Profile: James Allen and Matthew Waldron
Working for the Benefit of the Investor

CFA Institute directors James Allen and Matthew Waldron consider their foremost responsibility to be to the investor. And—according to them—all senior executives and board members should work primarily for the benefit of the investor.

Intro

In the spring of 2010, James Allen, director of capital markets policy of CFA Institute, testified to the Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises of the US House of Representatives about the need for strong corporate governance measures that give shareowners an effective voice without unreasonably interfering with corporate boards.

In this interview, Mr. Allen and his colleague Matthew Waldron, director of CFA Institute’s Financial Reporting Policy Group, discuss what should be done to further improve corporate governance, financial reporting, financial auditing, and how financial reports could be made more useful to investors.

James Allen and Matthew Waldron: Brief bios

James Allen is director of capital markets policy in the Standards and Financial Market Integrity division of CFA Institute, where he helps develop and promote the capital markets positions, policies, and standards of CFA Institute. Previously, Mr. Allen worked with the former European Advocacy Committee, responding to policy initiatives of the European Commission and regulatory proposals of financial markets regulators in France, Germany, Switzerland, and the United Kingdom. He was rapporteur for the Global Corporate Governance Task Force in 2004 and 2005 and helped author The Corporate Governance of Listed Companies: A Manual for Investors.

Matthew Waldron is director of the Financial Reporting Policy Group at CFA Institute, where he represents membership interests regarding financial reporting and disclosure proposals issued by the US Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), and other regulators and standards setters. Previously, Waldron worked for KPMG and PwC, where he specialized in providing accounting and auditing services for clients in the financial services industry. He also worked for the Federal Home Loan Mortgage Corporation responsible for monitoring the activities of the US Securities and Exchange Commission, FASB, and other industry regulators.

See also “About CFA Institute” below.

About CFA Institute

CFA Institute is a global, not-for-profit organization comprising the world’s largest association of investment professionals. With more than 100,000 members and 136 regional societies around the world, CFA Institute is dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry. CFA Institute offers a range of educational and career resources, including the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) designations, and is a leading voice on global issues of fairness, market efficiency, and investor protection.

See also www.cfainstitute.org.
James Allen Interview

Market bubbles are usually created by some sort of government policy

Over the last 10–15 years, a lot of progress has been made in the area of governance but we never lost so many billions as we did last year. What went wrong in the area of corporate governance?

“My personal perspective of why we ran into such serious problems is that the bubble was aided by government policies. We had easy money from the mid-90s until about 2005, and then you had a public policy—at least here in the US—that pushed easy home ownership policies through Fannie Mae and Freddie Mac to the point where it crowded out many of the traditional private lenders. Seeing this as a hot market, though, these private lenders still tried to get in on it. But as they couldn’t get in via the traditional lending markets—the funding advantages of Fannie and Freddie made it difficult for private lenders to compete—they went to the higher risk markets, such as the negative amortization loans, the no down-payment loans, and the no documentation loans, to try to reduce their costs to make it more profitable for them. That ended up creating all sorts of problems.

“There have been some confusing signals sent by investors, regulators, and legislatures in this regard, and until they get those things straightened out, we will continue to see it. Frankly, I don’t believe I have ever seen a bubble that has been created by irrational exuberance on the part of the market alone. It is usually pushed along by some sort of government policy in one way or another.”

Companies need to work on behalf of their shareowners

What improvements would you recommend in the area of governance?

“We have made some significant steps forward over the past decade, but senior executives and board members need to truly believe in the importance of good governance and need to recognize that, essentially, they are working on behalf of their shareowners.

“Shareowners put their money in, and they are doing so in the hopes that senior executives and board members can make them a nice return. Senior executives and board members need to remember that. They are not working for themselves. They are not even working for the board. They are working for the benefit of the shareowners. It is a sort of servant-leadership position that they need to take.”

What exactly do you mean by servant-leadership position?

“In order to serve their shareowners, senior executives and board members need to attend to the interests of their customers, employees, and other stakeholders. If these stakeholders believe that companies are producing bad products or are polluting the environment, they will end up boycotting them. That will end up having an effect on the shareowners. Serving your shareowners and attending to your other stakeholders should not be a contradiction if you are looking at the long term.

