CHAPTER ONE

THREE TIERS

Information is the lifeblood of the capital markets. Investors risk their hard-earned capital in the markets in great measure based on information they receive from their target companies. They need reliable information on a timely basis. They want it in language they can understand, and they should receive it in formats they can easily use for analysis.

When the information comes from companies, investors need confidence that it is complete, accurate, and trustworthy. Management, an independent board of directors, and independent auditing firms—supported by accounting standard setters and market regulators—have specific yet interrelated responsibilities for ensuring the highest quality information possible. Investors and others have a specific responsibility as well—ensuring high-quality analysis of the information they receive.

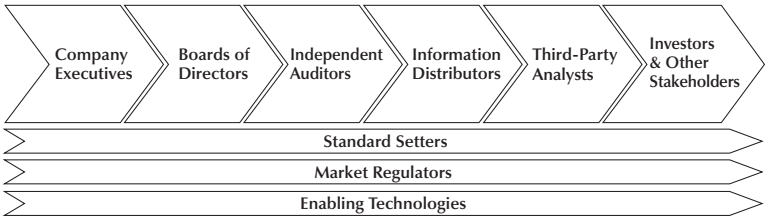
Investors understand that in free capital markets the opportunity for gain comes with the possibility of loss. But investors have the right to expect that the benefits or consequences will result from the decisions they make, not

from flawed information. Similarly, many other stakeholders make important decisions—for example, whether to work for or do business with a company—using information that companies report. Such stakeholders also need complete, accurate, and trustworthy information and they too must take responsibility for any necessary analysis.

Since the equity markets peaked in early 2000, events all over the world have shaken public confidence in the quality of reported information. A number of corporate failures and scandals have undermined the very trust investors place in those responsible for reporting that information. For markets to function efficiently and effectively, the *Corporate Reporting Supply Chain*—company executives, boards of directors, information distributors, independent auditing firms, third-party analysts, standard setters, and market regulators—along with enabling technologies for producing and consuming information must be dependable. Exhibit 1.1 illustrates and explains this supply chain concept more fully.

The need for more and better information, now heightened by a lack of trust, has led to a much more insistent demand for greater corporate transparency. Investors want greater transparency not only from companies and boards of directors, but also from independent auditors about their relationships with their audit clients. Investors want greater transparency from sell-side analysts about their compensation, potential conflicts, and how they do their work. They want the same clarity from standard setters and market regulators about how they make and enforce rules. With these calls for greater transparency come demands that all of these groups and individuals be held to higher standards of accountability.

Exhibit 1.1
The Corporate Reporting Supply Chain



This simplified diagram of the Corporate Reporting Supply Chain appears throughout this book to illustrate the roles and relationships among the various groups and individuals involved in the production, preparation, communication, and use of corporate reporting information. Some of the "links" in the chain–company executives and boards of directors–require no explanation. They have the responsibility for preparing or approving the information that companies report. Other terms used to describe participants in the supply chain deserve some clarification.

- **Independent auditors**, called both auditing firms and accounting firms in this book, refers to the firms that provide independent audit opinions on the majority of the financial statements issued by publicly listed companies worldwide.
- **Information distributors** refers to data vendors that consolidate reported information and provide it for others to use. This group also includes news media, Web sites, and other communications media that provide commentary on or otherwise pass along information from or about companies.
- **Third-party analysts** refers to those who use the information reported by companies, usually in combination with other information and research, to evaluate a company's prospects and performance. In this book, the term refers most often to sell-side analysts who write research reports and issue recommendations on stock purchases to individual and institutional investors.

