

I n t e r n a t i o n a l F e d e r a t i o n o f A c c o u n t a n t s

a c h i e v i n g a n e w v i s i o n



2 0 0 1 A N N U A L R E P O R T

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The mission of IFAC is the worldwide development and enhancement of an accountancy profession with harmonized standards able to provide services of consistently high quality in the public interest.

## m e s s a g e   f r o m   t h e   p r e s i d e n t



During 2001, the International Federation of Accountants' (IFAC's) leadership set about building a new foundation for the organization. Our mission remained clear — to focus on how we could support the international profession in protecting the public interest. However, we recognized that we needed to explore new directions for achieving that mission and look at remodeling and strengthening the IFAC infrastructure to bring about the changes that were necessary. As a result, the Board developed a Medium-Term Strategy, based on the recommendations of IFAC's Structure and Organization Task Force. The ultimate objectives of the strategy are to support accountants in all sectors in providing high quality work and, ultimately, to improve the quality, consistency and transparency of financial information and auditing around the world.

That strategy guided us in many of our activities for 2001. Our focus was threefold: strengthening standard setting, developing an international regulatory regime, and increasing dialogue with member bodies, regional accounting organizations and other related organizations so we could better identify IFAC's role in meeting the needs of an expanding and increasingly diverse profession.

In developing and implementing our vision for the future, we not only looked inward at the profession's needs, we also looked outward. We considered the challenges and concerns facing governments, regulators, investors and other users of the profession's services and focused on how we could address their issues from an international perspective. Indeed, a stronger IFAC is one that not only effectively represents the international accountancy profession, but also anticipates and responds to changes in the global environment in which accountants work.

This report describes initiatives undertaken during 2001, including efforts to enhance the transparency of IFAC standard setting, create a global regulatory structure for the profession, and increase IFAC's role as the spokesperson for the profession in international forums. These initiatives were set in motion before large corporate failures undermined public confidence in world capital markets and engendered worldwide scrutiny of the accounting profession's role. The initiatives were designed to accomplish what IFAC has focused on since its founding over 20 years ago — supporting the international profession in providing work of the highest quality. And they are initiatives, which, as we look ahead, can contribute toward building public confidence in the work of the international accountancy profession.

A handwritten signature in black ink, appearing to read 'Fujinuma', written in a cursive style.

Tsuguoki (Aki) Fujinuma

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The continuing expansion of world trade, the opening of major new markets in developing and transitional countries, and the broadening scope of professional accounting services are among the issues that over the past year have caused IFAC to take a closer look at its role, the guidance it provides, and its relationship with member bodies and other organizations.

With 156 member bodies, representing 2.4 million accountants in 114 countries across every continent, IFAC remains dedicated to ensuring that the international profession is united in its commitment to providing high quality services. Indeed, the environment in which accountants practice makes it more important than ever that IFAC work with its member organizations to build public confidence in the accountancy profession, respond to the challenges of globalization, and meet the expanding needs of investors, regulators and businesses worldwide. During 2001, it sought to address these issues by implementing a new IFAC strategy and a new vision.

### **Strengthening Standard Setting**

IFAC renewed its commitment to strengthening standard setting through initiatives to expand the focus and enhance the operations of the International Auditing Practices Committee (IAPC). IFAC's Board approved recommendations made by a special IAPC Review Task Force to strengthen the processes for establishing worldwide audit and assurance standards and to increase transparency. It also approved changing the name of the IAPC to the International Auditing and Assurance Standards Board (IAASB), effective in 2002, to better reflect the scope of its work.

Key changes in establishing the new IAASB included —

- Expanding membership from 14 to 18 members, including three public members who may be members of IFAC member bodies but are not members in public practice;
- Making meetings open to the public to discuss the development of standards, and making available guidance or other papers, as well as agendas and minutes of those meetings;
- Working closely with national standard setters on matters important to its goals, including undertaking joint projects, and promoting eventual convergence of standards for global acceptance; and
- Increasing the IAASB's technical resources.

During the review process, the IAPC continued to issue guidance for application by auditors in all parts of the world, including new International Standards on Auditing (ISAs) dealing with fraud and error, and new International Auditing Practice Statements (IAPSS) on auditing derivative financial instruments and dealing with bank audits. In addition, during 2001 the IAPC issued an exposure draft (ED) of an ISA on auditing fair value measurements and disclosures and an ED of an international practice statement on the impact of electronic commerce on the audit of financial statements.

IFAC's Public Sector Committee (PSC) also progressed plans to strengthen its standard-setting processes through the establishment of steering committees and the reformation of a consultative group. The steering committees are chaired by a PSC member and include non-PSC members. They will provide a mechanism for the PSC to broaden its experience and expertise base and involve key constituents at an earlier stage of the International Public Sector Accounting Standards (IPSASs)

## 2001 IFAC Board Members

Tsuguoki Fujinuma, President — *Japan*  
René Ricol, Deputy President — *France*  
Guy Andrade — *Brazil*  
André Bindenga — *Netherlands*  
David Boymal — *Australia*  
Angelo Casò — *Italy*  
Wolfgang Fliess — *Germany*  
Rached Fourati — *Tunisia*  
Ndung'u Gathinji — *Kenya*  
N. D. Gupta — *India*  
Charles Horstmann — *United States*  
Tom Myhre — *Norway*  
Guylaine Saucier — *Canada*  
Ignatius Sehoole — *South Africa*  
Graham Ward — *United Kingdom*  
Peter Wong — *Hong Kong*  
Shozo Yamazaki — *Japan*

