

# CGA, CMA, FMI Annual PD Workshop March 1 and 2, 2011

Accounting's Changing Landscape

Keynote Address

Arn van Iersel, FCGA



# The Origins of Accounting

- The world's other oldest profession?
- Babylonian Accounting Records 4,500 B.C.
- Code of Hammurabi 2250 B.C.
- Fra Luca Pacioli-double entry bookkeeping 1494 A.D.

“We have had a long time to get it right-or have we?”



# What if Accountants did not Exist?

One of the ways to judge the value of something is to ask:

“What would be the consequences of it no longer being there?”

# What If the Accounting Profession Did not Exist?

- Some might say “Good”
- To be a little more fair, we would lose amongst others:
  - Ability to compare, in dollar terms, the relative value of a country, a business, or an individual
  - Ability to judge in a monetary way the progress being made over time.
  - The agreed standards by how we measure financial wealth and performance
- The strength of accounting however is also one of its weaknesses i.e.  
Money in itself is not a perfect measure!



# My Unbiased Conclusion

- Accounting and the accounting profession is far from perfect but it is better than the alternative of it not being there.
- This does mean however that we have to collectively strive to improve the profession and its practices.
- A particular challenge is going beyond the financials!

# We are not wimpy!



**"I'd say your first mistake was in calling him a wimpy accountant."**

# Accountants-Significant Contributions

- Double Entry bookkeeping
- Professional Standards e.g. GAAP and GAAS
- Code of Professional Conduct
- Performance Measurement Framework
- Management Discussion and Analysis
- Independent Assessment-e.g. audit Opinions
- Improved organizational governance e.g. Board and Audit Committee requirements (Sarbanes Oxley and Canadian Securities Administrators)

# Accountants-Public Sector Contributions

- Public Sector Accounting Standards (PSAB)
- Full accrual versus cash accounting
- Capitalization of Assets
- Accrual Budgeting
- Focus on net Debt
- Management Disclosure and Analysis
- Recommended standards for measuring performance  
e.g. Debt to GDP

# BC Public Sector Accounting Highlights

- Comptroller General created in early 1900's
- Creation of Auditor General-mid 1970s
- Modified accrual accounting -early 1980s
- One Enterprise Accounting system-late 1990s
- Capitalization of Assets-early 2,000s
- Accrual budgeting-early 2,000s
- Move to one accounting standard (PSAB) for non-commercial organizations 2011



# Some Challenges Along the Way

- Complexity of accounting standards and financial statements
- Money as an incomplete measure
- World Com, Enron, Nortel, Tyco, etc
- Multiple Accounting standards and varied accounting practices around the world (FASB, PSAB, IFRS etc)
- Multiple accounting bodies (CGA, CA, CMA, CPA etc)
- Continuous change
- Public Confidence and trust



# Speaking of Confidence and Trust

Ipsos-Reid poll December 2006 of most trusted occupations (rated “Extremely Trustworthy” or “Trustworthy”)

- Firefighters-93
- Doctors-80%
- Accountants-54%
- Lawyers-25%

# The wrong view of Accountants



**"I like the creative way you manipulate reality. You may be just the man we need to write our corporate annual reports."**



# Where to from here?

- Better explanations /interpretation/simplification of the financial statements , what they mean, business/government implications, etc.
- Going beyond the numbers e.g. triple bottom line (Financial, Social and Environmental)
- Further consolidation of accounting standards and professional bodies.
- Becoming the number one trusted advisor in the boardroom and in the eyes of the public.



# What is Your Role?

- Speak to the need to move beyond the numbers
- Challenge what you see in the profession
- Be an educator if you cannot explain in one page something is wrong.
- Provide solutions not problems
- Maintain a healthy professional scepticism
- Focus on the value added-e.g. how the profession will play its part in sustainability
- Continuous improvement
- Transparency and accountability
- Take the long view-the next 20 years- not just short term results

