

## **CGA Accounting Research Centre and the AFI Section DISTINGUISHED SPEAKER SERIES**

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Benoît is Professor of Management in the School of Management at Franche-Comté University Besançon, France. A Fellow of the Chartered Institute of Management Accountants (France), he was awarded a PhD by the Bourgogne University of Dijon for his research in corporate governance in 1993. His main research interests centre on corporate governance and its conceptual dimensions: performance, ethic, freedom, ontology, accountability.



He published several books in French (Ethic and corporate governance / Corporate governance, audit and control / Audit Quality, etc.) and is currently engaged in a research program designed to conceive a rigorous stakeholder approach of corporate governance.

**Topic:** *«IFRS and philosophical ethical concepts, how to make the junction?»*

### **Abstract:**

The conceptual framework of IFRS seems to take care only of investors and capital markets. We challenge this view and consider that, through its diverse concepts of *fair value* and *active market*, IFRS offer a far greater possibility of interpretation than is currently understood.

We propose to develop some critical definitions used by IFRS to apply for a stakeholder approach. We therefore argue that IFRS concepts can be enlarged to encompass not only financial requirement but also social or environmental requirements through a more ethical approach of accountability.

We investigate the consequences of this approach not only on annual reports but also on audit process.

International Financial Reporting Standards (IFRS) provide for the accounting treatment for certain transactions involving the concepts of fair value and active market. This presentation makes the point that the current interpretation of these two concepts seems to favour investors and capital markets but should also be interpreted to apply to all stakeholders.

The stakeholders were defined as these who contributed to the firm, used the resources of the firm or shared in the risks of the firm. To satisfy the requirements of this group involved moving from a purely technical approach to a more philosophical and ethical one when interpreting the application of accounting standards.

One of the major conditions in recording fair value is the existence of an active market. There are difficulties, however in interpreting an “active market” for some transactions, for example, real estate loans, by nature are heterogeneous rather than homogenous. An active market also would seem to require a competitive economy, but the competitiveness of the economy can be influenced by big firms. Moreover, fair value cannot be applied to everything and indeed- does everything have price?

Also, the concept of fair value relates to the value to be placed on the cost of an asset. This cost is supposed to reflect future economic value. However, the future may not be all that reliable. Stakeholders may have their own ideas about the future and its value ability and indeed survivability.

Future economic benefits may flow from intangible assets such as intellectual property. Some assets may be recognized because their future economic benefits may arise from other assets. Some future economic benefits can be controlled through such things as copy rights.

Rather than a purely technical or constructivist approach to fair value, what is needed is an ethical stakeholder oriented approach. This will require an interaction between the audit process, accounting and reporting.