Funding the Future

Country-by-country reporting – the plimsoll line ...

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I was speaking to a wise friend and fellow accountant this morning. We were discussing a number of accounting standards issues, as is our regular habit. He offered what I thought was a very good description of country-by-country reporting — of which he is a fan. He called it â€šÃ„Ã²the plimsoll line of accounting'.

The plimsoll line is described on Wikipedia as:

The International Load Line or Plimsoll Line (waterline), positioned amidships, indicates the legal limit to which a ship may be loaded for specific water types and temperatures.

It seems like a simple thing, and yet with only basic training it can inform almost anyone whether the ship they are observing is safe, or not.

Likewise country-by-country reporting; with only basic training a person will be able to demystify the accounts of multinational corporations and work out their relevance to them, in the place where they live. They'll know what the company is called where they live, what level of trade it does there, how many people it employs, what it pays them, how much profit it makes, how much tax ts pays and what it has invested in the jurisdiction. All of which can provide a risk assessment about the company — first of all about whether it is one to trade with or work for, secondly whether it is one to invest in, third whether it is good for the community, fourth if it is paying its way. In each case the risk will be easy to assess.

So that's it: country-by-country reporting, the plimsoll line of accounting — clear indication of risk on key issues for those who really need it.