“Equally, you don’t want to have a work force that is angry all of the time because of how it is treated by management. That is not serving the shareowner either (See also ‘Reconciling stakeholder interests, the General Motors case’).”
Reconciling stakeholder interests, the General Motors case

“Think about General Motors (GM). Over the past 20 or 30 years, GM has had an antagonistic relationship with its employees and its employees have had antagonistic relationship with GM, as well. So how did that relationship translate? In the late 1970s and into the 1980s, GM made some poor products that led to a significant loss of goodwill for the company. This ultimately translated into poor sales, which, in turn, translated into poor returns for the shareowners. By last year, it was forced into bankruptcy.

“This symbiotic relationship also exists the other way around: if companies are treating their employees fairly, are making good products, and serving their customers well, then they are also serving their shareowners’ best interests.”

Shareowners and regulators need to ensure that companies are practicing good governance

“Still, there is plenty room for gaming the system and, therefore, companies and boards need to have their feet held to the fire both by shareowners and by regulators to make sure that they are governing themselves the way that they said they would.

“There are a number of things that can and should be taken care of, and these are just the basics of regular corporate governance, such as cumulative voting, proxy access for shareowner nominees, majority voting, that sort of thing.”

Shareholders should be able to nominate the independent non-executive directors

Many issues in the financial crisis boiled down to weak board oversight. What would be your recommendation from an investor’s perspective?

“Companies in many jurisdictions are now required to have independent non-executive directors (INEDs), but essentially they are not truly independent. Oftentimes these INEDs are chosen by the management of a company. They may not have a direct connection with the company, but they may be good friends with the insiders.

“If changes aren’t made to make sure that the nominations process is independent and designed to look for the best possible individuals out there, and if you don’t allow for shareowners to have some say in that nominations process, then you are going to end up with board members who may just rubber stamp decisions or may not give their total attention to their responsibilities.

“And this might go on until you get some significant problems, which can prompt greater regulatory enforcement on those sorts of insider manipulations. This is an issue that is currently being considered here in the US by the Securities and Exchange Commission (SEC), so that the shareholders will better be able to nominate their INEDs.”
Ensure an independent board rather than one independent seat on the board

We also spoke with David Webb, who is a shareholder activist based in Hong Kong, and he mentioned that minority shareholders in many South Asian companies are often overruled by the previous owners or majority shareholders who may nominate their friends as INEDs.¹

“We talked about that with our volunteer advisors. We discussed whether there should be a specific position that is held for the nominee of external or minority shareowners. However, we rejected that idea, and concluded that if you were to do that, you might end up with one seat on the board that is specifically dedicated to external or minority shareowners. Then companies might believe that they don’t have to go along with the pretext of independence for the other nine or ten board seats. All of sudden, you have the view that, ‘with this one seat, we check our box and for the rest of it we can just go on the way we want to.’ It was viewed as undermining the overall independence of the board.”

In its report, Independent Non-Executive Directors: A Search for True Independence in Asia, CFA Institute included the following recommendations for improving the independence of INEDs in Asia:

1. Minority shareholders should be given sufficient influence over the nomination and election of directors to have an impact.
2. Companies need to provide shareholders with full biographical details on all the nominees/directors up for election/re-election in the Notice of the Annual General Meeting or other relevant shareholder circulars in advance of meetings.
3. A thorough definition of independence that insists on objectivity and independence in relation to both management and controlling shareholders is very important because of the ownership structure in Asian companies.
4. Independent exemptions should not be allowed.
5. The chairman should be an independent director.
6. An induction course to introduce new directors to the company, its operations, and strategy and to the applicable legal and regulatory framework is the absolute minimum level of training that should be required.
7. A regional director certification program should be established to develop director education and improve the effectiveness of independent directors and the director community in general.
8. Majority-independent boards should be considered best practice.

True independence starts in the nominations committee

How then should we ensure more independence in boards and committees?

“In the US, we have the independent audit committee now, and the new financial regulatory reform bill, which requires an independent compensation committee. But companies are not really mandated to have independence on the nominations committee. That is where it all begins. That is where we determine who gets on the board and who doesn’t, and if you improve the independence there then

¹ See also the interview with David Webb in this series at www.ifac.org/frsc.
you might start to see some changes in board and committee compositions, instead of having a few individuals with seven or eight different board memberships. Companies might get some people who have more time to pay attention and look after the details.

