

Preface to IFAC's International Good Practice Guidance



International
Federation
of Accountants

Professional Accountants in Business Committee
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The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

This publication was prepared by IFAC's Professional Accountants in Business (PAIB) Committee. The PAIB Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. Its aim is to enhance the role of professional accountants in business by encouraging and facilitating the global development and exchange of knowledge and best practices.

This publication may be downloaded free-of-charge from the IFAC Web site at <http://www.ifac.org>. The approved text is published in the English language.

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ISBN: 978-1-934779-38-5

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PREFACE TO IFAC'S INTERNATIONAL GOOD PRACTICE GUIDANCE

Objectives

1. In pursuit of its goals of serving the public interest, strengthening the accountancy profession worldwide, and contributing to the development of strong international economies, the International Federation of Accountants (IFAC) develops standards, statements, information papers, guidance, and special reports. This Preface sets out the scope, purpose, and due process of International Good Practice Guidance (IGPG) published by IFAC's Professional Accountants in Business (PAIB) Committee (the Committee). IGPG, which starts by clearly identifying **principles**, (a) is generally accepted internationally, and (b) applies to organizations of all sizes in commerce, industry, the public sector, education, and the not-for-profit sector.

Scope and Purpose

2. IGPG covers management accounting and financial management, as well as broader topics in which professional accountants in business, sometimes in conjunction with professionals from other disciplines, are likely to engage. IFAC's prime **purpose** in issuing guidance in these areas is to foster a common and consistent approach to those aspects of the work of professional accountants in business that are not already covered by international standards. A secondary purpose is to help professional accountants in business to explain their work to non-accountants. By setting out principles for each topic, the documents create a contextual background for the more detailed methods and techniques used by professional accountants in business.

The Importance of Principles

3. A significant feature of IGPG is its explicit grounding in principles (paragraph 8). The Committee reviews available guidance in a topic area, applying the extensive expertise and experience of its members and IFAC member bodies to draw out a set of globally applicable statements of principles. These principles should (a) guide the thought processes of professional accountants in business when they tackle the relevant topic, and (b) underpin the exercise of the professional judgment that is important in their roles. They provide the professional accountant in business (and those served by them) with a common frame of reference when deciding how to address issues encountered within a range of individual organizational situations. General guidance supports the consistent implementation of the principles and, where appropriate, provides signposts to sources of greater detail.

Due Process

4. Although IGPG does not impose an obligation on professional accountants in business, it does represent IFAC's recommended practice in the areas it covers. Therefore, each proposed guidance document is subject to a formal **due process**, whose key component is wide consultation including public exposure. The due process for IGPG is appended and is derived from the due process used by IFAC's public interest activity committees, but also reflects the Committee's meeting and operational procedures. Following due process is

intended to ensure both the quality and global applicability of the final document, attributes that lend the document its authority.

Getting the Most Out of International Good Practice Guidance

5. Professional accountants in business should consider the relevance of IGPG documents to their organizational roles. The extensive and vital range of roles they perform is featured in the Committee's 2005 publication [*The Roles and Domain of the Professional Accountant in Business*](#) [web link]. Their roles include understanding and driving the creation of value; provision of information for decision-making, accountability and control; performance measurement and communication to stakeholders; financial control; improving efficiency; and managing risk. IGPG documents help professional accountants in business to select and apply the appropriate tools for analyzing and managing organizations in performing these critical tasks. This will encourage professional accountants in business, irrespective of geographical location or size or type of employer, to adopt broadly consistent approaches to their work. Some organizations might find it useful to distribute the content to subsidiaries, or to stakeholders in their value chain.

6. The Committee recommends that professional accountants in business (a) use the principles in IGPG to guide their decision-making, and (b) use the application guidance and signposting to other resources to consider how to implement guidance in practice. Good practice is always evolving. Therefore, over time newer and better techniques and approaches to the work of the accountant will inevitably emerge. Although the Committee periodically reviews its IGPG, it is the personal responsibility of the professional accountant to keep abreast of developments that may affect their work. IGPG also builds on the fundamental principles of integrity; objectivity; professional competence and due care; confidentiality; and professional behavior already required of professional accountants in business by IFAC's [*Code of Ethics for Professional Accountants*](#) [web link].

