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Confidence Accounting – A Bold Proposal from Long Finance, ACCA and CISI

Confidence Accounting is a proposal to use distributions, rather than discrete values, where appropriate in auditing and accounting. In a world of Confidence Accounting, the end results of audits would be presentations of distributions for major entries in the profit & loss, balance sheet and cashflow statements. The proposed benefits of Confidence Accounting include a fairer representation of financial results, reduced footnotes, more measurable audit quality and a mitigation of mark-to-market perturbations. Today sees the publication of a landmark, free-to-download report:

[Confidence Accounting: A Proposal](#)

by Ian Harris, Michael Mainelli and Jan-Peter Onstwedder of Z/Yen Group
published by Association of Chartered Certified Accountants (ACCA), Long Finance
and the Chartered Institute for Securities & Investment (CISI)
July 2012, 63 pages

Andy Haldane, Executive Director for Financial Stability at the Bank of England welcomes the proposal and writes in the foreword, **“My hope is that this proposal moves our thinking a step closer towards a set of accounting standards for major entities that put systemic stability centre stage. In the light of the crisis, anything less than a radical re-think would be negligent.”**

For a quick introduction to Confidence Accounting, particularly its application to banking, in 2011 the CISI published [“Accounting for Confidence”](#) which provides a short overview. Confidence Accounting was introduced for the non-professional in [“The Price of Fish: A New Approach to Wicked Economics and Better Decisions”](#), winner of the 2012 Independent Publisher Book Awards Finance, Investment & Economics Gold Prize.

The report’s lead author, Professor Michael Mainelli, Executive Chairman of Z/Yen Group, said: “We wrote this report in order to suggest that accountants and auditors could provide greater social benefit by moving towards better measurement science. Already, the intense pre-publication reaction shows that professionals realise the need for debate, if not all the reforms we’re suggesting.”

ACCA, CISI and the authors have established a consultation period till the end of 2012. Long Finance intends to host a number of autumn discussion events during the consultation period where people will be welcome to put forward their thoughts, criticisms and suggestions – www.longfinance.net.

About the Organisations

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 at all stages of their development. We seek to develop capacity in the profession and encourage the adoption of 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 seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

We support our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, based on the skills required by employers. We work through a network of 83 offices and centres and more than 8,000 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure that accountancy continues to grow in reputation and influence. www.accaglobal.com

ABOUT CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

The CISI's mission is to help members attain, maintain and develop their knowledge and skills and to promote the highest standards of ethics and integrity in the securities and investment industry. Based in the City of London, the CISI is a global organisation with over 40,000 members worldwide and representative offices in financial centres such as Dublin, Singapore, Dubai, Mumbai and Colombo. We work in close cooperation with regulators, firms and other professional bodies worldwide. www.cisi.org

ABOUT LONG FINANCE

Established in 2007 by Z/Yen Group in conjunction with Gresham College, the Long Finance initiative began with a conundrum: 'when would we know our financial system is working?' Long Finance aims to 'improve society's understanding and use of finance over the long term', in contrast to the short-termism that defines today's financial and economic views. Long Finance is a community which can be explored and joined at www.longfinance.net.

ABOUT Z/YEN GROUP

Z/Yen is the City of London's leading commercial think-tank. Z/Yen asks, solves and acts on strategy, finance, research, systems, marketing and intelligence projects in a wide variety of fields, such as developing an award-winning risk/reward prediction engine, helping a global charity win a good governance award or benchmarking transaction costs across global investment banks. www.zyen.com