**You need people who devote their time, attention, and energy to the board**

*They call it the “old boy’s network” don’t they?*

“There was this sort of class of professional board members—as my colleagues in the Hong Kong office point out, this is definitely true and prevalent in Asia—and they sit on boards and make a living out of that. The thing that came out of that period back in the early part of the twenty-first century was that if individual board members are overstretched with a number of different board positions, then they are not able to really devote the necessary amount of time to each of those mandates.

“What shareowners need to do—I actually started to do this myself with some of the small votes that I have in my mutual funds—is to look at how many mandates those board members have. If they are on six or seven boards already, you can vote against them. They may be qualified, but you know they are overstretched. You need people who are devoting their time and attention and energy to the board. They should not be there just because they are a professional board member.”

**Directors should invest in the companies in which they hold a board position**

*Do you have any views on remuneration for these independent directors?*

“Why pay a board member with stock options when they have not invested their own money in the company? Yes, they put in time for the company. But if you make them buy the shares, they will have a different perspective, because they have something at stake that comes from their own pockets. There are some companies out there that do that right now, and I think, in many cases, those are the companies that tend to be well governed and well run. If you are going to sit on a board of directors, you need to invest your own money into the company’s shares.”

*But do you then run the risk of short-termism?*

“It certainly won’t be any worse than is the case with share-based compensation. Remember, in these cases, these individuals have invested their own money in the company’s shares. And in most cases, shareowners are looking for long-term value creation, because that is where they are really going to make their money, not on short-term pops here and there.”

**If CEOs are good in tough times, you should reward them**

*In light of the financial crisis, do you have any views on what should be done in the area of executive remuneration?*

“You don’t really want to get governments involved in determining bonuses or setting pay. That is just a recipe for disaster and it rarely works to the end that they are trying to achieve. People are smart and they are going to figure a way around whatever government policies are adopted. Then they will say,
James Allen and Matthew Waldron

‘Look, this set-up is perfectly legal,’ and lo and behold, the remuneration is higher than it even was before!

“Shareowners need to hold board members responsible for their executive pay decisions. Board members need to do their jobs responsibly and make sure that the senior executives are being rewarded for actual performance and not being rewarded just for showing up.

“Along those lines, there have always been some comments about how this or that executive could make this much money, even though the company lost money. In some ways, difficult periods show whether or not the CEO is doing a good job. And if CEOs are good in these tough times, you should want to reward them.”

Shareowners should want companies to take risks

In a litigious environment like the US, isn’t there a strong incentive for companies to do governance right according to the rules, but wrong according to the interests of the customers, employees, or shareowners?

“The fear of litigation encourages board members to be very cautious about things, because they don’t want to get themselves into trouble. But part of the reason why people invest in companies is because they want them to take risks. You don’t make money unless you take risks. So shareowners should want companies to take risks. What some shareowners seem to have forgotten is that if they encourage companies to take risks, then sometimes they might end up losing their money. If this leads to a litigious environment and prevents board members from taking risks, then it is not really serving the interests of the shareowners (see also ‘American football: The perfect metaphor for a litigious American society’).”

American football: The perfect metaphor for a litigious American society

“I would say that American football—don’t get me wrong, I really like American football; I loved playing it in high school and watch it all the time—is the perfect metaphor for American society. The rules are very technical. There are replay rules, and often the outcome of a game hinges on this or that call. So the referees play a significant role in the game just because of the interpretation of the rules.”

“What remains is the question of how much risk a board should take on. You certainly don’t want to discourage them too much. It really is a balancing act and I think the best companies do a very good job of that.”

What’s their secret recipe?

“That is a good question. I am not sure I can answer that!”

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Matthew Waldron Interview

Global capital markets would be best served by one set of financial reporting standards

What reforms should be made in the area of financial reporting?

“We strongly favor the convergence of financial reporting standards. We believe that the global capital markets would be best served if accounting standards in jurisdictions around the world evolved to a point where there was one set of high-quality, understandable reporting standards.

“This would enhance comparability and analysis of investment opportunities globally, and when coupled with consistent application and enforcement, would increase investor confidence.”

Accounting standards must be of high quality and reflect economic reality

From a financial analyst’s perspective, do you have any preference as to whether this new, converged set of standards should be more rules based or more principles based?

“First and foremost, we favor accounting standards that are of high quality, that reflect economic reality, and that are transparent. We don’t necessarily have a preference for principles-based standards.