## 2001 IFAC Committee Members

### Compliance Committee

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Wim de Bruijn, Chair — *Netherlands*  
Guy Andrade — *Brazil*  
Michael Chan — *Hong Kong*  
Brian Currie — *United Kingdom*  
Norio Igarashi — *Japan*  
Robert Mednick — *United States*  
Yves Nicolas — *France*  
Mahesh Shah — *India*  
Enrique Zamorano — *Mexico*

### Education Committee

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Warren Allen, Chair — *New Zealand*  
Robert Dye — *Canada*  
Yoram Eden — *Israel*  
Gary Holstrum — *United States*  
David Hunt — *United Kingdom*  
Bohumil Král — *Czech Republic*  
Dato' Abdul Halim Mohyiddin —  
*Malaysia*  
Hector Ostengo — *Argentina*  
Usana Patramontree — *Thailand*  
József Roóz — *Hungary*  
Masum Türker — *Turkey*  
S.M. Zafarullah — *Pakistan*

## a c h i e v i n g   a   n e w   v i s i o n

development process. The consultative group will provide the opportunity for key constituents to communicate directly with the PSC on work program priorities, proposed IPSASs and other relevant matters.

The PSC has now substantially completed the first phase of its standards program to develop a comprehensive body of international accounting standards for governments and other public sector entities around the world. Seventeen IPSASs were issued through December 31, 2001, representing an international benchmark of best practice in financial reporting under the accrual basis. In many jurisdictions, application of IPSAS requirements will enhance the accountability and transparency of governmental financial statements.

The PSC recognizes that many governments may not yet be in a position to adopt the IPSASs for the accrual basis of accounting. To assist these governments, the PSC has also developed an ED, *Reporting under the Cash Basis of Accounting*.

With its core set of IPSASs in place, the PSC will increase its promotion and communication activities. Already an increasing number of governments and government organizations are expressing interest in the adoption of the accrual basis of accounting and, as a consequence, the application of IPSASs. For example, the Organization for Economic Cooperation and Development (OECD) adopted IPSASs for its 2000 financial statements.

In addition to developing the standards, PSC published a study that provides an overview of the types of governance arrangements in place in the public sector and includes recommendations on governance practices.

The first stage of the standards project has been funded by the World Bank, Asian Development Bank, International Monetary Fund (IMF), and United Nations Development Program, along with IFAC. The World Bank and the IMF have agreed to provide some of the funds necessary to support the ongoing standard-setting program, with the PSC actively seeking the additional funding necessary.





During 2001, IFAC's Board also approved the development of International Education Standards for Professional Accountants. As the profession moves steadily towards harmonization of technical and practice standards and raises the bar in the quality and consistent application of these standards, there is a need for robust and codified education standards. Without robustness in education, the achievement of higher compliance with technical and practice standards will be compromised. After full exposure and consultative input, IFAC will have a set of standards prescribing best practices regarding pre-qualification education of professional accountants and continuing professional development for members of the accountancy profession. The standards will begin to be issued in 2003 and, in order to meet their responsibilities as IFAC members, member bodies will be expected to comply with these standards by 2005.

### A New Regulatory Regime

A major component of the IFAC strategy is the creation of a regulatory regime for the international accountancy profession. Significant progress was made in the development of this regime in 2001. A Constitution and operating procedures were drafted for the Forum of Firms (Forum), and its executive arm, the Transnational Auditors Committee (TAC). The IFAC Compliance Committee is another key component of the new regime which is designed to promote consistent and high quality standards of financial reporting and auditing practices worldwide and to strengthen the global financial framework within which the profession operates.

Currently, 23 firms that perform transnational audits are provisional members of the Forum. To become full members, these firms must adhere to a Quality Standard that requires, among other things, that they subject their policies, methodologies and work undertaken in relation to transnational audits to periodic International Quality

## 2001 IFAC Committee Members

### Ethics Committee

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Marilyn Pendergast, Chair — *United States*  
 Jean-François Cats — *Belgium/Netherlands*  
 S.P. Chhajed — *India*  
 Jean-Jacques De Douit — *France*  
 Francisco Papellás Filho — *Brazil*  
 Michael Foulds — *United Kingdom*  
 Chen-Chang Lai — *Taiwan*  
 Pekka Luoma — *Finland*  
 Jesús Peregrina — *Spain*  
 Francesco Serao — *Italy*  
 Donald Wray — *Canada*

### Financial and Management Accounting Committee

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Bill Connell, Chair — *United Kingdom*  
 Zein El Abdin El Boraie Ahmad — *Sudan*  
 Muhammad Aslam — *Pakistan*  
 Kahlid Ateeq — *Bahrain*  
 Raymond Darke — *Canada*  
 Pascal Giraud — *France*  
 David Jeffries — *Australia*  
 Santiago Lazzati — *Argentina*  
 Gary Luoma — *United States*  
 Gerhard Prachner — *Austria*  
 Peter Sampers — *Netherlands*  
 Marco Zaldivar — *Peru*

### Information Technology Committee

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Everett Johnson, Chair — *United States*  
 Aidan Collins — *Ireland*  
 Mujahid Eshai — *Pakistan*  
 George Glass — *United Kingdom*  
 Klaus Heese — *Germany*  
 Byram Johnston — *Australia*  
 John Lainhart, IV — *ISACA*  
 Anders Malmeby — *Sweden*  
 Akira Matsuo — *Japan*  
 Robert Parker — *Canada*  
 Michael Schirmbrand — *Austria*  
 Thierry Trompette — *France*

## a c h i e v i n g   a   n e w   v i s i o n

Assurance Review. The TAC has developed several TAC Alerts, available through IFAC's web site, to assist provisional members of the Forum with the application of the Forum Quality Standard and performing international quality assurance reviews designed to meet the Forum membership requirements.