(continued)

- **Investors and other stakeholders** are the ultimate consumers of corporate reporting information. Investors includes company shareholders but may also refer to those who are contemplating stock purchases. Other stakeholders refers to the myriad other users of reported information including company employees, business partners, vendors, and suppliers. It also includes community members, social and environmental groups, and other nongovernmental organizations (NGOs) that may have a stake in a company's performance.
- **Standard setters** refers most often to the organizations that set accounting and auditing standards. It also includes, as this book describes, other organizations, professional associations, and industry trade groups that may play a role in setting standards or defining corporate performance measures.
- **Market regulators** includes national governmental agencies, territorial coalitions, transnational bodies, and even stock exchanges that set and enforce rules relating to corporate reporting. Legislative bodies play a role here as well
- **Enabling technologies** is used here primarily to refer to Internet technologies and Extensible Business Reporting Language (XBRL), in particular, that enable the widespread distribution and use of reported information both inside and outside of companies. They also refer to hardware and software developed by technology companies for collecting and analyzing information.

Investors are not alone. Lenders, customers, suppliers, employees, and nongovernmental organizations (NGOs) have added their voices to the cry for transparency. The information-based decisions of all of these stakeholders affect investors because they can affect a company's stock price.

Executives and boards will serve their enlightened self-interests by heeding the cry for greater transparency. PricewaterhouseCoopers research has shown that investors,

analysts, and executives themselves all believe that better disclosure can have significant benefits for companies: more long-term investors, greater analyst following, improved access to new capital and a lower cost of capital, increased management credibility, greater management accountability, and higher share prices.[1]

Higher share prices clearly benefit shareholders when they are based on real value creation—and not on the management of earnings expectations and reported earnings. When value creation is real, the size and liquidity of the markets are more likely to increase on a sustained basis and result in more wealth not only for shareholders, but also for society as a whole.

MOVEMENT TOWARD GREATER TRANSPARENCY

Many companies in the marketplace have been dedicated for many years to a spirit of transparency and openness. This book offers more than a few examples. For instance, some companies are providing better segment information or working to make financial statements easier to understand. Some companies go beyond regulatory requirements and report nonfinancial information that offers the investor a richer and more accurate company profile. This nonfinancial information includes performance on "value drivers" that are the basis for future financial results—for example, effective customer relationship management, development of human capital, and improvements in the innovation process.

Other companies provide forward-looking information to give investors insights into management's view of the future. Still more use the Internet not only to present financial

statements, but also to post executives' speeches and to include individual investors in Web-based conference calls. Alongside this electronic channel, members of the management team are making themselves more available for direct discussions with investors and other stakeholders.

Boards of directors are beginning to look harder at companies' internal control and risk management systems. Auditing firms continue to improve their methodologies for providing assurance on reported financial statements. Firms that provide sell-side research are taking steps to eliminate any conflicts of interest and to ensure the quality of the research they publish.

Standard setters are examining whether existing accounting standards provide the necessary information in a way that is useful to investors. Market regulators are looking harder at the roles played by all of these groups to ensure that each holds itself accountable for properly fulfilling its role.

A NEW MODEL FOR CORPORATE TRANSPARENCY

Despite the many ongoing efforts to improve how the markets function, each group involved has its own goals and its own rather narrow view of what will make things better. The market requires a larger organizing framework that will focus all of these efforts on the overarching goal of ensuring that investors and other stakeholders get the information they need to make appropriate decisions.

Exhibit 1.2 offers such a framework. The *Three-Tier Model of Corporate Transparency* is one alternative for a new vision of the future of corporate reporting. Much is being done today to make each of these tiers a reality, and

suggestions for how to accelerate this progress are included in this book.

The model's three tiers include:

1. A set of truly global generally accepted accounting principles (Global GAAP).
2. Standards for measuring and reporting information that are industry-specific, consistently applied, and developed by the industries themselves.
3. Guidelines for company-specific information such as strategy, plans, risk management practices, compensation policies, corporate governance, and performance measures unique to the company.

Exhibit 1.2
The Three-Tier Model of Corporate Transparency

The Three-Tier Model does not ask companies simply to report information in three disconnected tiers. Investors and other stakeholders will benefit fully only if companies communicate the information in each tier in an integrated fashion that provides a holistic view of the enterprise—its marketplace opportunities, its strategies and their implementation, its value drivers, and its financial outcomes. Chapter 5 presents one model for doing this, the *Value-Reporting™ Framework.*

The following paragraphs offer a more thorough discussion of what the three tiers mean, including how the elements in each tier can change. Tier-Three information can move to Tier Two and Tier-Two information can move to Tier One. Beyond these shifts, the opportunity will always exist to add more information at Tier Three.

