



Social Economy and Sustainability Research Network
Partenariat sur l'économie sociale et la durabilité

Bridging, Bonding, and Building / Renforcement des liens et des capacités

Perspectives on the Accounting and Reporting Needs of Co-operatives and Co-operators: A Preliminary Examination

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Goals of this Presentation

- To present research findings suggesting Generally Accepted Accounting Principles (GAAP) do not fully consider the reporting needs of members and are not compatible with co-operative identity and purpose.
 - Understanding the co-operative identity & purpose in particular member ownership
 - Co-operative accounting issues
 - A co-operative centered approach to financial reporting - Next steps



Understanding the co-operative identity & purpose

Economic & Social
Duality of Purpose

Member as owner
& user of co-op

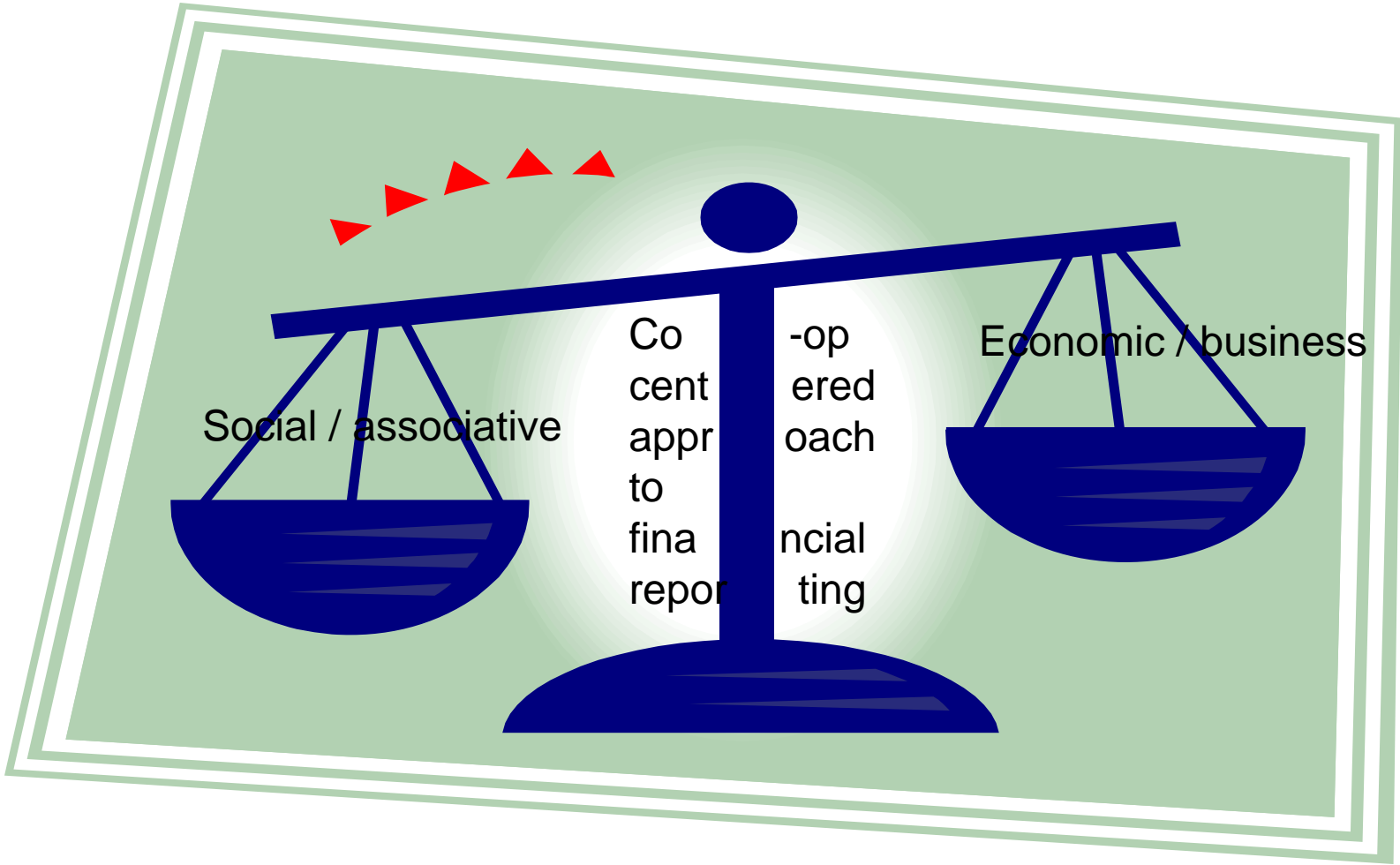
Co-operative
Identity & Purpose

Associative & Business
Organization Structure

ICA Values &
Principles



Co-operative Centered Approach to Financial Reporting



Characteristics of Member Ownership

- GAAP assumes investor as prime user of financial statements but co-ops have members rather than investors
- Member as owner, controller, and economic participant
 - One member, one vote
 - Elects board from membership,
 - Benefits in proportion to transactions with co-operative
 - Additional financial benefits may be limited e.g. ROE
 - May have no rights to residual net assets upon dissolution
 - Shares rarely trade on market
 - May be redeemable at par or allocated to reserves when member leaves
 - Co-operatives are less visible to market
 - Not the same level of external analysis & scrutiny



Co-operative Accounting Issues

- Informed by
 - literature review,
 - survey of NS co-op financial statements,
 - review of co-operative comment letters to IASB re: definition of debt & equity



Issues Arising from Member Characteristics

Co-op characteristic	Issue
Member ownership	Definition of equity. Need to recognize distinctive features of co-op member ownership
	Members' financial interest in co-op. Need more clarity in presentation & full disclosure
	Reserves. Need more clarity in presentation & full disclosure
	Investor focus in accounting standards. Standard setters need to consider co-op form of business



Issues Arising from Member Characteristics

Co-op characteristic	Issue
