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Opinion: Accounting for who and where you are – the challenge developing countries pose to the IASB. By Richard Murphy

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The International Accounting Standards Board (IASB) has a chance to do something really powerful this week. It could with one decision do more for development than Live Aid or Live 8 achieved, outdo Bono, make tax evasion and corruption a great deal harder, help increase the tax revenues of most of the poor nations of the world and so bring real relief to their people and begin the end of aid dependency.

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It could do all this by adopting a proposal put to them with regard to the future of segment reporting. This proposal, backed by most of the UK's major aid agencies including Christian Aid, Save the Children, CARE International, Oxfam and CAFOD, asks for segment reporting by multinational companies which requires them to 'account for who and where you are'.

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What this means is simple. 'Accounting for who you are' is a simple matter of listing all the countries in which you operate, and naming all your subsidiaries in every one of those countries. The requirement is so simple it's hard to see what the objections to such disclosure might be. And yet such information, obtainable now for UK companies but only with considerable effort, and largely unobtainable elsewhere, would provide the most basic of data about corporate engagement. After all, how can any company be a good corporate citizen of a country in which it operates if it isn't known that it is there, or what it is called? In developing countries where accountability is particularly important, firstly to tackle corruption, secondly because a few companies usually dominate the export trade of the whole economy and thirdly because corporate taxes have the capacity to make a real difference to the well being of the states in question this data is vital if corporations are to be held account for what they do, and governments likewise.

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'Accounting where you are' means that segment reporting should disclose for every state in which a multinational operates a summary profit and loss account, including notes on important issues like labour costs. This would also, and most importantly, show both intra group and third party transactions, since to be accountable locally what actually happens locally has to be known, and this can only be case if intra-group data is disclosed for every country in which there are operations. This disclosure would also cover critical data of importance to many developing countries where fraud prevention is vital, including all payments made to governments and taxation information. Only if corporations disclose this can the governments be held to account for what they do with the cash paid to them.

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This accounting has another benefit. It would show which corporations were likely to be undertaking serious transfer pricing activity because the existence of offshore corporations with heavy intra-group trading would be a sure sign that effort was being put into trading fiscal rules, not creating real added value for

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shareholders. In this way this disclosure could both have prevented some major corporate collapses, boosted the taxation revenues of countries who have limited capacity to challenge transfer pricing abuses (as is the case in Africa) and made available to shareholders critical information on whether the results they are seeing are based on manipulation or real market prowess.

This is a big chance for the profession - one of the biggest it has been given for a very long time. But will it take it? The omens have not been good. The IASB has so far failed to engage with the NGO community on this issue despite the fact that the submission it made was part of a formal consultation process, and despite the fact that the IASB says it recognises its duty to do so. If the IASB fail to act, the loss to the world at large might be high. The loss to developing countries will be enormous. The stakes are big. When the chips are down and the IASB really has the opportunity to make a difference in the world the question has to be, has it got the guts to do so?

We'll know on Wednesday, because that's when they meet.

The submission they are discussing can be downloaded [here](#).

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