TIER ONE: GLOBAL GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Companies today use a wide variety of generally accepted accounting principles (GAAP) for reporting their financial results. Many different forms of country-based GAAP exist, such as those of Australia, Germany, Japan, the United Kingdom, and the United States. The closest the corporate reporting world has come to Global GAAP is the International Financial Reporting Standards (IFRS), formerly named International Accounting Standards, which will be mandatory for all listed companies in the European Union by the year 2005.[2] Chapter 2 discusses the key issues that must be addressed in creating Global GAAP, including the important and complicated matter of how to gain acceptance for it in the United States.

A compelling argument can be made for Global GAAP as the foundation for the future of corporate reporting. Just as markets for tangible products have become global, so have the capital markets. Companies want access to capital markets all over the world because they want to tap into large pools of liquidity—such as on the exchanges in London (10 percent nondomestic listings), Nasdaq (15 percent nondomestic), or New York (19 percent nondomestic).[3] Others wish to use their stock to make acquisitions in foreign countries where the company does business. While more and more companies want access to the world's capital markets, without a global set of generally accepted accounting principles the process of getting there is very difficult and expensive.

Market regulators and the stock exchanges they oversee impose a variety of rules regarding the appropriate set of accounting standards companies must use in local markets. They often require a listed company to convert to the host country's GAAP, U.S. GAAP, or to International Financial Reporting Standards. Others require companies to reconcile their local GAAP results to standards acceptable to the host country.

For example, non-U.S. companies that want to list in the United States must either convert their results to U.S. GAAP or use other recognized standards reconciled to U.S. GAAP. The lack of Global GAAP results in frictional costs that impair a company's ability to gain access to global pools of capital.

Investors also bear their share of the problems. Just as companies want access to capital around the world, investors wish to invest around the world. But the vast differences that exist among national and international accounting standards, and in the levels of transparency they

create, impair the ability of investors to compare the financial performance of companies that report according to different sets of standards.

Differences also exist in how rigorously executives and their boards apply these standards in creating their financial statements, how independent accounting firms audit them, and how market regulators enforce adherence to them. When accounting standards and the rigor with which they have been enforced are suspect, companies pay a very real price. Uncertainty about the reliability of reported financial information can be reflected in a higher cost of capital through a lower share price. Investors will demand a greater return in order to compensate for the higher level of risk caused by greater uncertainty about the quality of the information provided. This has happened to a number of companies in the United States when declines in stock prices have followed closely on the heels of questions about the quality of revenues or earnings.

The negative consequences of incomplete and unreliable information can extend well beyond an individual company or even stock market. They can affect an entire economy. In an analysis of the Asian crisis, the International Monetary Fund (IMF) reported that "although private sector expenditure and financing decisions led to the crisis, it was made worse by governance issues, notably government involvement in the private sector and lack of transparency in corporate and fiscal accounting and the provision of financial and economic data."[4]

If Global GAAP existed, investors could much more easily and accurately compare the performance of any company, in any country, in any industry. This would vastly broaden their investment choices because they could avoid

the difficulty and costs of comparing company performance and assessing risk across different types of GAAP. Risks due to a country's economic and political situation, the quality of governance and market regulation, and the company's industry dynamics would still exist, but at least an investor would have reliable and comparable information on any company of interest.

At Tier One, market regulators worldwide would agree to allow any company using Global GAAP to list on the exchanges within their jurisdictions. At their discretion, they could decide whether or not to make Global GAAP mandatory for domestic companies or even for all companies that seek access to public or private capital. In some circumstances, a preferable approach might be to let some companies continue using local GAAP—private companies or publicly listed small and medium-sized enterprises. However, those publicly listed companies that did not also produce Global GAAP financial statements would eventually find capital in other parts of the world difficult to access and expensive.

TIER TWO: INDUSTRY-BASED STANDARDS

An obvious impact of globalization is that companies within any given industry increasingly compete with their counterparts in other countries. Further, the competitive dynamics of specific industries, how those industries create value for shareholders, and the knowledge needed to create value vary widely across different industries. What other stakeholders want to know also varies across industries. For example, environmental and social NGOs want different types of information about oil and gas companies (e.g., environmental

impact) as compared to the information they want about apparel manufacturing companies (e.g., labor practices in developing countries).

Assume that an investor has decided to invest in a particular industry. The next decision is to choose among companies within that industry, and this naturally requires comparing one company's performance to that of its competitors. Global GAAP provides a foundation for this type of comparative analysis, but a standard set of accounting principles is not enough. Investors need supplemental information, both financial and nonfinancial, to gain a more complete view of a company's past performance and to make inferences about its future prospects. Examples of supplemental financial information include pro forma earnings and free cash flow, neither of which is covered by any form of GAAP. Examples of nonfinancial information include performance measures relating to intellectual capital and environmental pollution. Even for the same measure, the methodology used can vary substantially across industries. Banks, for example, do not measure customer satisfaction in the same way that hospitals do.

PricewaterhouseCoopers research in a broad range of industries shows conclusively that what drives value differs dramatically across industries. Chapter 3 offers a brief comparison between the telecommunications and pharmaceutical industries to illustrate such differences.

Global investors are not alone in their need to compare a company's performance with others'. Executives must compare their companies with peers in other countries to evaluate the competitive landscape. For example, a money center bank in London that competes globally for corporate or retail customers needs to compare its performance to competitors in Frankfurt, New York, and Tokyo. Predominantly,

it needs to make relevant comparisons based on information about the value drivers specific to banking.

That is where the difficulty begins. Companies within the same industry report industry-specific value driver information in an uneven fashion due to the lack of universally accepted definitions, measurement methodologies, and reporting conventions. Even if many companies in an industry reported on an important piece of nonfinancial information—such as customer retention in banking and insurance or market growth and market share in high technology or telecommunications—the usefulness of this information would be limited if one company's set of numbers could not be compared to those of others.

To make such industry-specific information—the domain of Tier Two—truly useful to both investors and companies, standards are needed. Ideally, these standards will be developed by global, industry-based groups such as trade associations in collaboration with others in the Corporate Reporting Supply Chain, including the investor community, analysts, professional services firms, and independent accountants.

To create an incentive for this to happen and to prevent liability concerns from inhibiting transparency, regulation and legislation that provide "safe harbor" legal protection to companies reporting according to these standards should apply. Companies that provide useful forward-looking information to investors, explicitly identified as such, should not be penalized for doing so.

Although certainly not a widespread movement yet, examples can be found of industry-based groups that have proposed what could be considered Tier-Two measurement standards. The Society of Petroleum Engineers and the World Petroleum Congress, for example, have jointly developed a

set of principles for petroleum reserves and encourages companies to use them; although the developers say that the principles "should not in any manner be construed to be compulsory or obligatory."[5] In the hotel industry, the *Uniform System of Accounts for the Lodging Industry,* a uniform accounting and financial reporting system for hotels, has noted "revenue per available room (RevPAR)" as an industry-specific measure with suggested methods of calculation.[6]

Even though Tier-Two standards will be developed at the industry level, the possibility certainly exists that some of them could eventually be incorporated into Tier One. For example, certain financial measures of risk and value might be developed in several industries that would be useful in many others. Independently developed industry standards might be similar enough that they could form the basis for new standards within Global GAAP.

TIER THREE: COMPANY-SPECIFIC INFORMATION

Assuming that both Global GAAP and global industry standards existed for all key financial and nonfinancial measures, investors and other stakeholders would still need a great deal of information specific to an individual company. This information might include:

- Management's view of its competitive environment, including opportunities and threats.
- Strategies the company has chosen to exploit opportunities to create value for shareholders, as well as plans for implementing these strategies.
- The value drivers—and results information on them—that are uniquely important to the company although not covered by Tier-One or Tier-Two standards.