“Principles-based [standards] may reflect economic reality and transparency, provided they are of high quality and are consistently applied. Conversion to more principles-based standards that are inconsistently applied in different regulatory environments, auditing regimes, and cultures would not be beneficial to investors. Now on the other hand, rules-based standards tend to get very extensive and complex and, thus, may become problematic in application.”

But US generally accepted accounting principles (US GAAP) wasn’t born with 25,000 pages, so apparently market participants asked for it to grow. The same might happen again with International Financial Reporting Standards (IFRS). If you don’t change the underlying mechanism, then we will end up again with 25,000 pages. What should be done to prevent that?

“Well it depends on who you define as ‘market participants,’ because I think US GAAP grew mostly from the interpretive guidance from the preparer and audit communities. Principles-based standards must be clear and of high quality, otherwise the standard setters may need to expand them through interpretations, etc.”

Quality and quantity of reported information need to be balanced

Do you think financial reports nowadays suffer from disclosure overload?

“We hear frequently from preparers who say that the expanded disclosures aren’t used by investors. Yet when we go to roundtables, or in other forums, investors frequently ask for more quantitative and qualitative disclosures.

“Disclosure is clearly one of those areas where the quality and the quantity of the information need to be balanced. Disclosures provided in conjunction with the financial statements are essential to an investor’s understanding and analysis of the economics underlying the information contained in the statements. We believe that disclosures have a ways to go. We have surveyed our membership in the
past, and we see gaps in the quantity of information provided versus the quality of information provided across a number of categories, such as fair value, non-financial information, forward-looking information, and risks and exposures to risk, to name a few.”

**Disclosure should be given equal prominence as recognition and measurement**

“Here is where the disclosure framework of the US Financial Accounting Standards Board (FASB) may help. The stated objective of this project is to establish an overarching framework to make financial statement disclosures more effective, coordinated, and less redundant, and to better integrate information in the financial statements, management discussion and analysis (MD&A), and other parts of a company’s public reporting package.

“When companies are preparing their financial statements, they often put a lot of effort into those numbers. We want to make sure that disclosures are also prepared in a high-quality manner. When companies include models, estimates, assumptions, principles applied, sensitivity analysis, and aggregated disclosures, they need to make sure that all of the qualitative factors, such as understandability, completeness, relevance, and comparability are considered.”

Would you also include then management commentary narrative reporting under disclosures?

“Our concept of disclosure is wider and more comprehensive than material that traditionally appears in the audited notes and other filings. Again, establishing a good framework will help to add clarity, because a lot of disclosures could be either in the management commentary or in the financial statements. The disclosures can be widely dispersed, so it is a matter of creating a framework so that these disclosures are organized and presented in a way that doesn’t turn out to be 400 or 500 pages.”

*Often, the devil is in the details. Some companies seem capable of hiding significant issues within the disclosures. How would you make sure that users don’t miss them?*

“Right, they are buried in the disclosure. So, companies need to elevate those issues of importance and make the disclosure comprehensive and clear. This is where the preparers and the users need to work together.”

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**XBRL holds promise for drill-downs and access to other information**

If you’re talking about quantitative disclosures, do you think that a framework like XBRL could be useful?

“Yes, disclosures should go beyond the 8 ½ x 11-inch piece of paper, and XBRL holds promise in the future for drill-downs and access to other information. If XBRL is implemented wisely, there should be significant benefits. It boils down to better (improved quantity and quality of information), faster (improved timeliness), and cheaper (improved access) information for the user. We would expect that professional investors will be able to receive detailed information imported directly into their forecast models, and also everyday investors will gain access to a filer’s information and about a company’s financial situations. This should improve the operations of the capital markets.”
The audit report should provide more information on how the auditor has reached his or her opinion

*How do you think the external audit report can be improved?*

“Investors and users rely on the independent audit reports to have assurance on the quality of the financial statements, and the quality is linked closely with the independence, conflicts of interest, fraud, etc., so, the audit report is actually something that is of importance to us.

“We believe the external audit report should provide more information about how an auditor reaches his or her opinion. This was confirmed in a recent survey conducted by CFA Institute in March 2010 in which we asked questions to gauge users’ perceptions of the independent auditor’s report. An expansion of the auditor’s report to contain useful information, such as audit judgments, audit risk assessments, materiality, etc. would be beneficial to the users. Essentially, we should move away from a report that is seen largely as ‘boilerplate.’”