Over the 2001 calendar year, the Compliance Committee also laid the foundation for a program of monitoring and ensuring member body compliance with the obligations of IFAC membership. This involves member bodies working towards the adoption at the national level of ISAs, IPSASs, the IFAC Code of Ethics and other pronouncements of IFAC, as well as International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and International Accounting Standards (IASs) issued by the IASB's predecessor. It is intended that member bodies will incorporate IFAC and IASB standards in their national standards and use their best endeavors to persuade national governments, regulators and standard setters that financial statements should comply with ISAs, IPSASs, IFRSs and IASs, as appropriate.

In light of more recent developments in the profession, IFAC officers and the Compliance Committee are reviewing the future compliance strategy and work program to ensure that it is responsive to these developments and meets stakeholder needs and member body expectations.

To ensure that the global regulatory regime is moving ahead in a way that best meets the public interests, IFAC continues active liaison with various international organizations and regulators.

### **Expanded Guidance for a Changing Profession**

IFAC's Code of Ethics for Professional Accountants serves as the foundation for all codes of ethics developed and enforced by member bodies. After extensive public exposure and obtaining comments from member bodies, their members, and others, a new Independence Standard was developed by the Ethics Committee and approved by the IFAC Board. This standard updates previous guidance in light of changes in the marketplace





in which accountants operate and the challenges they face in meeting clients' expanding needs.

The new rules for independence set out a conceptual framework that focuses on the factors that pose a threat to independence for all assurance engagements and the safeguards that auditors should put in place to preserve their independence. In addition, the updated Code of Ethics provides examples of situations on how the conceptual approach to independence is to be applied to specific circumstances and relationships.

To assist member bodies in designing accounting curricula, the Education Committee released on exposure an updated International Education Guideline on "Information Technology for Professional Accountants." Key changes from the previous edition include a competence-based approach to IT for professional accountants, discussion regarding the development of a more specialized pre-qualification IT-focused accounting curriculum, and reference to business. A final version of the document will be released by December 2002.

Finally, IFAC's Information Technology Committee, which was disbanded at the end of 2001, issued EDs on IT outsourcing and information technology monitoring and provided input to various education and auditing issues with information technology implications. To address IT issues in future guidance, IFAC plans to include individuals with IT experience on its various committees.

### **Serving a Diverse Constituency**

In addition to achieving its public interest objectives and providing guidance on a wide range of issues, IFAC needs to effectively serve the broad membership it represents. More than 50% of the members of IFAC member bodies are employed in commerce and industry. IFAC's Financial and Management Accounting Committee (FMAC) supports the development of the management

## **2001 IFAC Committee Members**

### International Auditing Practices Committee

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Dietz Mertin, Chair — *Germany*  
Jianshen Chen — *China*  
Sukanta Kumar Dutt — *Malaysia*  
Ana Maria Elorrieta — *Brazil*  
L. Denise Esdon — *Canada*  
Stuart Gooley — *Australia*  
Jan Bo Hansen — *Denmark*  
Maria Estela Imamura — *Mexico*  
Suresh Kana — *South Africa*  
John Kellas — *United Kingdom*  
Edmund Noonan — *United States*  
Kenichi Takahasi — *Japan*  
Lucio Torres — *Spain*

### Public Sector Committee

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Ian Mackintosh, Chair — *Australia*  
Philippe Adhémar — *France*  
Peter Bartholomeus — *Netherlands*  
Mike Hathorn — *United Kingdom*  
Nontaphon Nimsomboon — *Thailand*  
Terence Nombembe — *South Africa*  
Ronald Points — *United States*  
Muhammad Rafi — *Pakistan*  
David Rattray — *Canada*  
Javier Perez Saavedra — *Mexico*  
Kevin Simpkins — *New Zealand*  
Norbert Vogelpoth — *Germany*

### Transnational Auditors Committee (Provisional)

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Robert Herz, Chair —  
*PricewaterhouseCoopers*  
Jerome Adam — *Moore Rowland International*  
Arch Archambault — *Grant Thornton*  
David Brumbleloe — *KPMG*  
Jelil Bouraoui — *Jelil Bouraoui & Co.*  
Peter Chidgey — *BDO Stoy Hayward*  
Mike Conway — *KMPG*  
Jean-Peirre Crouzet — *RSM International*  
Martin Eadon — *Grant Thornton*  
Randy Fletchall — *Ernst & Young*  
Robert Garland — *Deloitte & Touche Tomatsu*  
Paul Ginman — *Summit*  
Julian Jacoby — *Horwath International*  
Jean Louis Lebrun — *Mazars*  
Steve Maslin — *Grant Thornton International*  
Andrew Nicholl — *Moore Stephens International Ltd.*  
Lawrence Rieger — *Arthur Andersen*  
Alfred Roger — *BKR*  
David Scott — *PricewaterhouseCoopers*  
Jean-Francois Serval — *Constantin Associes*  
Georg Waldersee — *Arthur Andersen*

## a c h i e v i n g   a   n e w   v i s i o n

accountancy profession and seeks to increase public awareness of the role of this segment of the profession. It does so by facilitating the exchange of information among member bodies, providing speakers for seminars and conferences, and developing publications. During 2001, it finalized three publications: *The Chief Financial Officer in the Year 2010*; *Transforming the Profession: From Accounting to Management*; and *Articles of Merit 2001*, which featured commended articles selected from member body publications.

