

29 September 2003 - Unlisted companies unaware of how international accounting standards will affect them

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Many smaller companies may be assuming wrongly that International Accounting Standards (IAS) will not affect them, the Institute of Chartered Accountants in England & Wales (ICAEW) has warned. Although the Government has decided to give unlisted companies the option of whether to use these standards in their annual and consolidated accounts from 2005, this does not mean smaller entities can afford to ignore IAS, the Institute says.

This is because the UK's Accounting Standards Board (ASB) intends to converge UK accounting standards with IAS, which means that in many cases UK GAAP will be amended in line with revised international standards. These will apply to all UK companies, whether large or small.

The Institute's survey of Chartered Accountants working with and in businesses across the country revealed that only 23% of those respondents working in unlisted companies were aware of the ASB's views and aims. Those surveyed also reported limited awareness among unlisted companies of the implications of the introduction of IAS, with 52% of those who work for listed companies rating their firm's understanding of the international standards as either "fairly poor" or "very poor".

Around a quarter of all respondents felt that IAS was not applicable to their business. The survey highlighted that these members were those working in smaller practices or in smaller unlisted companies. Nearly half (47%) of those working in unlisted companies who said that IAS was applicable to their business felt that their firm was unprepared for the introduction of the standards.

To assist UK companies in the urgent task of preparing for the adoption of IAS, the Institute has today (Monday) published an Update to its Convergence Handbook, which summarises the effects of standards and exposure drafts issued by the International Accounting Standards Board (IASB) and the ASB up to the end of July 2003. This is the fourth update to the Convergence Handbook, which compared IAS and UK financial reporting requirements as at November 2000 and summarised the implications of IAS for UK companies. Further updates will be issued when the IASB or the ASB issue new or revised proposals or standards.

The Institute's President, David Illingworth, commented: "Our research suggests that many unlisted companies are unclear about the impact that International Accounting Standards will have on their business. There appears to be a misconception that these standards will only affect listed companies.

"This is correct only in so far as the Government has given unlisted companies the option of using IAS from 2005. But what this assumption neglects to take into account is the Accounting Standards Board's intention to replace existing UK standards with new UK standards based on the equivalent international standard. Eventually, it seems inevitable that both unlisted and listed companies will be reporting under international standards and the sooner they prepare for this, the better.

"With this in mind, the ICAEW will be doing all we can to help businesses keep on top of the issues by providing practical information and support. One example is today's publication of an update to the Institute's Convergence Handbook which compares the latest International Accounting Standards with current UK reporting requirements."

Other key IAS survey findings:

- More than a third of all respondents surveyed in business and practice (34%) have not considered an implementation programme for the introduction of IAS. Thirteen percent have a programme in place, while 26% plan to have a programme in place within 12 months. Almost a third (27%) did not see the need for one.
- A description of differences between IAS and current standards has already been prepared as a starting point by 19%, and a quarter plan to have a similar document in place in the next year.
- Forty-one percent of those surveyed either already have an IAS training programme for staff or plan to introduce one within the next year. Comparatively few businesses (26%) have set up or plan to set up within the next year a programme to manage the IT impact of IAS.
- Listed companies are more likely to have taken on extra staff to deal with the introduction of IAS or plan to within the next year (37% compared to 7% of respondents working in unlisted companies).

Click [here](#) to view the full report of the Institute's survey on IAS preparation and click [here](#) to view the Update to the Convergence Handbook.

As part of the ICAEW's commitment to assist businesses as they prepare for the move to IAS, a freely accessible website has been set up in partnership with CCH. Further details can be found on [www.iasknowledge.com](http://www.iasknowledge.com)

In addition to publishing an update to the Convergence Handbook, the Institute will shortly be issuing an IAS alert which will provide businesses with a useful overview of what has been happening in the international arena.

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#### **Notes to Editors**

1. The ICAEW's research on the extent of awareness and preparation for the introduction of International Accounting Standards was conducted between 15 May - 30 May 2003 using random sample methodology. Over 1,100 Chartered Accountants working in business and in practice responded to the questionnaire which was completed via an emailed link to a web questionnaire. The survey report can be viewed on the ICAEW's website: [www.icaew.co.uk](http://www.icaew.co.uk)
2. The Institute of Chartered Accountants in England & Wales is the largest Accountancy body in Europe, with more than 124,000 members. Three thousand new members qualify each year. The prestigious qualifications offered by the Institute are recognised around the world and allow members to call themselves Chartered Accountants and to use the designatory letters ACA or FCA.
3. The Institute operates under a Royal Charter, working in the public interest. Its primary objectives are to educate and train Chartered Accountants, to maintain high standards for professional conduct among members, to provide services to its members and students, and to advance the theory and practice of accountancy.

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