A wider and more consistent use of fair value is the right way to go

*From a financial analyst’s perspective, what is your view on the use of fair value in the financial statements?*

“We are strongly in favor of fair value since we believe that it is the most decision-useful measurement basis for investors. Fair values lie at the heart of all exchanges and reflect the most complete estimate and expectation of the value of assets and liabilities. In the last several years, a number of global financial reporting standards have been based upon fair value, and this is a trend we would like to see continue. This isn’t to say that amortized cost isn’t useful, and it should also be made available in the notes or in side-by-side presentation in the financial statements.

“We are currently taking a close look at the financial instruments projects of the International Accounting Standards Board (IASB) and the FASB. These standard-setting bodies have essentially two different approaches. The FASB approach seems to be moving towards more fair value, while the IASB model retains some amortized cost treatment.”

*One argument against the use of fair value is that it increases volatility. Especially when accounted for through the profit and loss account, it can have an enormous impact on the bottom line. Wouldn’t it be a good idea to fully disclose the fair values in the financial report, but to be a bit more careful in how you account for it in the financial statements?*

“We frequently hear about increased volatility in the income statement, but that isn’t necessarily a good argument against using fair value. If fair value measurement results in greater volatility, then it has essentially unmasked the true economic reality that was already there. As I mentioned before, we believe that fair value is the most relevant measure. Those that argue against it frequently cite that the measures are unreliable because there is no active market or the fair values can’t be reliably determined. Investors feel that relevance has primacy over reliability, so combining high-quality disclosures with the fair values presented in the financial statements presents more decision-useful information. Those that wish to exclude fair value from the financial statements and put it in the disclosures seem to suggest that the notes are of lesser importance.”
“In November 2009, we surveyed our members who reaffirmed support for fair value as the most appropriate measurement approach for financial instrument accounting. In fact, some 72%–80% agreed that fair value was the most appropriate measure for equity securities, derivatives, and traded instruments and debt securities. For financial liabilities, demand deposits, and loans, the majority favored fair value by about a 2 to 1 margin over those who felt it was inappropriate. This survey is a strong indicator that investors are in favor of a continued move toward more fair value.”

“Also in a survey in March of 2008, 74% of our membership thought the use of fair value contributes to transparency of reporting and enhances market integrity. In the same survey, 72% of the respondents indicated that companies should not be allowed to have different accounting options for recognition and measurement of similar items. So it is really about consistency in fair value, and we have strong evidence that our users support this.”

**Accounting for intangible assets**

Most companies report fixed assets, such as machines, more than intangible assets, such as people, knowledge, etc., which are more difficult to measure and account for. Look, for example, at Microsoft or Google, where brainpower makes most of the value of the company but is not explicitly included in the company’s financial reporting. Are you in favor of moving towards a reporting model in which we also try to better include these intangible fair values?

“We are in favor of recognizing intangible assets at fair value. These assets are important to the business and investors should have operating and financial disclosures to understand the value of these intangibles to the company.”

**There are key projects on the IASB and FASB agenda of importance to investors**

Is there anything from an investor’s point of view that you think has been missed in determining what investors’ needs actually are?

“The work that is going on with respect to the memorandum of understanding (MOU) between the IASB and FASB is important with respect to investors’ needs. In particular, items such as financial statement presentation, financial instruments, revenue recognition, employee benefits, consolidation, derecognition, and especially those projects that relate to off-balance sheet accounting are important improvements.

“The joint IASB-FASB financial statement presentation project, for example, is a key project that holds much promise for expanded transparency and usefulness to investors. In particular, we favor the direct cash flow method. The financial statement presentation model is reasonably consistent with our Comprehensive Business Reporting Model.

“Also, when the accounting standard setters are issuing exposure drafts and discussion papers, it would be good to always have clear examples and model disclosures. This would enable those who are assessing the impact to have a better understanding of the proposals.”

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2 The FASB and IASB have been working together on convergence of financial reporting standards since 2002.
CFA Institute Comprehensive Business Reporting Model

“We published the Comprehensive Business Reporting Model in 2007, and it is the foundation upon which many of our comment letters rest with regard to the financial reporting needs of investors (see also ‘Highlights of the CFA Institute’s Comprehensive Business Reporting Model’).”

