



What do Standard Setters Expect from Academics?

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What do standard setters expect?

- Unbiased views
- Rigorous thinking and analysis
- Conceptual input
- Relevant and reliable evidence
- Dispel common myths



Unbiased views

- Almost everyone involved in the standard setting process has a vested interest in the outcome, except academics
 - Companies, analysts, auditors, regulators, politicians
 - Input from these sources needs to be interpreted
- Thus, expect academic input to be unbiased
 - Not push a point of view, unless view is backed up by theory or evidence; not simply opinion or preference
 - Extremely valuable to the process



Rigorous thinking and analysis

- Many offer reasons and analysis that comprise statements that sound convincing, but do not hold up to scrutiny
- Academics analyse issues and bring rigor to the thought process
 - Provides counterarguments to unsupported claims
 - Helps focus discussion on the crucial issues
 - Brings a sense of reason to unreasonable debates



Conceptual input

- Financial reporting standards are based on a conceptual framework
- Unfortunately, many who practice accounting are not able or willing to think conceptually about issues – except academics
- Such thinking helps link standards to the Framework and helps improve the Framework
- It also helps identify ways in which financial reporting does–or does not– reflect economics



Relevant and reliable evidence

- Most provide anecdotal evidence to standard setters, which sometimes is biased
- Academics are not consultants for the IASB
- But, the evidence academics provide is systematic and subject to critical peer review
- The staff is constantly looking for research evidence that relates to active projects
- A challenge is to make clear the link between the research and an active project



Dispel common myths

- Many do not update their knowledge or understanding of financial reporting to reflect updated standard setting thinking
 - Academics are not immune to this criticism
- Given that academics are responsible for training the next generation, it is important academics rid themselves of financial reporting myths and help dispel the myths from the thinking of others



Dispel common myths

- There is no matching principle
- Historical cost is a misnomer
- Neutrality, not conservatism
- Neutrality does not mean there are no consequences
- Reliability is faithful representation, not precision
- Asset/liability focus is to measure income better
- Modified historical cost is not more “reliable” than fair value
- Using accounting amounts in contracts or (bank) regulation is not the objective
- Principles are not necessarily less rigorous than rules
- Uniformity is not comparability
- There is no concept behind Other Comprehensive Income
- *Framework* does not mention intent or business model



Conclusion

- Academics have an important role to play in standard setting
 - Input to the process, research, and teaching
- Academics' role is unique
 - Unbiased, rigorous, and not afraid of new ideas
- We should continue to play an active role and exploit our comparative advantages



Thank you!

