The Blueprint for New Accounting

Introduction by
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Blueprint for New Accounting

PRESENTATION OVERVIEW

1. Origin: 3 subdisciplines and more
2. Accounting principles (RCAP)
3. Expanded statements (past, present)
4. Forward-looking statement & narrative
5. A new era of accounting
“Not everything that counts can be counted, and not everything that can be counted counts.”

– Albert Einstein
Three subdisciplines…
Intercapital, integrated accounting…
Recognized Comprehensive Accounting Principles (RCAP)
Multilayered Income Statement

Scope / Field ID

**Internalities**

- Revenue
- Costs
- Net Income
- Other CI
- Comprehensive Income (CI)

Scope / Field ID & ED

**Internalities**

\[ \text{CI + VALUE ADDED (COSTS) = GROSS VALUE GENERATED / DISTRIBUTED} \]
- A, B, C, D, E (eg Society, Ecology)

\[ \text{GROSS VALUE GENERATED - COSTS = COMPREHENSIVE INCOME (CI)} \]

Scope / Field ED & EI

**Externalities**

- Direct / Indirect Benefits / Costs
- A, B, C, D, E (eg Society, Ecology)

**Full Comprehensive Income (FCI)**
Multilayered Balance Sheet

**ASSETS**

**TOTAL**

**Non-Purchased (e.g. self-created or shared) Intangible or Tangible Assets of Indefinite Life:**

**OWN ASSETS:**  
- Human Capital  
- Intellectual Capital

**SHARED ASSETS:**  
- Social and Relationship Capital  
- Natural Capital

**TOTAL COMPREHENSIVE ASSETS**

**LIABILITIES**

**OWNERS EQUITY**

**TOTAL**

**DIFFERENCE MARKET / BOOK VALUE**  
Based on share price & book value @ 31 December

**TOTAL COMPREHENSIVE LIABILITIES AND MARKET VALUE OF OWNERS EQUITY**
Diverse expectations of statements and narrative…

Users will need information about a company’s intangibles—strategy, business model or technical know-how—many of which currently are not recognized in the financial statements. Hans Hoogervorst, IASB Chair (2017)

ESG ratings we have today still really only give you a general feeling of performance, not a direct financial cost or benefit. Susana Penarrubia, Deutsche Asset Management (2017)

The biggest factors that limit the use of non-financial information by investors include lack of appropriate quantitative ESG information; lack of comparability over time; and questionable data quality. CFA Institute (2017)

Many of these intangibles are hard to value, have costs that are difficult to track and may not even be controlled by the entity, which are all good reasons for not recognising them as assets… it may well be that reporting such information outside the financial statements will be more effective at communicating the development of a business… ACCA (2018)

The “science” typically include a multitude of tools to support the quantification and monetization of risks... The “art” is the analysis and decision-making based on intuition, expertise and a holistic view of the organization. WBCSD (2017)
Pushing the boundaries in two directions…

Values Today: Internal and Externalized
Pushing the boundaries in two directions…

Values Today: Internal and Externalized

Values of Tomorrow: Future Scenario
**Statement of Long-term Risks, Assets & Liabilities**

...incl estimated asset/liability value in 20 yrs

<table>
<thead>
<tr>
<th>Non-Current Assets in 20 yrs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast value of purchased or paid for Non-Current Assets at 31 December 2040:</td>
</tr>
<tr>
<td>Brief narrative (incl scenario) &amp; financial value</td>
</tr>
<tr>
<td>• Land (natural capital)</td>
</tr>
<tr>
<td>• Reserves (natural capital, recoverable)</td>
</tr>
<tr>
<td>• Buildings (built capital)</td>
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<tr>
<td>• Equipment (manufactured capital)</td>
</tr>
<tr>
<td>• Financial assets (financial capital)</td>
</tr>
<tr>
<td>• Intangible assets (intellectual capital-based, purchased, with limited / identifiable life)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Current Liabilities in 20 yrs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast value of Long-term Debt at 31 December 2040:</td>
</tr>
<tr>
<td>Brief narrative (incl expected debt-equity structure / leverage) &amp; financial value</td>
</tr>
<tr>
<td>• Long-term debt</td>
</tr>
</tbody>
</table>
A new era of accounting...

PAST FLOWS & STOCKS
past 5+ years

CURRENT FLOWS
3-6-12 months

CURRENT STOCKS
@ day x (e.g. 31 December)

FUTURE STOCKS
coming 5-20 years

Ongoing decision-making focused on the longer-term, respecting systemic consequences and the health of vital capitals, mindful of the interdependence of the health of the business, its society and ecology
Thank You

Blueprint 2: Accounting

The Blueprint for New Accounting: Laying the foundations for Future-Ready Reporting