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CEARC discussion paper 1

iSORP objectives, scope and purpose

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The Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) is sponsored by:

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1. BACKGROUND

This discussion paper is the first step in offering for comment, proposed content for an international Statement of Recommended Practice (iSORP) for co-operative accounting and reporting. This paper considers the iSORP's objectives, scope and purpose.

A series of questions are included at the end of the paper with a view to encouraging feedback and participation in the process of developing a co-operative iSORP. Comments will be reported to the CEARC advisory committee and CEARC board and fed into a review and revision of the iSORP content set out in this paper.

While this discussion paper sets out iSORP objectives scope and purpose, there is also CEARC working paper 2 (available at the CEARC website: www.coopaccounting.coop) which sets out a draft conceptual framework for co-operative accounting. The conceptual framework is wider in scope and should be considered in addition to the iSORP objectives, scope and purpose to be found in this document.

Deadline for comments

In response to feedback received on our first working paper, we have increased the comment period to four months following publication. **The deadline for comments on this discussion paper is 31st July, 2008.**

2. OBJECTIVES, SCOPE AND PURPOSE

Co-operative

1. The term co-operative refers to co-operatives and other mutual organizations that comply with the International Co-operative Alliance (ICA) Statement on the Co-operative Identity (see appendix 1).

Objectives

2. The iSORP objectives include:

- (a) supporting stewardship and accountability to co-operative members through the adoption of a co-operative specific approach to financial reporting;
- (b) providing clarification of financial reporting standards and their application to co-operatives;
- (c) improving the quality of financial and non-financial reporting of co-operatives.

Scope

3. The iSORP recognises the member as primary user of the co-operative's financial reports.

4. The iSORP is designed to have application to all forms of co-operative that prepare financial statements on the accruals basis and aim to provide a true and fair view of a co-operative's financial activities and financial position.

5. Recommendations aim to be applicable to co-operatives of varying size, with differing governing documents and differing degrees of complexity.

6. Where local legal and regulatory reporting requirements exist the co-operative should observe such local reporting requirements and incorporate, as far as possible, the recommendations of the iSORP.

7. When appropriate, the iSORP will include recommendations specific to particular types of co-operatives.

8. Each recommendation should be considered in relation to the particular circumstances of each co-operative including consideration of what is material to the particular co-operative.

9. Co-operative financial reporting provides only a partial picture to the member and so additional non-financial information is required which may extend beyond that currently required in any particular jurisdiction. Both financial and non-financial information is of high importance to report users in understanding the activities and performance of a co-operative. The iSORP therefore also includes recommendations for the non-financial content of reports whether included within the annual or interim financial reports or separately.

Purpose of the co-operative annual report including the financial report

10. Financial reports should provide members with an account of the stewardship of the co-operative by the governing body and management; ensuring timely, understandable, relevant, reliable, comparable and transparent information on the co-operative's activities, performance and financial position.

3. QUESTIONS FOR FEEDBACK

CEARC is keen to receive feedback concerning any aspect of this working paper and including the ideas and views presented. In particular we would be interested in your views on all or any of the following:

1. *Are there any additional items to include in the iSORP objectives, scope and purpose?*
2. *Are there any items currently listed that you feel are inappropriate for inclusion in the objectives, scope and purpose?*
3. *Are there any revisions you would recommend regarding the existing wording, structure and/or order of items?*

Please send comments in writing by e-mail, mail or fax to:

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Please include your name and your organization's name and address and indicate the paper you are commenting on.

Comments should be received by **31 July 2008**

APPENDIX 1

STATEMENT ON THE CO-OPERATIVE IDENTITY

(International Co-operative Alliance, 1995)¹

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The seven co-operative principles	
1. Voluntary and open membership	Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. Democratic member control	Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

¹ ICA website: <http://www.ica.coop/coop/principles.html>

The seven co-operative principles	
3. Member economic participation	Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
4. Autonomy and independence	Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
5. Education, training and information	Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
6. Co-operation among co-operatives	Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
7. Concern for the community	Co-operatives work for the sustainable development of their communities through policies approved by their members.

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