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COMPREHENSIVE INFORMATION SYSTEM: INTERNATIONAL STANDARDS OF
ACCOUNTING AND REPORTING

Interim report of the Ad Hoc Intergovernmental Working Group
of Experts on International Standards of Accounting and
Reporting

1. The United Nations Economic and Social Council, at its first regular session of 1979, decided, in resolution 1979/44 of 11 March 1979, to establish an Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.
2. The Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting held its first session at New York from 11 to 22 February 1980.
3. The Executive Director of the Centre on Transnational Corporations made an opening statement at the first meeting of the Group.
4. At its 2nd meeting, on 11 February, the Group elected the following officers: Chairman, Dr. Jaime Laya (Philippines); two Vice-Chairmen, Mr. H. C. Treffers (Netherlands) and Mr. Mohamed Adel El-Safti (Egypt), respectively; Rapporteur, Dr. Richard J. Fox (Argentina).
5. At the same meeting, the Group considered and adopted the provisional agenda (E/C.10/AC.3/5) (see annex I below).
6. The Group also agreed on a work programme (see annex II below).
7. The Group initially considered the request of the Intergovernmental Working Group on a Code of Conduct to comment on the practical and technical aspects of the Chairman's formulation pertaining to disclosure of information, contained in paragraph 43 of the Chairman's formulation of a code of conduct (issued as a working paper), 1/ and recommended a reformulation of paragraph 43, together with

1/ See also E/C.10/AC.3/1, para. 23.

the consideration of three additional items. The Group's recommendations are set forth in annex III below.

8. The Group thereafter discussed item 2 of the work programme. During its first session, it discussed item 2 (a) of the work programme and began discussion on item 2 (b) of the work programme. Further discussion of unfinished business and other new items would be continued during the second session of the Group.

9. It was considered that the second session of the Working Group should take place after additional information requested by the Group had been collected by the Centre on Transnational Corporations and circulated to members of the Group. Taking this into account, the next session could be held around September or October 1980.

10. The Group took note of the reference in paragraph (e) of Economic and Social Council resolution 1979/44 that the Group should hold two sessions of two weeks each and should report to the Commission on Transnational Corporations. In respect of the terms contained in paragraph (e) referred to above, the Group was of the view that two sessions would not be adequate for consideration of the items incorporated in the work programme of the Group following its terms of reference. The Group consequently recommended that two additional sessions of two weeks each be held during appropriate periods in 1981.

11. At its 15th meeting, on 22 February 1980, the Working Group adopted a provisional agenda for its second session (see annex IV below).

ANNEX I

Agenda for the first session of the Ad Hoc Intergovernmental
Working Group of Experts on International Standards of
Accounting and Reporting*

1. Opening of the session
2. Election of officers
3. Adoption of the agenda and organization of work
4. Draft provisional agenda for the second session.
5. Report of the Group

* Originally issued under the symbol E/C.10/AC.3/5.

ANNEX II

Work programme adopted by the Ad Hoc Intergovernmental
Working Group of Experts on International Standards of
Accounting and Reporting

1. Consideration of paragraph 43 of the proposed code of conduct (formulation by the Chairman of the Intergovernmental Working Group on a Code of Conduct).
2. Consideration of appropriate further steps to be taken in the field of international standards of accounting and reporting within the scope of the work of the Commission. a/
 - (a) Comprehensive System of Information; b/
 - (b) Others.
3. Consideration of appropriate further steps to be taken to improve comparability of the information provided by transnational corporations in their reports.
4. Other matters, including timing and provisional agenda for second meeting.

a/ These issues to be considered taking account of relevant passages in the 1977 report of the Group of Experts on International Standards of Accounting and Reporting (E/C.10/33), notably the minimum lists, as well as other relevant material and work going on in other international accounting bodies.

b/ These issues to be considered on the basis of E/C.10/AC.3/1, paras. 16 to 19, taking particular account of relevant passages in the 1977 Report of the Group of Experts on International Standards of Accounting and Reporting (E/C.10/33), as well as other relevant material and work going on in other international accounting bodies.

ANNEX III

Paragraph 43. Information disclosure

1. All the delegations agreed on the following formulation:

Transnational corporations should make available to the public in the countries in which they operate clear, full and comprehensible information designed to improve understanding of the structure, activities, and policies of the transnational corporation as a whole. The information should include financial as well as non-financial items and should be made available on a regular annual basis, normally within six months and in any case no later than 12 months from the end of the financial year of the corporation. In addition, during the financial year, transnational corporations should make available a semi-annual summary of financial information.

Such information should supplement, where necessary, information required by national laws, regulations and declared administrative practices of the countries in which they operate. The information provided should include accounts consisting at least of a balance sheet, income statement and a statement of attribution of profits, together with suitable explanatory notes. Where appropriate, these accounts should be drawn up on a consolidated basis. The information should include the structure of the transnational corporation, the main activities of its entities, the operating results and sales, significant new investment, the sources and uses of funds, employment information, the research and development expenditure, the transfer pricing policies applied and the accounting policies used in compiling and consolidating the information.

In providing information, transnational corporations should have particular regard to the significance of their operations for the countries concerned, irrespective of the relative importance of such operations for the transnational corporation as a whole.

In so far as practicable, the information provided for the transnational corporation as a whole should be broken down by geographical area or country, as appropriate, with regard to activities of its entities, sales, operating results and significant new investment; and by major line of business as regards sales and significant new investment. The method of breakdown, as well as the detail of the information provided, should take account of the nature, scale and interrelationship of the transnational corporations' operations in various countries, the effects of disclosure on the transnational corporations' competitive position and the costs involved in producing information.

The above requirements do not limit the responsibility of transnational corporations consistent with paragraph 44 to supply for public use whatever information a government may request for that purpose as regards the activities of transnational corporations in its territory.

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2. Some delegations have proposed that paragraph 43 should include the following provisions:

(a) Transnational corporations should, at least annually, give a clear statement that they had not, during the period they are reporting about been involved in any illegal act in the countries in which they operate, directly or indirectly, and that they are abiding by the laws of the country of origin and the countries in which they operate and the International Code of Conduct;

(b) The report should include a statement by the corporation on its activity, where appropriate, in the field of transfer of technology to the developing countries, especially the countries in which it operates.

All delegations recognize the importance of the issues raised by these proposals. Some, however, consider that these issues should be dealt with in the Code Group's consideration of the draft Code's chapters on implementation and transfer of technology. The Group recommends that the Code Group should give full attention to these important issues.

3. Some delegations consider that some of the provisions of paragraph 43 are appropriate only in the case of larger enterprises. This issue should in their view be considered in the context of the Code Group's consideration of the problem of defining transnational corporations.

4. The Group has selected the phrase "declared administrative practices" recognizing that it differs from language in paragraphs 1 to 4 of the present draft of the Code. It recommends that the Intergovernmental Working Group on a Code of Conduct should arrive at a consistent formulation.

ANNEX IV

Provisional agenda for the second session of the
Ad Hoc Intergovernmental Working Group of Experts
on International Standards of Accounting and
Reporting

1. Review of studies made by the Centre on Transnational Corporations
 2. Consideration of minimum items for general purpose reporting
 3. Review of 1977 report of the Group of Experts on International Standards of Accounting and Reporting
 4. Review of the recommendations of the Secretary-General contained in E/C.10/33 and materials from international accountancy bodies and other interested groups
 5. Consideration of participation of developing countries and the United Nations in the formulation and adoption of international standards of accounting and reporting
 6. Consideration of appropriate further steps to be taken to improve the comparability of the information provided by transnational corporations in their reports
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