Additionally, to ensure the relevance of its guidance, the FMAC is establishing a process for developing best practice publications. It plans to identify areas where international best practice guidelines are desirable and determine the best way to disseminate this information to accountants.

IFAC is also focused on providing best practice guidance to another large and growing constituency: small- and medium-sized practices (SMPs). Recognizing the increasingly important role of SMPs in meeting the needs of businesses and other entities worldwide, the IFAC Board established the SMP Task Force.

The Task Force published a report, *An Assessment of International Needs and Analysis of the Activities Offered within Seven Member Bodies*, which describes national initiatives in addressing the needs of SMPs and recommendations for action at the international level. This is a first step in determining how IFAC can best serve SMPs.

### **International Outreach**

As IFAC moves ahead on initiatives described in this report, it will continue to seek input from member bodies, regional accountancy organizations, international regulators, governments, firms of all sizes, and individual accountants. Through that input and the mobilization of worldwide resources, IFAC can more effectively assist accountants in meeting their public interest responsibilities and in performing the high quality work, both in the public and private sector, for which they have long been recognized.



# IFAC guidance: new publications 2001

Developing and promoting standards and guidance on a wide range of professional issues is fundamental to IFAC's mission of enhancing the quality of work performed by accountants worldwide. Documents published in 2001 are listed below.

## **Auditing and Assurance**

### *Final Documents*

- 2001 IFAC Handbook of Auditing and Ethics Pronouncements
- International Standard on Auditing (ISA) 100, Assurance Engagements
- ISA 240, The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements
- Revisions to ISA 700, The Auditor's Report on Financial Statements
- International Auditing Practice Statement (IAPS) 1001, IT Environments – Stand-Alone Personal Computers
- IAPS 1002, IT Environments – On-line Computer Systems
- IAPS 1003, IT Environments – Database Systems
- IAPS 1004, The Relationship between Banking Supervisors and Banks' External Auditors
- IAPS 1006, Audits of the Financial Statements of Banks
- IAPS 1009, Computer-Assisted Audit Techniques
- IAPS 1012, Auditing Derivative Financial Instruments

### *Exposure Drafts*

- Proposed ISA, Auditing Fair Value Measurements and Disclosures
- Proposed IAPS, Electronic Commerce Using the Internet or Other Public Networks – Effect on the Audit of Financial Statements

## **Education**

### *Final Documents*

- Accommodation of Candidates with Disabilities (paper)

### *Exposure Drafts*

- Competence-Based Approaches to the Preparation and Work of the Professional Accountant (discussion paper)
- ED on Revised International Education Guideline (IEG) 11, Information Technology for Professional Accountants

## **Ethics**

### *Final Document*

- Revised Code of Ethics for Professional Accountants, Section 8, Independence

## **Financial and Management Accounting**

### *Final Documents*

- Articles of Merit: 2001 Competition
- Study 11, A Profession Transforming: From Accounting to Management

## **Information Technology**

### *Exposure Drafts*

- Proposed International Information Technology Guideline, IT Outsourcing
- Proposed International Information Technology Guideline, Monitoring Information Technology

## **Public Sector Accounting**

### *Final Documents*

- 2001 IFAC Handbook of International Public Sector Accounting Standards
- International Public Sector Accounting Standard (IPSAS) 9, Revenue from Exchange Transactions
- IPSAS 10, Financial Reporting in Hyperinflationary Economies
- IPSAS 11, Construction Contracts
- IPSAS 12, Inventories
- IPSAS 13, Leases
- IPSAS 14, Events after the Reporting Date
- IPSAS 15, Financial Instruments: Disclosure and Presentation
- IPSAS 16, Investment Property
- IPSAS 17, Property, Plant and Equipment
- Study 13, Governance in the Public Sector
- Occasional Paper No. 4, The Delegation of Public Services in France: An Original Method of Public Administration: Delegated Public Service

### *Exposure Drafts*

- ED 17, Segment Reporting
- ED 20, Related Party Disclosures
- ED 21, Provisions, Contingent Liabilities and Contingent Assets
- ED 22, Definition of a Segment: Amendment to the Definition Proposed in ED 17, Segment Reporting

## **SMPs**

### *Final Document*

- An Assessment of International Needs and Analysis of the Activities Offered within Seven Member Bodies

## **Other**

- Anti-Money Laundering Paper

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All IFAC guidance, with the exception of that on auditing and assurance services, can be downloaded at no charge from the IFAC web site ([www.ifac.org/store](http://www.ifac.org/store)). Auditing and assurance guidance will be available free of charge in an electronic format beginning January 1, 2003.