Member control; member as key user of financial statements	<p>Accountability Need for minimum standards of financial reporting.</p>
	<p>Accountability Need for understandability and usefulness of financial reports.</p>
Member benefit through economic participation	<p>Reporting performance in relation to member transactions Need for appropriate measures and disclosure regarding delivery of goods, services, jobs, to members, as opposed to focus on profitability alone.</p>



Issues Arising from Values, Purpose & Goal Characteristics

Co-op characteristic	Issue
<p>Social and economic goals, arising from purpose, values, and principles.</p>	<p>Investor and profit maximizing focus in accounting standards. Need to understand applicability of standards to differing goals of co-ops & evaluate impact of standards on co-ops</p>
	<p>Accounting for social and economic goals Need to report co-op performance including co-op values and principles. (Consider separate vs. integrated; standardized)</p>
	<p>Lack of visibility/assessment in reporting Need to quantify and report on co-ops delivery and impact in co-op education, training and on the community.</p>



Issues Arising from Values, Purpose & Goal Characteristics

Co-op characteristic	Issue
Co-operation among co-operatives.	<p>GAAP and business combinations Need to recognize approaches more suitable to a mutual pooling of resources rather than an acquirer / acquiree</p>
	<p>Economic relationships with other co-ops Need to disclose relationships with other co-ops</p>
Relatively large number of small and medium sized co-operatives	<p>Cost / benefit considerations Need to consider limited resources Need to consider users need for simpler and more understandable reporting</p>



A Co-operative Centered Approach to Financial Reporting – Next Steps

- Current lay of the land:
 - An emerging visible interest by co-operatives in financial reporting
 - Internationally variations among co-operatives in law
 - Standard setters lack understanding of co-operatives
 - A shortage of places and spaces for discourse
 - A co-operative specific accounting framework does not exist
- A feasible solution: develop sector specific guidance such as a Statement of Recommended Practice for Co-operatives
 - Increased co-operative engagement and discourse
 - Vehicle for raising visibility of co-operatives and accounting
 - Increase dialogue with standard setters thus improving understanding