- Qualitative and quantitative targets, both absolute and benchmarked to a defined group of peers.
- The company's desired risk profile and how it manages upside and downside risks.
- The company's internal control and compliance procedures.
- The company's compensation policies.
- The company's principles of corporate governance.
- The commitments of the company to stakeholders other than shareholders.

This constitutes Tier-Three information, the foundation of good management as discussed in Chapter 4. By definition, Tier-Three information is unique to a specific company. Therefore, a company must decide how much of the Tier-Three information to report publicly. While well-defined external standards cannot be developed for Tier-Three content, general guidelines for content, as well as external standards for the format of reporting such information, certainly can be developed.

This is already happening. For example, the U.K. Accounting Standards Board (ASB) has issued (for comment) recommended revisions in a company's operating and financial review (OFR) statements, known as "management discussion and analysis" in the United States.[7] The draft proposes that a company's board of directors should discuss the objectives of the business and the strategy for achieving those objectives, as well as identify and comment on the measures used as key performance indicators in managing the business. Consistent with the spirit of Tier Two, the ASB also emphasizes the importance of defining and disclosing both financial and nonfinancial measures widely used within the industry sector.

Conceivably, in addition to such content guidelines, standard-setting bodies could develop format guidelines concerning how to use the Internet for reporting information, how often it should be updated, and rules under which it should be disclosed. For example, in the United States, Regulation Fair Disclosure, enacted in October 2000, stipulates that all analysts and investors must be provided with material information at the same time instead of in a selective or privileged way as had been done in the past.[8]

Just as Tier-Two information can move to Tier One, Tier-Three information could move to Tier Two. An example would be an individual company that starts reporting information on what it believes to be an important new value driver. Other companies might feel compelled to do the same, using their own measurement methodologies. If the market found this information useful, but not as useful as it would be if it were truly comparable across companies, investors would exert pressure for industry-wide, comparable standards to be created. Once this happened, information on this value driver would then become Tier-Two information.

Finally, the future of corporate reporting is inevitably moving toward greater transparency. Companies will continue to innovate and experiment with new types and new formats of information reported at Tier Three.

THREE TIERS OF ASSURANCE

Providing assurance on the information companies report follows directly from the nature of the standards upon which the information is based. At Tier One, assurance would be mandatory for any company using Global GAAP. It

would be provided by an independent group, like the established auditing firms, which has the requisite credibility in the eyes of companies and the public.

Initially, getting assurance on Tier-Two information should be voluntary in the same way that using Tier-Two standards should be voluntary. The market would then decide the value of having an independent party assure that the reported numbers were prepared according to the applicable set of standards. Of course, regulators could always decide to make assurance mandatory and would likely do so if they made certain reporting standards mandatory.

Over time, a combination of marketplace and regulatory forces would probably lead to mandatory assurance. Firms or individuals with the necessary skills, capabilities, and credibility, acceptable to regulators, would provide the assurance. In addition to auditing firms, this broad peer group could include general strategy consulting firms, industry-specific consulting firms, and IT service providers and systems integrators. Every candidate member of this group would also have to satisfy high standards of independence, as is true for the independent auditing firms today, for an assurance opinion to *be* and to *be perceived* as truly objective.

Because standards would exist, auditing Tier-Two information would be similar to auditing Tier-One information. In some cases, an industry association could contribute significantly to this audit, for example, by producing information assured by an independent third party, on market size and market share for use by all companies within the sector. Tier-Two audits would not be identical to those at Tier One, however, because at least initially the standards would not be expressed in an integrated framework like Global GAAP.

As at Tier Two, assurance on Tier-Three information would at first be voluntary. It could, however, become mandatory and become a service offered by firms and individuals that had the requisite expertise, credibility, and independence. The great difference at Tier Three lies in the nature of the assurance provided. Tier-Three assurance on reported information would focus on answering questions such as: Did management actually do what it reported? Was the company's externally reported strategy the same as its internally reported one? Were the risk management practices the company described actually applied? Was the externally reported performance metric the same one that management used internally? When comparative figures were given over time or across business units, did the company consistently apply the same set of internal standards?

Tier-Three assurance involves a high level of judgment since much of it concerns the behavioral aspects of management. In some cases, a company might choose to report only information on which the assurance provider is willing to agree, and no more. In such an instance, the quality of the information reported would be assured, but completeness of information might still be lacking.

This points out a significant challenge for assurance at Tier Three: the very real risk that management will only provide "positive" information. If other important, albeit less positive, information goes unreported, the value of an assurance opinion at Tier Three should be suspect. The firm providing assurance at Tier Three would no doubt want to include in its opinion its assessment of the reported information's completeness. Important categories missing information would need to be identified for the opinion to be most useful.

FROM CONTENT TO FORMAT

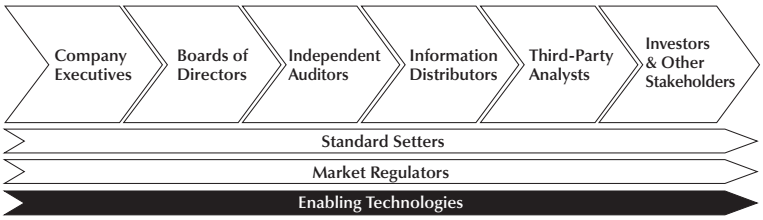
Format counts. Even the most accurate, relevant, and complete information would be all but useless for management decisions if it were presented on stone tablets at corporate headquarters. The same is true for information reported to investors and other stakeholders.

Traditionally, accounting standards have focused on the content of the information that companies should provide to the public. In adopting the Three-Tier Model and reporting on more information, much of it new or very different, equal attention should be paid to the format in which this content is communicated and subsequently consumed by investors, analysts, and other stakeholders.

Not long ago, the format for information was not really subject to choice; it was paper or nothing at all. Even with today's electronic technology, most content is still reported in formats that are very little more than electronic versions of paper, for example, the pdf format for annual reports found on Web sites.

The opportunity now exists for companies to report the information they provide to the public using an Internet-enabled platform called Extensible Business Reporting Language (XBRL®), one of the key enabling technologies in the Corporate Reporting Supply Chain (Exhibit 1.3). XBRL will play an essential role in achieving the corporate transparency embodied in the Three-Tier Model because of its ability to "tag" any individual piece of information with a precise contextual description. Such self-describing information will greatly facilitate the access and use of information by investors, while at the same time enhancing their ability to validate the reported information in accordance with prescribed standards, such as Global GAAP at Tier One and industry-based standards at Tier Two.

Exhibit 1.3
Enabling Technologies in the Corporate Reporting Supply Chain



Chapter 6 explores in more detail how XBRL will revolutionize the Corporate Reporting Supply Chain. However, because the content of the information at all three tiers is currently constrained by the pervasive paper-based formats used today, further discussion of the three tiers should not proceed without a basic understanding of how the Internet and XBRL will yield significant improvements in:

- The quality of the information being used.
- The speed and frequency with which information can be prepared, reported, and used.
- The usefulness of the information.
- The completeness of the information used in analysis.

QUALITY OF INFORMATION

Significant quality problems can arise because of transposition and other errors made when taking information from electronic or paper documents and reentering it into analytical applications. In XBRL, such errors are all but eliminated. Validation processes inherent in XBRL documents result in information that is more accurate and

internally consistent. XBRL also allows investors and other stakeholders to verify that the source from which they obtained the information is in fact its true source, eliminating the problem of "misinformation," for example, from a bogus press release sent out by an imposter.

SPEED AND FREQUENCY

XBRL will dramatically increase the speed at which users can obtain information. Users will no longer have to rely on their web browsers to search out the information they want. When information is tagged in XBRL, stakeholders can simply make an information request from within their analytical software and in seconds the information or data they want will be incorporated into their analysis. Such tools can quickly find and extract information—for example, a company's revenue recognition policy, buried in the footnotes of a 100-page annual report—and present only the specific information that the investor wants to analyze.

XBRL also speeds the company's access to its own information. Some companies have well-oiled internal systems and processes for accessing and using critical information. XBRL can further reduce internal barriers to consolidating information, thus making information sharing among disparate internal data warehouses much easier.