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<th>Highlights of the CFA Institute’s Comprehensive Business Reporting Model</th>
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<td>In its publication, <em>A Comprehensive Business Reporting Model: Financial Reporting for Investors</em> (2007), CFA Institute presents a comprehensive framework, a new model, and disclosure criteria for future financial reporting. Here is a summary of the proposed business reporting principles:</td>
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<td>1. The primary financial statements must provide the information needed by equity investors, creditors, and other suppliers of risk capital.</td>
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<td>2. In financial reporting standard setting, as well as statement preparation, the company must be viewed from the perspective of an investor in the company’s common equity.</td>
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<td>3. Fair value information is the most relevant information for financial decision making.</td>
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<td>4. Recognition and disclosure must be determined by the relevance of the information to investment decision making and not based upon measurement reliability alone.</td>
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<td>5. Transactions and events that affect the company’s economic position must be recognized as they occur in the financial statements.</td>
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<td>6. Investors’ information requirements must determine the materiality threshold.</td>
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<td>7. Financial reporting must be neutral.</td>
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<td>8. All changes in net assets, including changes in fair values, must be recorded as incurred in a single financial statement, the Statement of Changes in Net Assets Available to Common Shareowners.</td>
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<td>9. The cash flow statement provides information essential to the analysis of a company and must be prepared using the direct method only.</td>
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<td>10. Changes affecting each of the financial statements should be reported and explained on a disaggregated basis.</td>
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<td>11. Individual line items should be reported based upon the nature of the items rather than the function for which they are used.</td>
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<td>12. Disclosures must provide all the additional information investors require to understand the items recognized in the financial statements, their measurement properties, and risk exposures.</td>
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<td>See also <a href="http://www.cfapubs.org">www.cfapubs.org</a>.</td>
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Recommendations for narrative reporting or MD&A

*The IASB issued an exposure draft on narrative reporting, which is, compared to the preceding discussion document, surprisingly light. It doesn’t have many examples in it. What would you specifically like to see in this new style narrative reporting or MD&A?*

“I think that the disclosures in narrative reporting or MD&A have to be looked at in the context of the overall financial reporting package. This is where the disclosure framework project should help to
provide better focus on the overall information needs of the wide variety of users. As mentioned, more illustrative examples, eliminating disclosure redundancy, etc. would be important improvements.”

**Key recommendations from Matthew Waldron and James Allen**

1. Senior executives and board members need to recognize that, although they are essentially working on behalf of their shareowners, they also need to attend to the interests of their other stakeholders, such as customers and employees, all of whom have the potential to influence the bottom line.

2. Ensuring the independence of board members needs to start with improving the independence of the nominations committee and the way it operates, because this committee determines who gets on the board and who doesn’t.

3. Board members need to be able to devote sufficient time, attention, and energy to the board. Shareowners need to look at how many other mandates board nominees already have, and vote against them if they have too many because they may be overstretched.

4. Directors should invest in the companies in which they hold a board position, because having something at stake that comes from their own pockets will give them a different perspective.

5. Board members need to make sure that the senior executives are being rewarded for actual performance and not being rewarded just for showing up.

6. Shareowners should want companies to take risks for reward, keeping in mind that this might lead to gains or losses. A litigious environment that prevents boards from taking risks is not in the best interest of shareowners.

7. A converged set of understandable and transparent international financial reporting standards that reflects economic reality, would enhance comparability and analysis of investment opportunities globally, and ultimately increase investor confidence.

8. As fair value is the most appropriate measurement approach for financial accounting, a wider and more consistent use of fair value is the right way to go.

9. As disclosures are essential to an investor’s understanding and analysis of the economics underlying the information contained in the financial statements, they should be further expanded.

10. When companies include disclosures in their financial reports, they need to (better) ensure that all of the qualitative factors, such as understandability, completeness, relevance, and comparability are considered.

11. When accounting standard setters are issuing exposure drafts and discussion papers, it would be useful to have clear examples and model disclosures. This would enable those who are assessing the impact to have a better understanding of the proposals.

12. The audit report should move away from standard “boilerplate” information, and provide more information that was used by the auditors to reach their opinion, such as audit judgments, audit risk assessments, materiality, etc.

*We welcome your feedback on these recommendations. To provide us with your feedback, please complete this brief survey.*