# IFAC member body countries



- |                    |             |                     |
|--------------------|-------------|---------------------|
| Albania            | Honduras    | Panama              |
| Argentina          | Hong Kong   | Paraguay            |
| Australia          | Hungary     | Peru                |
| Austria            | Iceland     | Philippines         |
| Bahamas            | India       | Poland              |
| Bahrain            | Indonesia   | Portugal            |
| Bangladesh         | Iran        | Romania             |
| Barbados           | Iraq        | Russia              |
| Belgium            | Ireland     | Saudi Arabia        |
| Bolivia            | Israel      | Sierra Leone        |
| Botswana           | Italy       | Singapore           |
| Brazil             | Ivory Coast | Slovakia            |
| Bulgaria           | Jamaica     | Slovenia            |
| Cameroon           | Japan       | South Africa        |
| Canada             | Jordan      | Spain               |
| Chile              | Kazakhstan  | Sri Lanka           |
| China              | Kenya       | Sudan               |
| Chinese Taiwan     | Korea       | Swaziland           |
| Colombia           | Kyrgyzstan  | Sweden              |
| Costa Rica         | Kuwait      | Switzerland         |
| Croatia            | Lebanon     | Syria               |
| Cyprus             | Lestho      | Tanzania            |
| Czech Republic     | Liberia     | Thailand            |
| Denmark            | Libya       | Trinidad and Tobago |
| Dominican Republic | Luxembourg  | Tunisia             |
| Ecuador            | Macedonia   | Turkey              |
| Egypt              | Madagascar  | Uganda              |
| El Salvador        | Malawi      | Ukraine             |
| Fiji               | Malaysia    | United Kingdom      |
| Finland            | Malta       | United States       |
| France             | Mexico      | Uruguay             |
| Georgia            | Moldova     | Uzbekistan          |
| Germany            | Namibia     | Venezuela           |
| Ghana              | Netherlands | Vietnam             |
| Greece             | New Zealand | Yugoslavia          |
| Guatemala          | Nicaragua   | Zambia              |
| Guyana             | Nigeria     | Zimbabwe            |
| Haiti              | Norway      |                     |
|                    | Pakistan    |                     |

*IFAC Membership highlighted in blue*



Achieve the Desired Effect<sup>SM</sup>

Auditor's Report to the Members of the  
International Federation of Accountants

We have audited the accompanying statement of assets, liabilities and fund balances of the International Federation of Accountants as of December 31, 2001 and 2000, and the related statements of revenues and expenses and fund balances and cash flows for the twelve and six months then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2001 and 2000, and of the results of its operations and its cash flows for the twelve and six months then ended in accordance with International Accounting Standards.

*Larson, Allen, Weishair & Co., LLP*

LARSON, ALLEN, WEISHAIR & CO., LLIP

Minneapolis, Minnesota  
March 4, 2002

# financial statements

## STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

(Amounts in US Dollars)

As at December 31, 2001 and 2000

### Assets

|  | <b>2001</b>         | <b>2000</b>         |
|--|---------------------|---------------------|
| Cash   | \$ 2,339,403        | \$ 986,439          |
| Dues receivable, net of allowance for uncollectibles                                       | 52,365              | 147,060             |
| Other receivables (Note 10)  | 1,206,298           | 224,526             |
| Other assets   | 109,029             | 343,910             |
| Leasehold improvements, office equipment and<br>furniture, net of accumulated depreciation | <u>166,018</u>      | <u>160,409</u>      |
| Total Assets   | <u>\$ 3,873,113</u> | <u>\$ 1,862,344</u> |

### Liabilities and Fund Balances

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Liabilities and deferred revenue      |                     |                     |
| Accounts payable and accrued expenses | \$ 781,679          | \$ 369,573          |
| Deferred revenue (Note 4)             | 1,711,189           | 86,528              |
| Accrued pension costs (Note 11)       | 119,067             | —                   |
| Fund Balances                         |                     |                     |
| General Fund                          | 422,439             | 548,692             |
| Sempier Fund                          | 23,431              | 22,198              |
| Public Sector Standards Fund          | <u>815,308</u>      | <u>835,353</u>      |
| Total Liabilities and Fund Balances   | <u>\$ 3,873,113</u> | <u>\$ 1,862,344</u> |

*The accompanying notes to the financial statements are an integral part of this statement.*



# financial statements

## STATEMENT OF REVENUES, EXPENSES AND FUNDS BALANCE

(Amounts in US Dollars)