Although companies can certainly post and update information on their Web sites today, making information available on a "continuous reporting" basis is very difficult in a paper-based reporting environment. With XBRL, investors would gain immediate access to information as frequently as companies make it available. The choice of how frequently a company might choose to report, however, would depend on the relative importance of the information to stakeholders

and how frequently management updates this information for its own use.

More useful information

Information is most useful when users can obtain it easily from multiple sources and use it or share it among disparate software application packages for any type of analysis. For example, investors could obtain information from a company's financial statements, compare it to similar information obtained from analysts' reports, and then pass the same information to someone else for a different type of analysis.

More complete information

Finally, in an XBRL environment, investors and others will have access to much more complete information because the current high cost of accessing and consuming information will approach zero. All users will have greater access to the information that companies report, as well as to market-based information currently hidden in mountains of paper. Used properly, such information will enable better analysis by all internal and external decision makers.

Implications for the Future of Corporate Reporting

The improvements in reporting just described all stem from the fact that the XBRL format transforms electronic paper into documents that function more dynamically, as in a database. In an XBRL-enabled reporting environment and using application software packages now being developed,

all investors, including the growing number of individuals who invest directly in the market, will be able to perform sophisticated analysis much more quickly and easily.

Today, the large brokerage firms and institutional investors have a significant advantage because sophisticated analysis is very paper-based and requires a great deal of labor-intensive preparation. Individual investors, especially, may not have the resources needed to do the same. XBRL will help to level the playing field by reducing the time and cost for collecting the data for analysis, which will take only a few seconds at most.

XBRL AND STANDARDS

As powerful as XBRL is, it is not a set of corporate reporting standards. XBRL depends on having reporting standards in place. The relevance and reliability of information tagged in XBRL will be no better than the standards used to create the information in the first place. The content that results from principles-based standards and the use of an XBRL-enabled format are two sides of the same coin. Both are essential to the future of corporate reporting.

NOTES

1. PricewaterhouseCoopers research refers to the aggregate results from 14 independent country surveys conducted by PricewaterhouseCoopers in 1997 and 1998. Very similar results are obtained from the ongoing PricewaterhouseCoopers industry surveys. The industry survey results are posted and updated on the ValueReporting Web site at www.valuereporting.com. For a detailed discussion on the benefits of better disclosure, see Robert G. Eccles, Robert H. Herz, E. Mary Keegan, and David M. H. Phillips, *The ValueReporting Revolution: Moving Beyond the*

Earnings Game (New York: John Wiley & Sons, 2001), 190–191, hereafter referred to as Eccles, *The ValueReporting Revolution*.

2. Companies already using U.S. GAAP as their primary basis of accounting have until 2007 to convert, as do companies that only have publicly traded debt.

3. Data source for calculating the percentages of foreign listings on the London, Nasdaq, and New York exchanges: International Federation of Stock Exchanges, www.world-exchanges.org. Data were as of February 2000.

4. External Relations Department of the International Monetary Fund, "The IMF's Response to the Asian Crisis: A Factsheet," International Monetary Fund, January 17, 1999. Also see www.imf.org/external/np/exr/facts/asia.htm.

5. Society of Petroleum Engineers, "Petroleum Reserves Definitions," April 27, 2002, www.spe.org/spe/cda/views/shared/viewChannelsMaster/0,2883,1648_19738_19746_24741,00.html.

6. *Uniform System of Accounts for the Lodging Industry,* 9th ed., Educational Institute of the American Hotel Motel Association, November 1996.

7. U.K. Accounting Standards Board, *Revision of the Statement "Operating and Financial Review,"* exposure draft statement (London: U.K. Accounting Standards Board, June 2002).

8. U.S. Securities and Exchange Commission, "Final Rule: Selective Disclosure and Insider Trading," 17 CFR Parts 240, 243, and 249, Release Nos. 33-7881, 34-43154, IC-24599, File No. S7-31-99, RIN 3235-AH82 (New York: U.S. Securities and Exchange Commission, August 15, 2000). Also see www.sec.gov/rules/final/33-7881.htm.