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Subject: Draft for a proposal of cooperation between European controlling / management accounting associations in order to establish “International Controlling / Management Accounting Standards”

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Why Do We Need International Management Accounting Standards?

In most European countries, International Financial Accounting Standards (IFRS) have created a new era of accounting and financial reporting. Many companies that are applying IFRS for the first time experience a sharp move away from their past accounting traditions - such as from the traditional continental European principle of protecting creditors or from the caution principle (value assets at the lowest possible value, value liabilities at the highest possible value) to full shareholder value orientation and to the principle of “fair value” in accounting.

Fair value accounting, in particular, is confronting accountants and auditors with a major challenge: they are no longer able to value assets and to test for possible asset impairment (for example, impairment of the book value of certain assets such as intangible assets and goodwill with their fair value) without the support of (business) controllers and management accountants, who provide reliable and “testable” planning data. Furthermore, management needs to put a new focus on their internal controlling and management accounting systems to better support the external IFRS view and to steer the business proactively.

We, therefore, the board members of the International Controller Verein (ICV) and the Managing Committee of the IGC, believe that the time has come for International Controlling Standards / International Management Accounting Standards.

Mission of the Proposed Initiative

Europe is rich in well-tested, highly advanced management accounting and controlling concepts. However, each management accounting tradition has thus far been developed and applied more or less in a specific national context. A huge potential to shape the management accounting and controlling practice globally remains unused and unexploited. We therefore propose a cooperation initiative that addresses all European controlling and management accounting associations, as far as possible with the support of the EU. Its mission:

- to bring the major players in the controlling / management accounting scene in Europe together for such a pan-European initiative
- to establish one European standard for management accounting and controlling by combing the strengths of the different approaches
- to take the lead in defining International Management Accounting Standards
- to create enough momentum to attract non-European parties to join the initiative in a second step

Possible Next Steps

- First meeting of representatives of European controlling / management accounting associations in first half of 2006. Intended result: agreement on joint “letter of intent” and roadmap.
- Create a working committee of representatives of the different controlling / management accounting associations that should work out a first version of “International Management Accounting Standards” by mid-2007.