For the year ending December 31, 2001

and for the six months ending December 31, 2000

|   | <b>2001</b>         | <b>2000</b>         |
|---|---------------------|---------------------|
| <b>Revenue</b>  |                     |                     |
| Membership dues   | \$ 4,042,720        | \$ 1,694,350        |
| Financial support from Forum of Firms (Note 3)  | 1,611,060           | 125,000             |
| Publication sales   | 163,988             | 91,893              |
| Grants (Note 2)   | 290,000             | —                   |
| Other revenue   | 74,362              | 13,306              |
| Interest income   | <u>86,216</u>       | <u>49,012</u>       |
| Total Revenue   | <u>\$ 6,268,346</u> | <u>\$ 1,973,561</u> |
| <b>Expenses</b>   |                     |                     |
| Staff costs   | 3,238,456           | 1,060,154           |
| Travel and meeting costs  | 1,227,439           | 359,737             |
| Printing and distribution   | 324,499             | 165,702             |
| Communications and publicity  | 186,072             | 87,446              |
| Occupancy and depreciation  | 332,691             | 205,435             |
| Contribution to IASC  | 32,290              | 72,021              |
| Other   | <u>965,353</u>      | <u>122,277</u>      |
| Total Expenses  | <u>\$ 6,306,800</u> | <u>\$ 2,072,772</u> |
| (Deficit) of Revenue over Expenses before Cumulative<br>Effect of Change in Accounting Policy | (38,454)            | (99,211)            |
| Cumulative effect of change in accounting<br>policy (Note 11)                                 | <u>(106,611)</u>    | <u>—</u>            |
| (Deficit) of Revenues over Expenses   | <u>\$ (145,065)</u> | <u>\$ (99,211)</u>  |
| <b>Funds Balance</b>  |                     |                     |
| Funds Balance, beginning of period  | <u>1,406,243</u>    | <u>1,505,454</u>    |
| Funds Balance, end of period  | <u>\$ 1,261,178</u> | <u>\$ 1,406,243</u> |

*The accompanying notes to the financial statements are an integral part of this statement.*

# financial statements

## STATEMENT OF REVENUES, EXPENSES AND FUND BALANCES

(Amounts in US Dollars)

For the year ending December 31, 2001  
and for the six months ending December 31, 2000

|   | <b>General Fund</b> |                     |
|---|---------------------|---------------------|
|   | <b>2001</b>         | <b>2000</b>         |
| <b>Revenue</b>  |                     |                     |
| Membership dues   | \$ 4,042,720        | \$ 1,694,350        |
| Financial support from Forum of Firms   | 1,611,060           | 125,000             |
| Publication sales   | 163,988             | 91,893              |
| Grants  | —                   | —                   |
| Other revenue   | 69,241              | 13,306              |
| Interest income   | 48,820              | 24,453              |
| Total Revenue   | <u>\$ 5,935,829</u> | <u>\$ 1,949,002</u> |
| <b>Expenses</b>   |                     |                     |
| Staff costs   | 3,050,259           | 977,687             |
| Travel and meeting costs  | 1,171,260           | 326,145             |
| Printing and distribution   | 256,205             | 136,257             |
| Communications and publicity  | 185,285             | 86,710              |
| Occupancy and depreciation  | 321,251             | 199,730             |
| Contribution to IASC  | 32,290              | 72,021              |
| Other   | 938,921             | 115,700             |
| Total Expenses  | <u>\$ 5,955,471</u> | <u>\$ 1,914,250</u> |
| (Deficit) of Revenue over Expenses before Cumulative<br>Effect of Change in Accounting Policy | (19,642)            | 34,752              |
| Cumulative effect of change in accounting<br>policy   | (106,611)           | —                   |
| (Deficit) Excess of Revenues over Expenses  | <u>\$ (126,253)</u> | <u>\$ 34,752</u>    |
| Balance, beginning of period  | 548,692             | 513,940             |
| Balance, end of period  | <u>\$ 422,439</u>   | <u>\$ 548,692</u>   |

*The accompanying notes to the financial statements are an integral part of this statement.*

| Sempier Fund |           | Public Sector Standards Fund |              | Total        |              |
|--------------|-----------|------------------------------|--------------|--------------|--------------|
| 2001         | 2000      | 2001                         | 2000         | 2001         | 2000         |
| —            | —         | —                            | —            | \$ 4,042,720 | \$ 1,694,350 |
| —            | —         | —                            | —            | 1,611,060    | 125,000      |
| —            | —         | —                            | —            | 163,988      | 91,893       |
| —            | —         | \$ 290,000                   | —            | 290,000      | —            |
| —            | —         | 5,121                        | —            | 74,362       | 13,306       |
| \$ 1,233     | \$ 541    | 36,163                       | \$ 24,018    | 86,216       | 49,012       |
| \$ 1,233     | \$ 541    | \$ 331,284                   | \$ 24,018    | \$ 6,268,346 | \$ 1,973,561 |
| —            | —         | 188,197                      | 82,467       | 3,238,456    | 1,060,154    |
| —            | —         | 56,179                       | 33,592       | 1,227,439    | 359,737      |
| —            | —         | 68,294                       | 29,445       | 324,499      | 165,702      |
| —            | —         | 787                          | 736          | 186,072      | 87,446       |
| —            | —         | 11,440                       | 5,705        | 332,691      | 205,435      |
| —            | —         | —                            | —            | 32,290       | 72,021       |
| —            | —         | 26,432                       | 6,577        | 965,353      | 122,277      |
| \$ —         | \$ —      | \$ 351,329                   | \$ 158,522   | \$ 6,306,800 | \$ 2,072,772 |
| 1,233        | 541       | (20,045)                     | (134,504)    | (38,454)     | (99,211)     |
| —            | —         | —                            | —            | (106,611)    | —            |
| \$ 1,233     | \$ 541    | \$ (20,045)                  | \$ (134,504) | \$ (145,065) | \$ (99,211)  |
| 22,198       | 21,657    | 835,353                      | 969,857      | 1,406,243    | 1,505,454    |
| \$ 23,431    | \$ 22,198 | \$ 815,308                   | \$ 835,353   | \$ 1,261,178 | \$ 1,406,243 |

The accompanying notes to the financial statements are an integral part of this statement.

