 19) This Memorandum of Understanding will be reviewed by both parties no later than 31 December 2014.



Hans Hoogervorst

Chair

International Accounting Standards Board



Göran Tidström

President

International Federation of Accountants



Ian Ball

Chief Executive Officer

International Federation of Accountants

APPENDIX

The International Accounting Standards Board (IASB) was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.

The International Federation of Accountants (IFAC) was founded in 1977 and is the global organisation for the accountancy profession. It works with its 158 member organisations in 123 countries to protect the public interest by encouraging high quality practices by the world's accountants. IFAC members represent 125 million accountants employed in public practice, industry and commerce, government and academe. Its structure and governance provide for the representation of its diverse constituencies and interaction with external groups that rely on or influence the work of accountants.

The International Public Sector Accounting Standards Board (IPSASB) is an independent standard-setting board that develops high-quality international public sector accounting standards (IPSASs), guidance, and resources for use by public sector entities around the world for preparation of general purpose financial statements. The members of the IPSASB are appointed by the Board of IFAC following recommendations from IFAC's Nominating Committee. The IPSASB comprises 18 members, 15 of whom are nominated by the member bodies of IFAC and three of whom are appointed as public members. Public members may be nominated by any individual or organization.

The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards. The members of the IAASB are appointed by the Board of IFAC following recommendations from IFAC's Nominating Committee. The IAASB comprises 18 members, 10 of whom are nominated by the member bodies of IFAC, five of whom are nominated by the Transnational Auditors Committee and three of whom are appointed as public members. Public members may be nominated by any individual or organization.

IFAC's overall mission is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies.