

ACCOUNTANTS FOR BUSINESS

A new vision for finance and business in Europe: the role of accountants

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, and equipping them with the skills required by employers. We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote the appropriate regulation of accounting. We also conduct relevant research to ensure that the reputation and influence of the accountancy profession continues to grow, proving its public value in society.

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, *Accountants for Business*, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

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The economic experience of the central and eastern European states that joined the EU in 2004 and 2007 has varied significantly. Since then the region, and the rest of the EU, have had to contest with a series of economic and financial crises.

As the EU and its member states develop policy initiatives to support growth and innovation, and by so doing unlock the economic potential of central and eastern Europe, we examine the vital role that accountants will play in this strategy.

The economies of central and eastern Europe

There was a rapid emergence and maturation of the economies of central and eastern Europe (CEE) following their accession to the EU, riding on the back of a prolonged period of economic growth and development. EU funding, the benefits of regulation that embraced international standards, and a more open and competitive business environment underpinned the region's economic success. However, none of these factors could completely insulate national economies against the global economic problems that began to become apparent in 2007.

Yet, despite the severity of the downturn, a number of CEE economies, Poland and the Czech Republic for example, weathered the financial storm much better than more developed and much larger European economies. Much of this is attributed to their low levels of debt and conservative banking policies. These economies now have a much smaller mountain to climb.

There is undoubtedly a variety of reasons for their resilience. What can be learnt from their experiences? And more generally across the region, what will be the drivers of future economic growth and long term stability?

THE RECESSION IN CEE

The recession has undoubtedly had a profound effect right across the region. The rapid economic decline suffered by Latvia and Estonia, the two economies with the fastest growth in CEE during the decade prior to 2008, showed how quickly high-growth economies can fall into recession.

The implosion of global financial markets exposed the vulnerability of the region's banking sector, and strategies built on high levels of debt and reliant on inward investment. Shortfalls of foreign capital rapidly threatened the ability of CEE countries to finance their current account deficits. Housing bubbles burst in some states, and at the lowest point, the contraction of GDP surpassed double digits in the Baltic Republics and approached 10% in Bulgaria, Hungary, and Romania.

Even in the most developed and best-insulated regional market, Poland, GDP growth slowed from 6.8% in 2007 to 1.2% in 2009, before growing by more than 3% in 2010, with the budget deficit rising to 8% of GDP and public debt over 50% of GDP. One of the key factors was a collapse of private investment in Poland. In 2010 private investment declined by 7.4% in relation to 2009 and by 20% compared to 2008. This decline in private investment was a reflection of a sharp fall in foreign direct investment in the country, and the region more generally.

And now that we are on the path to recovery, there are mixed signs, with GDP projections predicted to follow very different trajectories. Some countries have already experienced rising industrial output and growing exports, but retain a flagging local economy. This raises the question – are the CEE economies suitably prepared to be able to capitalise on their potential, move out of recession and back to long term growth?

A REGION OF ECONOMIC DIVERSITY

The EU27 is a larger and more diverse social and economic region, with a wide range of new economies, strengths and challenges. This diversity requires recognition of the very different needs, both economically and within the accountancy profession itself, providing challenges for EU and national policy makers, and the professional bodies that promote the development of the profession.

While clear direction is needed at the EU level, ensuring flexibility in policy implementation will benefit successful solutions finding traction across the region. The different challenges and economic positions can be seen in the wide variation between the various sizes and strengths of economies within the EU.

States	GDP 2009 millions of euro	Population in millions	GDP per capita 2010 euro	GDP per capita 2010 % of EU27
European Union	11,808,717	500	24,500	100.0%
Germany	2,409,100	82.3	29,000	119%
France	1,907,145	63.8	26,100	107%
United Kingdom	1,566,741	60.9	27,700	113%
Italy	1,520,870	60.1	24,300	100%
Spain	1,051,151	46.9	24,700	101%
Netherlands	570,208	16.4	32,800	134%
Poland	310,075	38.2	15,200	62%
Belgium	337,284	10.6	28,900	116%
Sweden	292,680	9.1	30,100	123%
Austria	277,074	8.3	30,700	125%
Greece	237,494	11.2	21,700	89%
Denmark	222,893	5.5	30,500	125%
Ireland	163,543	4.4	30,700	125%
Finland	170,971	5.3	28,300	116%
Portugal	167,633	10.6	19,800	81%
Czech Republic	137,246	10.5	19,500	80%
Romania	115,869	21.5	11,000	45%
Hungary	93,086	10.0	15,700	64%
Slovakia	63,332	5.4	18,100	74%
Luxembourg	37,755	0.5	69,100	283%
Slovenia	34,894	2.0	21,300	87%
Bulgaria	33,877	7.6	10,600	43%
Lithuania	26,650	3.4	14,200	58%
Latvia	18,539	2.3	12,600	52%
Cyprus	16,947	0.8	24,000	98%
Estonia	13,730	1.3	15,900	65%
Malta	5,720	0.4	20,400	83%

Source: Eurostat, 2011

THE EUROPEAN ECONOMIC FORECAST

Looking ahead, EU GDP growth in 2011 is set to gather pace. This outlook is supported by better prospects for the global economy and by upbeat EU business sentiment. The former owes mainly to a better outlook for the US, continued buoyant growth in major emerging market economies and the expectation of a limited global macroeconomic impact from the earthquake and tsunami in Japan. As regards EU business sentiment, notwithstanding the tensions observed in some euro-area sovereign-bond markets, it has continued to improve since autumn. This points to economic activity gathering pace this year and shows signs that the recovery is also broadening across sectors, a picture corroborated by hard data readings.

Among the largest economies, the upturn is set to be markedly strong in Germany, where, after posting a remarkable 3.6% GDP growth last year, the pace of economic activity is expected to ease but remain noticeably above the euro-area average this year as well. France is set to grow at just above the area average, whereas Italy at about ½ pp. below and Spain at half of the euro-area average.

Outside the euro area, the strong German performance is outpaced by Poland, the only EU economy to have escaped a recession in 2009, while growth in the United Kingdom is set to be more subdued, roughly on a par with the EU average. Among the smaller economies, the rebound is particularly pronounced for Slovakia (3.5%) and Sweden (4.2%). In the EU, only two Baltic countries have higher growth rates than Sweden in 2011. In contrast, GDP is projected to contract in Greece and Portugal, while Latvia, Romania, Bulgaria and Ireland are expected to be out of recession. With the strong momentum in Germany pulling other countries, and a general gradual strengthening of domestic demand, GDP growth will tend to firm up in the course of 2011 and 2012 for most member states.

Public finances, which had been severely hit by the crisis, albeit to differing degrees in different countries, began to improve last year. Most EU member states posted lower general government deficits in 2010 than in 2009. On account of stronger growth, the end of the temporary stimulus measures and a switch to fiscal consolidation, the general government deficit in the EU is projected to fall from about 6.5% of GDP in 2010 to around 4.75% in 2011 and 3.75% in 2012, with a broadly similar pattern – but at a somewhat lower level – for the euro area. This is a slightly better profile than envisaged in the autumn, with the adjustment expected to be mainly expenditure-based in the EU and euro area.

The government debt ratio, in contrast, remains on an increasing path over the forecast horizon, reaching some 83% of GDP in the EU and 88% in the euro area by 2012. Thus, correcting the upward debt path remains a key economic challenge for safeguarding long-term fiscal sustainability, given lower potential growth than in the past and unfavourable demographic developments in the not-too-distant future.

Source: *The European Economic Forecast*, DG ECFIN, Spring 2011.

The European growth agenda

The crisis exposed fundamental problems and unsustainable policies in many European countries, not only those of central and eastern Europe. It also made clear just how interdependent the EU's economies are. Greater economic policy coordination across the EU will help us to address some of these problems and boost growth and job creation in future.

The EU is working to develop an industrial, financial and economic strategy that will support businesses – especially small businesses – as they respond to globalisation, the economic crisis, the internationalisation of their activities and the ongoing tough local market conditions. Importantly, the agenda is supporting entrepreneurship, to make European business fitter and more competitive, the heart of the strategy.

THE EU'S GROWTH STRATEGY

Europe 2020 is the EU's growth strategy for the coming decade. In a changing world, the EU has recognised the need to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the member states deliver high levels of employment, productivity and social cohesion.

The Commission has set five ambitious objectives – on employment, innovation, education, social inclusion and climate/energy – to be reached by 2020. Each member state has adopted its own national targets in each of these areas. A range of current and future actions at EU and national levels will underpin the strategy.

With the publication of 27 country-specific recommendations in June 2011, the Commission has already taken a decisive step to support each member state in delivering growth and jobs – and thus put the whole EU economy back on track.

THE POLISH PRESIDENCY

In this context the Polish presidency has put the fostering of economic growth at the center of its six months at the helm of the EU. It aims to achieve that through 'the further development of the internal market (the electronic market included), and use EU budget funds to design and develop a competitive Europe'.

Discussion on the next seven-year EU budget will start during the Polish presidency and the Polish team has already set out their focus, stating that 'the new EU budget should be an investment tool used to the purpose of implementing the *Europe 2020* strategy'.

Finalising the process of developing a single market is another central theme in the effort to achieve growth and the presidency will pay special attention to the development of electronic services, 'taking action to abolish barriers blocking cross-border online transactions'.

SMEs also feature centrally in the presidency's efforts to facilitate growth and as part of internal market reform the Polish presidency 'wants to work on improving conditions for small and medium enterprises, with special attention paid to their equity access capacity' and aims to 'support the Commission's initiative to facilitate access to capital markets and high risk funds'.

ACCOUNTANCY: SUPPORTING AN AGENDA FOR GROWTH

Each of the ambitions set out above requires strong business performance, supported by first-class accountancy and financial management. Indeed, not one of the objectives can be delivered without strong and strategic leadership from professional accountants. Their skills have been cited in a range of surveys, including ACCA's own study, *Accountants for Business*, published in November 2011, as being of increasing importance to successful performance in all sectors.

Across Europe, accountancy is in the spotlight. Ensuring that the work of accountants is aligned to business and the needs of investors is the best way to support an agenda for growth and innovation for future success.

The key issues are set out below.

REFORMING AUDIT AND ACCOUNTING

Audit has never had such a high political profile. In the UK, Brussels and the US the global financial crisis has sparked a series of high-level inquiries into the role and effectiveness of audit, while in Singapore, among others, regulators are actively engaging with stakeholders to assess how audit can be enhanced.

The European Commission's wide-ranging green paper on audit will be debated in Brussels throughout 2011 and will eventually lead to legislation covering the European auditing profession. Michel Barnier, the EC's financial services commissioner, has already warned that 'the status quo is not an option'.

In the UK, the House of Lords Economic Affairs Committee has conducted a highly critical inquiry into audit competition, while, in the US, the Public Company Accounting Oversight Board has been examining the need for changes to the current auditor reporting model and has consulted a variety of stakeholders. The US senate has also undertaken a hearing, in which regulators and standard-setters have been called to give evidence, into the role of the accountancy profession in preventing another financial crisis.

ACCA firmly believes in the value that audit brings to business and economies by building trust in corporate reporting. In our 2010 papers *Restating the Value of Audit* and its follow up, *Reshaping the Audit for the New Global Economy*, based on the findings from an international series of round tables in 2010, we have made the case for the role of audit to be extended to meet stakeholder needs more effectively.

It is clear that there is a shift towards reform, and significant political pressure underpinning that move. Policymakers and regulators have every right to ask tough questions on the role of audit in the global financial crisis and that the profession needs to respond appropriately.

BUILDING CAPACITY AND RAISING STANDARDS

Given the important role that accountants must play both now and in the future, ACCA champions recognition of the value added by accountants in whatever roles they are employed. By promoting the role of accountants as promoters of sound business practices, facilitators of sustainable business development, and identifiers of the drivers which lead to high-performing organisations, professional accountants are better able to enhance value for both small and large business.

ACCA is setting out an agenda for business which puts sound financial management at its heart, highlighting the many ways in which accountants position themselves at the heart of business life and a successful economy.

By building local capacity and enhancing the standard of the accounting profession right across the region, via its qualification, training and member support, and its body of research and technical vision, ACCA is ensuring it is playing its part in providing a strong foundation for long term sustainable growth in central and eastern European states.

Accountants for business

Given the enormous economic challenge facing national governments, and the tough operating environment for both large and small businesses, what role can accountants play to help to ensure there is no repeat of the crisis, and to enable growth and more sustainable value creation for the European public?

One of the hallmarks of sustainable enterprise is a strong finance function. Organisations, whether in public or private sectors, benefit strongly from the discipline that comes with financial management, and the embedding of financial awareness within the organisation from the most senior, board level, down to the most junior employees. In these organisations, financial management is not seen as an imposition. It is part of the culture of the organisation.

The accountancy profession has long embraced the value of accountants in business. ACCA itself has long embraced the need for financial discipline as a cornerstone of the corporate sector – and some 60% of its members already work in the corporate sector.

Financial skills are particularly needed in a time of difficult economic conditions. Recent surveys by ACCA show that demand remains high for accounting skills around the world, in developed and developing nations. The CFO has become more important in recent years as a guardian of financial performance and a key player in creating long-term value. It is no accident that professional accountants are found on the boards of listed companies around the world, and across the CEE region.

And the outward-facing role of CFOs has broadened. It is no longer just the shareholders who are seeking to understand and analyse company performance. Wider stakeholder groups are now scrutinising the broader supply chain, ethical business practices and the company's corporate social responsibility and environmental record. The CFO is increasingly the guardian of the brand, ensuring that the company adheres to good sustainable practices. Accountants are no longer reporting to the shareholders alone and ensuring that businesses comply with regulation. They must play their part in maintaining and building the reputation of the company, and rebuilding public trust.

ACCOUNTANTS AND THE ECONOMY

Accountants add considerable value to business by driving down costs and identifying drivers of value and profitability – and never more so than in the current environment. They are instrumental in obtaining access to finance and strengthening the balance sheet. The professional judgement of the accountant, and the drive of the profession to ensure ethical practices are adopted throughout the business, are vital to corporates as they steer their way through difficult trading conditions, while seeking to keep their eye firmly on their longer-term goals. Accountants help businesses to adapt to and thrive amidst new regulation – a factor of growing importance as policy makers at national and EU level attempt to fix the system post-recession, by evolving standards and introducing new regulation. In this way, professional accountants bring public value.

ACCOUNTANTS AND SMALL BUSINESS

Accountants are essential to supporting the small business sector, estimated by the OECD to represent 95% of all enterprises. SMEs make a positive contribution to economic growth, requiring well-rounded finance managers and advisers to ensure small businesses survive and grow. ACCA creates the ‘complete finance professional’, with the skills required for financial reporting, management accounting, compliance with tax and other regimes, risk management and performance analysis, grounded in professional and ethical practices and with the knowledge appropriate to provide well-rounded advice to company owners and managers.

ACCOUNTANTS AND BIG BUSINESS

A new agenda is emerging for the accountant in large companies. With risk management now identified as an increasingly important discipline within companies, the accountant’s skills are well placed to identify and analyse the company’s risk profile and to provide an essential link to financial performance. Accountants must strive to ensure that there is a consistency of approaches to management accounting and financial reporting, so that what is being measured and analysed within the company with respect to corporate targets and objectives is consistent with what is reported to external stakeholders. In short, accountants act in the interests of business by measuring and reporting on the right thing. The accountant in the large multinational must also be increasingly aware of the growth of non-financial reporting and the triple bottom line, as developments such as narrative reporting and integrated reporting aim to encompass a broader perspective, accounting to stakeholders through a broad-based operating, financial and sustainability analysis.

Actions to support sustainable economic growth in CEE

ACCA sets out some key recommendations which will create an environment for strong financial performance in which business, government, regulators and the wider public can be fully confident. Our recommendations support good business which in turn link into the objectives of the EU to stimulate sustainable business with enhanced prospects for its citizens in all areas. In particular, given the urgent imperative in many states of managing public funding to deliver effective services while attending to public funding deficits, accountants will increasingly be at the heart of public finances as well as their long-term role in business.

ENSURE APPROPRIATE ACCOUNTING STANDARDS AND FINANCIAL REGULATION

Having common accounting standards brings value to businesses, to economies and society, by acting as a source of public confidence and protection, providing a common platform for the presentation of financial information to investors, reducing transaction costs and setting a level playing field for business. Indeed, our research shows that chief financial officers, financial controllers, and other executives in Europe agree, believing that global financial standards are good for their company. However, accounting standards and practices must evolve to remain valued and vital.

An example of this is the current discussion regarding audit in Europe. Undoubtedly audit needs to evolve, to meet the needs of small and large business, of regulators and of society as a whole. The decisions that are taken on these and other regulations will be an important test for the EU. Will we manage to balance the burden on small business with the correct oversight of large corporations and public interest entities? By cutting audit for small business do we risk reducing their access to finance via bank lending or external investment? Can we find a way for companies to provide meaningful reports on issues such as their risk, sustainability and CSR that meet both the needs of regulators and investors, and without over-complicating the report?

ADDRESS THE BREAKDOWN IN PUBLIC TRUST

Businesses and politicians alike must seek to regain the trust of the public. Both private and public bodies must provide additional and more transparent financial assurance, both to investors and the general public. We firmly believe that accountants, as well as sitting at the heart of value creation within business, are ideally placed through their reporting and audit roles to reassure a sceptical public that business is working towards sustainable long-term value creation, not just short-term financial gains. ACCA believes that everyone – the public, governments and most importantly, business – would benefit if big corporations adopted a longer-term view when making strategic decisions.

Recognising that failings in the areas of risk management, governance and ethics played a major part in creating the recent economic crisis, ACCA is also working to raise awareness of the emerging best practice in the treatment of risk, how to build an ethical culture within business, the development of international reporting standards for risk, and corporate governance solutions that will help to prevent a recurrence of the crisis.

PUT INVESTORS' NEEDS AT THE HEART OF CORPORATE REPORTING

Encouraging the return of direct foreign investment will be a crucial part of any successful growth strategy in the region. However many investors still feel that they receive either insufficient information on a range of factors, or that information is not presented in the manner they find helpful. Issues on which they feel under-informed are not only concerning the company's underlying short term financial position, but also include its governance structure, risk management, future growth plans and sustainability strategy.

Fortunately, standard-setters increasingly share our view that accounts should be a tool for informing the economic decision-making of investors. Providing investors with clear information and a compelling reason to invest in companies in CEE, rather than in the competing emerging economies in Africa, Latin America, Asia and the Middle East, will be a big step towards significant economic growth in the region. In particular, ACCA welcomes the work of the International Integrated Reporting Committee (theiirc.org) and its work in developing a new framework for reporting which aims to develop a new internationally accepted approach which provides more comprehensive information about the full range of an organisation's impacts. By reporting on finances, governance, CSR and risk within the context of a sustainable business, it is intended that a new commitment to integrated reporting will facilitate enhanced investment decisions and lead to long-term, sustainable economic and social value.

ENCOURAGE SUSTAINABLE ACCESS TO FINANCE

The events of the last three years have refocused attention on the accessibility of finance to business. The issue has made it onto the front pages of our national newspapers and onto the agenda of the EU and groups like the G-20.

Provision of finance is critical to the key stages of a business' growth and development, particularly for small and medium-sized businesses (SMEs), although access to finance can be an issue for a wide range of organisations of all sizes. The challenge is to not only make up for banks' and venture capitalists' waning appetite for risk, but also to bring, in a sustainable way, financial services to the vast numbers of businesses that are still unable to access them.

SUPPORT PROFESSIONAL DEVELOPMENT AND INNOVATION IN ACCOUNTING

The range of functions and skills that comprise a modern finance professional have changed rapidly in recent years. The recruitment and retention of talented people with the right skills, and able to make the right decisions, is key to any business' success. As the region returns to growth, demand for high quality, dynamic, professional staff will rise quickly and competition for the best and most capable individuals will intensify.

Accountancy bodies must work directly with employers operating across the CEE economies, and policy makers, to ensure that we continue to develop finance professionals, locally, from within local markets, with the range of skills and knowledge required to help business along the path towards sustainable long-term success.

RECOGNISE THE VALUE OF PROFESSIONS TO SOCIETY

Business and policy makers need to support the value that all professions bring to society. Professions help to improve prosperity and the competitiveness of their economies, contributing towards a skilled workforce through the stringent qualifications and ongoing training required of their members. They also help to provide a basis for ethical, sustainable behaviour and decision making for business, while professional bodies are key centres of learning and help Governments to make better policy decisions.

The growth in capacity in key professions is also creating opportunity for a wide range of individuals, both in their local economies, and through a recognised qualification as an international passport, enhancing social mobility. Early in 2011, ACCA issued a report *Climbing the Ladder: ACCA and Social Mobility*, which examined the benefits of widening access to the finance professions, and highlighted the need for all those involved in the process of qualifying professionals to adopt strategies that seek to break down barriers to entry. While building capacity, and ensuring that professionals' skills and qualifications meet the future needs of employers and clients, are key goals for professional bodies across a wide spectrum of sectors.

EMBRACE CSR AS A DRIVER OF INNOVATION IN BUSINESS

There are a number of drivers that are pushing businesses to embrace CSR policies and report their policy and activities in this area. Legislation, the growing interest of shareholders, potential investors and other stakeholders, societal pressures and the dangers of reputational risk are all playing a part.

However CSR should not be seen as a regulatory burden or optional extra for business. Instead it can be a means of embracing a wider emerging agenda for business, and can develop as an opportunity for innovation and cutting costs or more efficient business practices. To a large extent Europe's competitiveness for the future can be seen to lie

in three main areas: the ability to leverage intellectual property and R&D; innovation in technology; taking the leading role in 'green' industries. Promoting corporate reporting on a wider range of issues such as CSR, risk, corporate governance and sustainability policy will be a fundamental driver for businesses to address these issues. Already, with the emergence of narrative and integrated reporting methodologies, we are seeing these challenges beginning to be addressed by the business world and the accounting profession.

RECOGNISE SMES AS A VITAL SECTOR FOR FUTURE GROWTH IN CEE ECONOMIES

The 23 million SMEs in the EU represent 99% of businesses, and have long been recognised as a key driver for economic growth, innovation, employment and social integration. The European Commission rightly seeks to promote successful entrepreneurship and to improve the business environment for SMEs, to allow them to realise their full potential in today's global economy.

Small and medium-sized enterprises form a major tranche of the economy in central and eastern Europe. From a macroeconomic perspective they contribute to the diversification and reduction of concentration risks. They can help to alleviate the effects of a recession on productivity, the employment market and growth. As we have seen in Poland, a stronger local economy – vitally supported by the SME sector – can begin to make up the shortfall provided by falling investment and lower exports, and lessen the impact of a global recession.

In light of their contribution to the dynamics of the European economy, entrepreneurs and the SME sector must be recognised as key drivers of future economic development, no longer the forgotten sector. At the macro level, entrepreneurial activity, especially of an innovative nature, is a leading indicator of the broader economic cycle, and a key component of the current upturn experienced in some CEE economies. Accountants are playing an ever increasing role in providing trusted, professional guidance to SMEs on a wide range of issues.

ACCA AND THE SME AGENDA

As the accountancy body most closely aligned to the small and medium-sized enterprise sector, ACCA is providing an evidence-based, global approach to the needs of SMEs.

1. Understanding the needs of SMEs

SMEs play an important role in generating employment for professional accountants. In the CEE markets, an increasing number of accountants advise SMEs in a professional capacity; and our members have a long history of supporting small businesses. Moreover, accountants in practice are often small-business owners themselves.

Giving governments the opportunity to work with or through influential advisers such as accountants can lead to the development of better policies and improved implementation. Proportionate regulation, designed with the needs of the smallest businesses in mind and coupled with adequate support, can achieve not only compliance but genuine good practice.

2. Supporting SMEs

Some of the core values that are at the cornerstone of future sustainable growth, namely diversity, innovation and opportunity, can be furthered substantially by supporting enterprise and small business; a focus on SMEs is part of ACCA's wider commitment to working in the public interest. SMEs make a substantial economic and social contribution to countries around the world, and disproportionately so to key emerging markets. Competent support from professional accountants can enable them to achieve even more, and build upon their value potential.

3. SMEs and the future of the accountancy profession

Professional accountants are increasingly relied on by European SMEs for business and regulatory advice. The demand for business support services is at the forefront of the profession's transition from compliance workers to business advisers, and generators of value for businesses.

4. Building alliances and enhancing local support to SMEs

As ACCA continues to build a strong programme of SME-focused research and events across Europe, we want to strengthen our relationship and knowledge exchange with local and regional networks of business and professionals. We are asking such organisations to join with us to better understand the role SMEs are playing in the revival of the European economy, as key drivers of growth and public value, and the role that accountants can play in supporting the small business sector.

Conclusions

The European Commission and member states are already developing a strong agenda to ensure a successful future Europe. ACCA endorses the strategy, which we believe will support business growth and innovation. As part of this we need to ensure professional accountancy is at the heart of strategic decision making in businesses across all sectors. To achieve the public value which accountants can bring, however, government and regulators can do more in helping to provide an environment which allows for enhancements in the practice of accountancy, while still enabling highly skilled individuals to use their professional judgment to contribute to business in a way which meets their needs.

A major part of the strategy must also be to ensure that any enhancements to regulation and performance put the needs of investors at their heart. The economies of central and eastern Europe have enormous opportunity to be at the centre of future European prosperity. We must now work together to unlock that potential.

ACCA RESEARCH AND INSIGHTS

ACCA's research and insights work addresses issues crucial to businesses, economies, society and the profession, both now and in the future.

It includes our *Accountancy Futures* and *Accountants for Business* programmes, drawing from the work of our technical, research and small business teams. Through a collaborative approach, we bring together leaders in business, government and academia to shape thinking on a wide range of issues.

Where Next for the Global Economy? A View of the World in 2030

While debate continues on the outlook for global capitalism, this paper explores the implications of our changing world with a panel of experts – business leaders, economists, academics and commentators – and offers a view of the global economy in 2030.

Financing the Recovery in Europe

This paper discusses the problem of discouraged demand for finance among Europe's SMEs, considers improvements to the way interventions by the European Investment Bank and structural funds can be improved, and reiterates the need to fully assess the impact of capital requirements under Basel III on SMEs' access to finance.

Audit Under Fire: A Review of the Post-financial Crisis Inquiries

Throughout 2010 and 2011 the role of audit has been the subject of a number of high-level inquiries in several jurisdictions. This paper outlines ACCA's position on the key issues that have been raised in those inquiries.

Audit Reform: Aligning Risk with Responsibility

Independent audit is the focus of intense international interest following the global financial crisis. There is developing interest in expanding the scope of audit work and increasing competition in the audit market. This report examines the progress on these matters in conjunction with a re-assessment of the auditor's exposure to liability.

Hitting the Notes, But What's the Tune?

ACCA and Deloitte surveyed 231 CFOs and group FDs internationally, for their views on the current and anticipated challenges in narrative reporting.

Risk and Reward: Shared Perspectives

A collection of essays from experts in the public and private sectors shows there are new lessons to be learned from the financial crisis, and assesses the role of ethical corporate behaviour in risk management and governance.

Maximising People Power

ACCA's report with KPMG uses case studies to demonstrate how crucial the training, development and retention of the finance function is to the success of an organisation, especially in the current economic climate.

All these publications and many more can be downloaded free of charge.

**www.accaglobal.com/af
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ACCA – SUPPORTING THE ACCOUNTANCY PROFESSION IN EUROPE

In addition to its staffed office in Brussels, ACCA is represented in Europe through a network of offices in the Czech Republic, Cyprus, Ireland, Poland, Romania, Russia, United Kingdom and Ukraine. These offices work directly with employers and tuition providers to help deliver ACCAs qualifications and services to approximately 200,000 members and students throughout the region. These offices also work, as appropriate, with local professional bodies, employer and business networks, regulators and government departments to promote the profession generally and in particular to provide wider value to local, national and regional economies. ACCA also offers a joint examination scheme with the professional bodies of Malta, Cyprus and Greece.

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