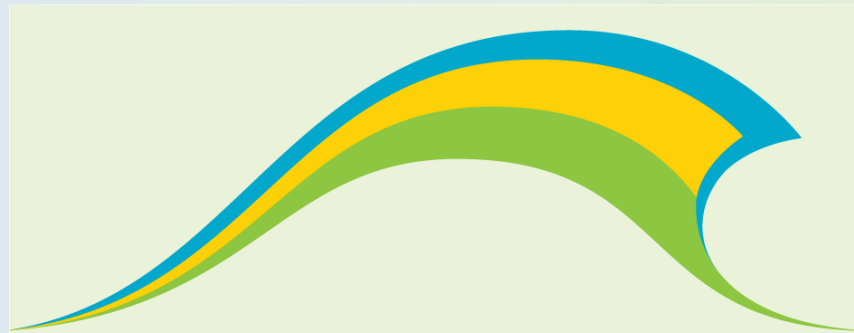


Co-operative Accounting

Réseau de recherche pour mesurer la
DIFFÉRENCE COOPÉRATIVE



Measuring the Co-operative Difference
RESEARCH NETWORK

Presented by Elizabeth Hicks
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Co-operative Difference & Co-operative Accounting

- The need for a co-operative perspective on accounting standards
- Accounting and reporting issues for co-operatives
- Recommended co-operative accounting practices

A Co-operative Perspective on Accounting Standards

Why a *co-operative* perspective?

- Purpose is to meet member needs for goods and /or services; profits are a means to achieving this purpose
- Guided by ICA values and principles
- Dual purpose of co-operatives: economic & social
- Unique characteristics of member as owner / controller / user
- Failure by policy makers to consider how standards and regulations affect co-operatives may limit their growth and development [Birchall & Ketilson, 2009]

A Co-operative Perspective on Accounting Standards

Bias in standard-setting for investor-owned business organizations

- Financial statements that meet the needs of investors will also meet most of the needs of other financial statement users. (IFRS, Framework for Preparation of Financial Statements.)
- .“to help *investors*, other participants in the world *capital markets* and other users of financial statements to make *economic decisions*” [emphasis added] (IASB Foundation Annual Report 2009 pg 58)
- Lack of co-operative representation on the International Accounting Standards Board (IASB)

Accounting and Reporting Issues for Co-operatives

- Member shares – debt or equity?
 - A change in accounting standards resulted in re-classifying member shares - once equity to debt
 - A reflection of IASB's lack of understanding of the co-operatives
 - Some co-operatives choosing practical solutions at the expense of the co-operative difference (2011 study)
 - Mobilized ICA to set up a working group whose mandate included educating IASB about co-operatives (2008 study)

Accounting and Reporting Issues for Co-operatives

- Patronage returns
 - Distributions or allocations to members based on their use of the co-op
 - Lack of standard reporting practices (2009/2010 study)
 - Terminology
 - How to reflect on financial statements
 - Disclosures

Accounting and Reporting Issues for Co-operatives

- Non-financial reporting
 - A natural for co-operatives
 - Duality of purpose: economic and social / environmental
 - Important tool to reduce mission drift & for strategic planning purposes
 - Triple bottom line / social responsibility / sustainability reporting etc. is still relatively new
 - Challenges:
 - What to measure? How to measure?
 - How many measures? How to report?
 - Developing a cost effective for small co-operatives
 - A public relations exercise or a valuable management and accountability tool

Accounting and Reporting Issues for Co-operatives

- Understandability of reports & common terminology
 - Of particular importance for co-operatives
 - Other sources of information, and independent analysis and interpretation of reports are lacking
 - Need common terminology and reporting standards

Recommended Cooperative Accounting Practices for Co-operatives

- CEARC iSORP
 - #1 Objectives, scope and purpose
 - #2 Reporting co-op members' funds
 - #3 Reporting payments to members
 - #4 Reporting on membership: joining, participating in and leaving the co-op
 - #5 Environmental sustainability reporting guidelines
 - #6 Co-operative non-financial reporting
 - www.coopaccounting.coop/isorpproject.html

Co-operative Accounting

Thank you