



Statement on International Accounting Standards

The Asia financial crisis highlights the need for more stable sources of capital to support growth and development in the region. Significant reliance on short-term borrowing was a primary contributor to the crisis. In order to attract more stable capital flows including Foreign Direct Investment (FDI), portfolio investment and development of long-term bond markets, capital providers need to have confidence in financial information provided by those seeking capital. Effective implementation of high quality international accounting standards would help to build this essential confidence.

Recently, significant strides have been made in converging towards a common underpinning for financial reporting. One focus has been the work of the International Accounting Standards Committee (IASC), which published the last major component of its core standards work program in 1999. Another effort has been the work by the World Bank and the global accounting profession, in cooperation with other international organizations to launch a worldwide initiative through the International Forum on Accountancy Development (IFAD) to improve financial reporting, including the necessary supporting infrastructure.

The objective of international accounting standards is to achieve convergence of the accounting principles used by businesses and other organizations for financial reporting around the world. Capital tends to flow to those markets with transparency that gives investors the greatest chance of assessing the risks and rewards of a possible investment. High-quality, transparent, and comparable information improves the ability of investors, creditors, governments, and others to make informed resource allocations and policy decisions. Investor protection is enhanced by greater transparency; access to multiple capital markets is facilitated; and costs are reduced. International accounting standards are also useful for developing economies and for economies without a standard-setting body or adequate resources to undertake preparation of accounting standards.

PBEC supports the development, in the public interest, and the convergence with national standards, of comprehensive and enforceable international accounting standards that require full and timely disclosure of material information in financial statements and other financial reporting to help participants in the world's capital markets and other users make informed decisions. International accounting standards should serve as a minimum benchmark for national accounting standards and not the lowest common denominator. Appropriate entities should be established on a national and international basis to ensure rigorous and consistent enforcement of international accounting standards.

A truly transparent and comparable system of financial reporting depends on a sound infrastructure that includes a quality process for developing those standards, a rigorous independent audit process, and a credible oversight program. For this reason, PBEC supports efforts of the IASC and the IFAD to strengthen the auditing infrastructure. Improvements in



Statement on International Accounting Standards

Page 2

the effectiveness of audits will help ensure that international accounting standards are rigorously and consistently interpreted, applied and enforced to encourage cross-border investments. Improved quality and greater consistency of audits can be achieved if all economies adopt international standards of auditing in their entirety as minimum auditing standards.

Endorsed by the PBEC Steering Committee 11/12/00
Adopted by the PBEC Board of Directors 11/12/00
2000 Mid-term Meeting, Singapore