# One approach to moving the agenda

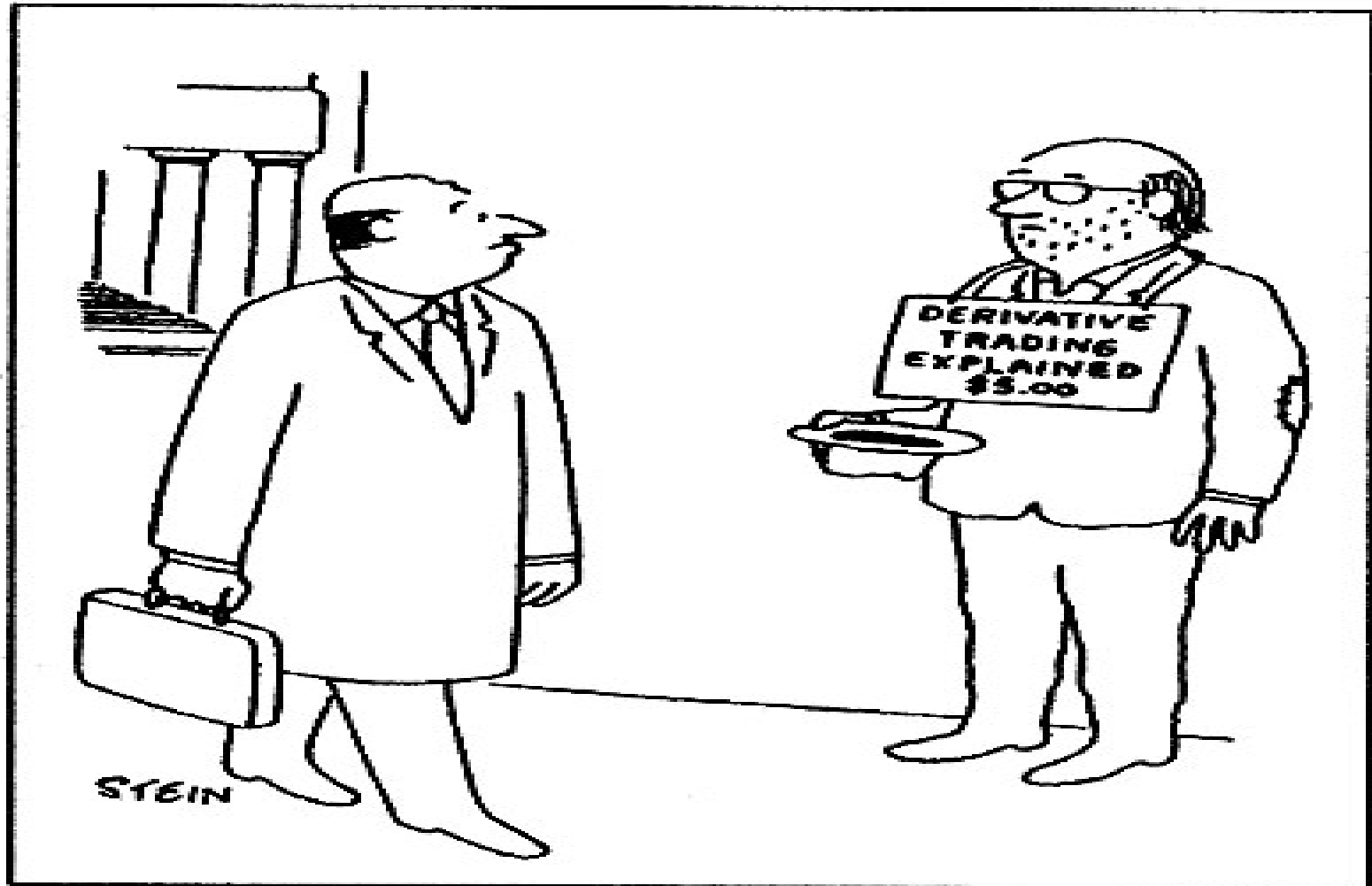




# Moving ahead

- Some interesting work is already underway:
  - Global Reporting Initiative-sustainability reporting framework.
  - Formation of International Integrated Reporting Committee-integrating sustainability reporting with traditional financial reporting.
- “Be the change that you wish to see in the world”.  
(Mahatma Gandhi)
- We want accountants at the forefront not on the side-lines.

# Where not to end up!!!!





# Comments and Questions

- Thank YOU!!!
- I would be pleased to now take any remaining comments and questions.



# Contacts

Arn van Iersel, FCGA

Phone: Home-250-652-4865

Cell-250-516-4865

E-mail: [avaniersel@shaw.ca](mailto:avaniersel@shaw.ca)