



**Bruegel Releases New Publication on ‘The Global Accounting Experiment’  
by Nicolas Véron**

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**Bruegel has just published “The Global Accounting Experiment” by Research Fellow Nicolas Véron. The piece presents accounting standard-setting as a “frontier experiment” in international governance, where private initiative can succeed in solving a collective problem that nation-states could not tackle effectively. It argues that to make the adoption of International Financial Reporting Standards (IFRS) sustainable, the legitimacy of the International Accounting Standards Board (IASB) has to be bolstered whilst key supporters, such as the European Union, must help consolidate IFRS by implementing them consistently.**

This second volume of the Bruegel Blueprint series was presented at a lunchtime roundtable in London hosted by the Centre for the Study of Financial Innovation (CSFI) on Thursday, 12 April. Participants in the roundtable apart from Véron included Paul Boyle, Chief Executive of the UK Financial Reporting Council; David Cairns, former Secretary General of the International Accounting Standards Committees; and Jens Røder, Partner and European Regulatory Leader at PricewaterhouseCoopers.

The adoption of the IFRS by the European Union five years ago was a landmark decision and since then their progress has been spectacular: most major developed and emerging economies have endorsed the standards, or are about to do so – including, with increasing likelihood, the United States. However, further progress is not guaranteed without the IASB cementing its legitimacy as a global standard-setter and further leadership from the EU in consistent implementation of the standard.

Amongst the recommendations given for enhancing the IASB’s legitimacy, the author calls for:

- the IASB to make itself accountable by giving a formal role to its stakeholders in its governance;
- the IASB to take an uncompromising approach to standards’ quality, if necessary by rescheduling the convergence process with US Generally Accepted Accounting Principles (GAAP);
- the US authorities to accept the autonomy of the IASB as a *sui generis* global institution;
- EU institutions to use their influence to lead the IASB towards high-quality standards; and
- the investment community to mobilise its financial resources and skills to play a leading role in the standard setting process.

To ensure the consistency of IFRS implementation across borders the author calls for:

- the creation of a European Accounting Authority to provide guidance for IFRS implementation and ensure proper European input in the standard-setting process;
- the IASB to better monitor local implementation and guidance and exert moral authority to combat inconsistencies;
- the accounting profession to sustain a high level of audit quality; and
- all market participants to spread accounting culture more widely and bridge the knowledge gap between accounting professionals and other players.

*“Accounting has become a cornerstone of the knowledge economy, with a degree of complexity that increases in step with that of financial operations themselves. And its fate will be a marker of our ability efficiently to set common norms for the interconnected global economy.”*

The full report can be downloaded by clicking on this link.

[http://www.bruegel.org/Files/media/PDF/Publications/Blueprint/BP2\\_accounting.pdf](http://www.bruegel.org/Files/media/PDF/Publications/Blueprint/BP2_accounting.pdf)

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