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**REPORT OF INDEPENDENT ACCOUNTANT**

Executive Committee

International Association for Accounting Education and Research (IAAER)

We have audited the accompanying statements of cash receipts and disbursements of the International Association for Accounting Education and Research for the year ended December 31, 2003. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the ISA stated by the IFAC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in the summary of significant accounting policies, these financial statements have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than IFRS stated by the IASB.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the International Association for Accounting Education and Research for the year ended December 31, 2003, on the basis of accounting described in the summary of significant accounting policies.

Paris (France)  
June 10<sup>th</sup>, 2004

IAAER, STATEMENTS OF REVENUES COLLECTED AND EXPENSES PAID AND FUND BALANCE

**Main figures in US dollars** (years ended December 31) :

	2003	2002
Total revenues	59.814	33.593
Total expenses	(9.591)	(48.025)
Excess of revenues (or expenses)	50.224	(14.432)
Fund balance, beginning of year	33.139	46.067
Exchange rate change adjustment (*)	3.777	1.504
Fund balance, beginning of year, after adjustment	36.916	47.571
Fund balance, end of year	87.140	33.139
Fund balance consists in		
Cash in banks US (Bank of America)	59.619	
Cash in banks Germany (Aachener Bk)	<u>27.521</u>	(precisely 22.934 €)
	87.140	

(\*) € have been translated at the rate of 1,03 \$ to 1 € in 2002 and 1,20 \$ to 1 € in 2003  
 3777 \$ = (22.887 \$ x 1,2/1,03) – 22.887 \$

The accompanying notes are an integral part of the financial statements of the IAAER.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and practices followed by the International Association for Accounting Education and Research are as follows:

DESCRIPTION OF ORGANISATION - The International Association for Accounting Education and Research (IAAER) is a global not-for-profit organization. It is registered as a not-for-profit corporation in Illinois, USA.

The mission of the IAAER is to promote excellence in accounting education and research on a worldwide basis and to maximize the contribution of accounting academics to the development and maintenance of high quality, globally recognized standards of accounting practice.

IAAER carries out this mission by engaging in the following activities:

- Bringing an objective, research-based, academic voice to the development and approval process of international accounting and auditing standards through its relationships with various international bodies.

- Participating in the development of International Accounting Education Standards through its representation on the International Federation of Accountants Education Committee (IFACEC).
- Communicating with its individual members and academic and professional association members through the IAAER newsletter, COSMOS Accountancy Chronicle, and other means.
- Continuing its support of the Journal of International Financial Management and Accounting, the official journal of IAAER.
- Supporting the development of regional conferences on accounting education and research by working cooperatively with national and regional academic accounting organizations.
- Co-hosting the Fourth Biennial International Accounting Conference in South Africa (2004).
- Promoting communication on educational issues among professional associations through conferences for education directors.
- Expanding membership of both individual members and academic and professional association members.

#### **NOTES TO STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (Continued)**

**BASIS OF ACCOUNTING** - The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only assets recognized are cash and cash equivalents and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because neither assets other than cash nor financial liabilities are to be seen. In the case of the association, the effects of outstanding dues unpaid at the date of the financial statements are not included in the financial statements.

#### **RECEIVABLE FROM HONG KONG**

A final accounting of the World Congress of Accounting Education in Hong Kong (November, 2002) resulted in cash receivables of \$21,075. These receivables have been received as cash in 2003.

#### **MEMBERSHIP DUES**

As of December 31, 2001 there were 432 individual members and 43 institutional members. As of December 31, 2002 there were 883 individual members and 47 institutional members. Many of these memberships expired on December 31, 2002 without renewal. On December 31, 2003 there were 639 individual and 48 institutional members. Four of those institutional members did not yet pay their dues and for a number of institutional members the dues were waived by IAAER but paid by a KPMG-grant. Individual members' dues are US\$ 30 for two years. Institutional membership dues are US\$ 350 annually. It is the policy of the Executive

Committee to waive the membership fee for institutional members in cases where it is difficult or impossible to obtain U.S. dollars.

### INVESTMENT OF CASH

The organization invested cash not needed for current operations in certificates of deposit. The cash was moved from KeyBank National Association located in South Bend, Indiana to EIASM on January 6, 2000. This investment ended in early 2003. As of December 31, 2001, 2002 and 2003 these certificates of deposit consist of the following amounts:

	2001	2002	2003
Certificates of Deposit	\$13.386 14.873 €	\$15.320 14.873 €	<u>\$0</u>

The rest of the money was in a bank account in Brussels where an interest was received. In 2003 the Brussels account was transferred to Germany. Since that time it earns 1,5% of interest.

### COMMITTMENTS

The organization is committed to support the research conference in 2004 in South Africa with the amount of \$5.000