Content

7. An IGPG document will typically include the following content:
 - **General overview of why the topic is important**, including:
 - Topic introduction and objective of the guidance
 - Typical roles of the professional accountant in business in relation to the topic
 - **Principles that are widely accepted features of good practice**, including:
 - Definitions of key terms
 - Key concepts and frameworks (where they exist)
 - **Practical application guidance to support implementation of the principles**, including:
 - Recognition of challenges and issues and sector-specific issues

- Practical examples of practice in the topic area
 - **Signposting to other key sources of information (resources).**
8. *Principles* represent fundamental generalizations that professional accountants in business should use as the basis of their reasoning and conduct. Principles typically provide a broad frame of reference, and stress starting points and boundaries rather than prescriptive rules. Principles, therefore, encourage the appropriate exercise of sound professional judgment by professional accountants in business.
 9. *Guidance* (application) supports the consistent implementation of principles, and recognizes issues and challenges in implementing good practice. Guidance also helps to clarify special issues in particular contexts, for example highlighting special considerations for public sector or small- and medium-sized entities.
 10. *Signposting* will ensure access to other key sources of information, including additional guidance, books, articles, websites, surveys, interviews, case studies, or critical analysis. Some of this information will be accessible via the IFAC KnowledgeNet, accessible at www.ifacnet.com.

Appendix

DUE PROCESS FOR IFAC'S INTERNATIONAL GOOD PRACTICE GUIDANCE

In order to assure itself that IGPG is authoritative and relevant, the Committee adopts the following due process and working procedures.

Project Identification, Prioritization and Approval

11. The Committee builds upon the work and input of various national professional accountancy bodies and others (through consultation and exposure) to select, develop and maintain IGPG. Comments and suggestions from those who have an interest in the development of international pronouncements for professional accountants in business also feed into the Committee's decision process.
12. In the context of the IFAC strategic plan and already published IGPG, the Committee identifies potential topics for IGPG based in part on review of national and international developments, consultation with member bodies and current guidance in the topic area under consideration.
13. For each proposed pronouncement, a project proposal establishes the rationale, objective(s) and scope, and identifies already available material, working procedures, responsibilities and resources required. It also considers whether specific individuals or organizations have relevant expertise in the topic. Project proposals are circulated to all other IFAC boards and committees to identify matters of possible relevance to the project.
14. A periodic review of IGPG will help to ensure that they remain current. The Committee will also consider comments submitted on published IGPG and include these in its discussions on prioritization.
15. The Committee considers and prioritizes project proposals and approves, amends, or rejects the project proposals in a meeting.

Development of International Good Practice Guidance

16. The Committee assigns responsibility for the development of IGPG to a task force within the guidelines established by the Committee. The composition of the task force will take into account specific areas of expertise or geographical representation that may be needed. External experts in the topic who are not committee members could be invited to participate.
17. When the task force is satisfied that it has a proposed exposure draft that is ready for consideration, it is presented to the Committee for approval.

Public Exposure and Approval of a Final International Good Practice Guidance

18. Before final publication, exposure of proposed IGPG to public consultation as an exposure draft allows interested parties to consider and comment on proposal publications. The exposure period is ordinarily 90 days.
19. The Committee considers responses and approves amendments based on comments received. The Committee does not enter into debate with respondents on individual comment letters, but a respondent could be asked to clarify a comment. Comments made by respondents are a matter of public record unless otherwise requested and are posted to the IFAC website after the end of the exposure period.
20. The Committee could decide that substantial changes warrant a re-exposure of a proposed pronouncement before its final publication.
21. Definitive IGPG is published on the IFAC website when the Committee approves a final version.



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