

The G4's role in the evolution of the international accounting standard setting process and partnership with the IASB

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Abstract

Between 1992 and 2001, representatives of the G4 national accounting standard setting bodies and the International Accounting Standards Committee (IASC) participated in a working group known as the G4+1. Immediately following the formation of the International Accounting Standards Board (IASB), the G4 announced that the working group would no longer meet. Alternatively, the G4 national standard setters would form a partnership with the IASB via liaison representatives.

This paper focuses on the objectives and mission of the G4+1, the G4's relationship with the IASC, the impact of the G4 on the restructuring of the IASC to establish a quality independent global accounting standard setter, former G4 participants' perceptions of the IASB, and the significance of the IASB's current partnership with the G4 national accounting standard setters. The paper additionally discusses recent changes to the IASC Foundation Constitution and considers how modifications to the liaison structure may impact the IASB's partnership with its G4 national standard setting partners.

Portions of a monograph published by the Institute of Chartered Accountants in England and Wales entitled *Inside G4+1: The Working Group's Role in the Evolution of the International Accounting Standard Setting Process* provide the background for the paper.

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1. Introduction

Inside G4+1: The Working Group's Role in the Evolution of the International Accounting Standard Setting Process (Inside G4+1) (Street, 2005) provides a comprehensive analysis of

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the G4+1's impact on accounting thought and practice and on the advancement of the international accounting standard setting process. Building on *Inside G4+1*, this paper focuses on the objectives and mission of the G4+1, the G4's relationship with the International Accounting Standards Committee (IASC), the impact of the G4 on the restructuring of the IASC to establish a quality independent global accounting standard setter, former G4 participants' perceptions of the International Accounting Standards Board (IASB), and the significance of the IASB's current partnership with the G4 national standard setters. The paper also discusses recent changes to the IASC Foundation Constitution and considers how changes to the liaison structure may impact the IASB's partnership with its G4 national standard setting partners.

In 2001, the IASC closed shop and a new breed of international accounting standard setter emerged. While various catalysts contributed to the restructuring of the IASC, a group of national accounting standard setters representing Australia, Canada, New Zealand (N.Z.), the United Kingdom (U.K.), and the United States (U.S.) played a major role. In *Shaping IASC for the Future*, the Strategy Working Party noted the "IASC must now consider structural changes." Alternatively, "other national, regional or international bodies are likely to emerge to fill the gap . . . and become de facto global or regional standard setters" (IASC, 1998a, p. 52). Clearly the G4 was one of the bodies referred to by the Strategy Working Party. Consistent with the G4's mission and vision of the ideal global accounting standard setter, the IASB now strives to operate as an independent standard setter focused on developing accounting standards that best address the needs of investors and other financial statement users.

Immediately following the formation of the IASB, the G4 announced in January 2001 that the working group would no longer meet. Alternatively, the G4 national standard setters would form a partnership with the IASB by means of liaison representatives. The IASC's requiescat to the G4 stated: "The G4+1 provided a valuable arena for the debate of several fundamental issues . . . The standard-setters who had the foresight to create such a forum deserve our thanks" (IASC, 2001, p. 18).

2. Overview of *Inside G4+1*

Inside G4+1 recounts the activities and contributions of a working group of accounting standard setters known as the G4+1 and more importantly reviews the working group's role in establishing a new approach for the development of high-quality global accounting standards (Street, 2005). The report is based on publicly available data (G4+1 discussion papers and communiqués and popular press and other articles on G4+1) and interviews conducted with 11 individuals who participated in the G4+1 working group.

The G4 included the following national accounting standard setting bodies: Australian Accounting Standards Board (AASB), Canadian Accounting Standards Board (AcSB), U.K. Accounting Standards Board (ASB), and U.S. Financial Accounting Standards Board (FASB). Additionally, representatives of the Australian Accounting Research Foundation (AARF) participated in the working group. Representatives of the N.Z. Financial Reporting Standards Board (FRSB) also eventually joined the group. With the IASC serving as an observer, the working group was collectively referred to as the G4+1.

Inside G4+1 is primarily based on a series of comprehensive interviews with two individuals that represented the IASC (former Secretary Generals Sir Bryan Carsberg and David Cairns) and nine individuals that represented the G4 national standard setters in the working group.

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