# financial statements

## STATEMENT OF CASH FLOW

(Amounts in US Dollars)

For the year ending December 31, 2001

and for the six months ending December 31, 2000

|  | <b>2001</b>         | <b>2000</b>         |
|--|---------------------|---------------------|
| <b>Cash Flows from (for) Operating Activities</b>    |                     |                     |
| (Deficit) of Revenue over Expenses before Cumulative |                     |                     |
| Effect of Change in Accounting Policy                | \$ (38,454)         | \$ (99,211)         |
| Cumulative effect of change in accounting policy     | <u>(106,611)</u>    | <u>—</u>            |
| (Deficit) of Revenues over Expenses                  | (145,065)           | (99,211)            |
| Adjustment for depreciation                          | <u>49,716</u>       | <u>27,724</u>       |
| Cash from operations before working capital changes  | (95,349)            | (71,487)            |
| Decrease (increase) in dues receivable               | 94,695              | (91,435)            |
| Decrease (increase) in other receivables             | (981,772)           | (928)               |
| Decrease (increase) in other assets                  | 234,881             | (214,093)           |
| Increase (decrease) in accounts payable              |                     |                     |
| and accrued expenses                                 | 412,106             | (36,810)            |
| Increase (decrease) in deferred revenue              | 1,624,661           | (53,814)            |
| Increase (decrease) in accrued pension cost          | <u>119,067</u>      | <u>—</u>            |
| Net Cash from (for) Operating Activities             | <u>\$ 1,408,289</u> | <u>\$ (468,567)</u> |
| <b>Cash Flows for Investing Activities</b>           |                     |                     |
| Acquisition of fixed assets                          | (55,325)            | (50,815)            |
| Disposal of fixed assets                             | <u>—</u>            | <u>1,667</u>        |
| Net Cash for Investing Activities                    | <u>\$ (55,325)</u>  | <u>\$ (49,148)</u>  |
| Net Increase (Decrease) in Cash                      | 1,352,964           | (517,715)           |
| Cash at beginning of period                          | <u>986,439</u>      | <u>1,504,154</u>    |
| Cash at end of period                                | <u>\$ 2,339,403</u> | <u>\$ 986,439</u>   |

*The accompanying notes to the financial statements are an integral part of this statement.*

# n o t e s   t o   f i n a n c i a l   s t a t e m e n t s

(Amounts in US Dollars)

## **1. Incorporation and Summary of Significant Accounting Policies**

The International Federation of Accountants (IFAC) is registered in Geneva, Switzerland under Article 60 through 79 of the Swiss Civil Code.

The mission of IFAC is the development and enhancement of the accountancy profession to enable it to provide services of consistently high quality in the public interest.

The assets, liabilities and cash balances of IFAC are maintained in three funds:

- (a) The General Fund, which is used for operations;
- (b) The IFAC Sempier Fund, which was established by IFAC Council (now Board) in the name of the first Executive Director of IFAC and is to be used to recognize individuals who have made a significant contribution to the international accountancy profession; and
- (c) The Public Sector Standards Project Fund, which was established by the IFAC Public Sector Committee to be used in the development of a comprehensive set of standards to be used in government financial reporting.

The financial statements have been prepared on the accrual basis of accounting using historical cost and are in accordance with International Accounting Standards. Significant accounting policies are:

- (a) Uncollectible dues are recognized using the allowance method, based on management's estimate of such amounts;
- (b) Depreciation of office equipment and furniture is computed using the straight line method with estimated useful lives of three to ten years;
- (c) Leasehold improvements are amortized on a straight line basis over the term of the lease;
- (d) Revenue from grants is recognized when the grant is received or is receivable; and
- (e) Revenue from sales of electronic subscriptions is recognized at the commencement of the subscription period. Revenue for printed publications is recognized when the publications are shipped.

## **2. Public Sector Standards Project**

The Public Sector Standards Project commenced in 1996. Total funding of approximately \$1.655 million has been provided since that date, including \$290,000 provided during the year ended December 31, 2001. Multi-lateral development banks and international agencies have provided substantially all the funding for this program. The funding has been provided to meet specified objectives, including the development of a study on governmental financial reporting and a core set of International Public Sector Accounting Standards. The PSC has made substantial progress on achieving those objectives, and IFAC anticipates that it will satisfy the requirements imposed as part of the funding agreements. The agreements with the funding agencies require that unused funds at the completion of the project be returned to the granting agencies. Current estimates indicate all funds will be used.

## **3. Financial Support from Forum of Firms**

During the fiscal periods ended December 31, 2001 and 2000, IFAC received financial support from certain international accounting firms. This financial support is used to fully fund the activities of the Transnational Auditors Committee and partially fund certain operations of IFAC as agreed between the firms and IFAC. Of the \$1,611,060 of financial support received from the Forum of Firms (refer to page 7 for a description), \$887,032 was used to fund the activities of the TAC and \$724,028 was used to fund certain operating expenses of IFAC.

## notes to financial statements

(Amounts in US Dollars)

### 4. Deferred Revenue

\$1,596,088 and \$-0- of deferred revenue at December 31, 2001 and 2000, respectively, represent the portion of Forum of Firms funding invoiced during fiscal year 2001 that relates to fiscal year 2002 expenditures. The remaining balance in 2001 relates to member body dues paid in advance.

### 5. Taxes

The United States Internal Revenue Service has determined that IFAC is exempt from United States federal income tax under Section 501(c) (6) of the Internal Revenue Code. IFAC is exempt from Swiss income taxes.

### 6. Lease

IFAC leases office space, under a 10-year operating lease expiring in 2008, with net aggregate future lease payments of \$1,600,523 at December 31, 2001 payable as follows:

|                          |                     |
|--------------------------|---------------------|
| Year ending December 31, |                     |
| 2002                     | 249,555             |
| 2003                     | 254,545             |
| 2004                     | 258,553             |
| 2005                     | 263,501             |
| 2006                     | 263,501             |
| Thereafter               | <u>310,868</u>      |
|                          | <u>\$ 1,600,523</u> |

### 7. International Accounting Standards Committee (IASC)

IFAC and IASC have had an agreement under which IFAC contributes a specified portion of the annual budget of IASC to defray the costs of participation in steering committees by member bodies not represented on the Board of IASC. IFAC has agreed to fund the annual cost of one Board seat until June 30, 2001.

### 8. Employee Disclosure

IFAC had nineteen and thirteen employees respectively as at December 31, 2001 and 2000.

### 9. Comparative Figures

The comparative figures represent the financial results for the six months ended December 31, 2000 and the financial position at that date. IFAC changed its fiscal year end to December 31, effective December 31, 2000.

### 10. Other Receivables

\$1,045,295 and \$-0- of other receivables at December 31, 2001 and 2000, respectively, represent amounts due from the members of the Forum of Firms.

### 11. Pension Plan

IFAC participates in the Staff Pension Plan ("the Plan") of the American Institute of Certified Public Accountants (the "AICPA"). All employees of IFAC are eligible to participate at age 21. Contributions to the plan are made by IFAC. Pension benefits earned are generally based on years of service and compensation during active employment. Beginning in 2001, a separate accounting has been maintained by the AICPA on behalf of IFAC. As such the Plan is considered a multiple employer plan. All administrative costs are incurred by the AICPA.



## n o t e s   t o   f i n a n c i a l   s t a t e m e n t s

(Amounts in US Dollars)

The following tables present the benefit obligation and funded status of the Plan as of the Plan year ended July 31, 2001.

### Change in Benefit Obligation

|                                     |                     |
|-------------------------------------|---------------------|
| Benefit Obligation at July 31, 2000 | \$ 1,112,403        |
| Service Cost                        | 62,438              |
| Interest Cost                       | 79,408              |
| Benefits Paid                       | (78,378)            |
| Actuarial (Gain) or Loss            | (99,638)            |
| Change due to Amendments            | —                   |
| Change in Discount Rate             | —                   |
| Benefit Obligation at July 31, 2001 | <u>\$ 1,076,233</u> |

### Change in Plan Assets

|  |                     |
|--|---------------------|
| Fair Value of Plan Assets at July 31, 2000 | \$ 1,302,413        |
| Actual Return on Plan Assets               | 14,170              |
| Employer Contributions                     | —                   |
| Plan Participant Contributions             | —                   |
| Benefits Paid                              | <u>(78,378)</u>     |
| Fair Value of Plan Assets at July 31, 2001 | <u>\$ 1,238,205</u> |

|  |                     |
|--|---------------------|
| Funded Status at July 31, 2001             | \$ 162,062          |
| Unrecognized Net (Gain) or Loss            | (292,502)           |
| Unrecognized Prior Service Cost            | 26,132              |
| Unrecognized Transition Obligation/(Asset) | <u>(14,759)</u>     |
| (Accrued)/Prepaid Pension Cost             | <u>\$ (119,067)</u> |

The following table presents the pension expense for the 12 months ended July 31, 2001.

|   |                  |
|---|------------------|
| Components of Net Periodic Pension Expense  |                  |
| Service Cost — Benefits Earned During the Period  | \$ 62,348        |
| Interest Cost on Projected Benefit Obligation   | 79,408           |
| Expected Return on Assets   | (113,376)        |
| Amortization of Initial Unrecognized Net Obligation<br>of (Net Asset) as of May 1, 1985 | (6,031)          |
| Amortization of Prior Service Cost  | 5,832            |
| Amortization of (Gain) or Loss  | <u>(15,725)</u>  |
| Net Periodic Pension Expense  | <u>\$ 12,456</u> |

## n o t e s   t o   f i n a n c i a l   s t a t e m e n t s

(Amounts in US Dollars)

The following table presents the assumptions used in determining the above information:

|  |       |
|--|-------|
| Discount Rate  | 7.25% |
| Expected Long-Term Rate of Return on Plan Assets       | 9.00% |
| Weighted Average Rate of Future Compensation Increases | 4.65% |

Prior to fiscal year 2001, a separate accounting of funded status for IFAC was not maintained. Accordingly, no pension expense and accrued pension cost were recorded as of and for the six months ended December 31, 2000. As a result of the availability of a separate accounting during 2001, a cumulative effect of a change in accounting policy of \$106,611 was recorded to reflect accrued pension costs prior to fiscal year 2001.

## **IFAC Current Management Team**

Ian Ball  
*Chief Executive*

Russell Guthrie  
*TAC Director*

Peter Johnston  
*Director, Compliance*

Paul Sutcliffe  
*Technical Director, PSC*

Jim Sylph  
*Technical Director, IAASB*

Stephen Walker  
*Director of Operations*



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International Federation  
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