IFRS news

Emerging issues and practical guidance*

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# Proposed IAS 32 amendment on the classification of rights issues

**The proposed amendment to IAS 32 will eliminate volatility in profit or loss for rights issues denominated in a foreign currency. Marie Kling and Tina Farington of PwC's Accounting Consulting Services in the US explain.**

Rights issues are frequently used as a means of raising capital – particularly in the current economic environment where liquidity is still tight. These transactions are typically sizable, so accounting treatment is of great importance.

The Board last month proposed an urgent change to the current accounting for rights issues denominated in a foreign currency, which may have a significant impact for many entities. The proposed amendment, issued on 6 August 2009, has a 30-day comment period.

## Which entities are impacted by the amendment?

All entities that engage in rights issues with their shareholders that are denominated in a currency other than the functional currency will be affected by the amendment. A rights issue is a transaction in which an entity issues a right for all existing shareholders of a class on a pro rata basis to acquire a fixed number of additional shares at a fixed price (usually less than the market value of the shares on that date). Entities with a global capital structure often denominate the price in currencies other than their functional currency because they are listed in more than one jurisdiction. They may also have a legal or regulatory obligation to do so.

## What would the proposal change?

The proposal will require rights issues to be classified as equity if they are issued for a fixed amount of cash. This is regardless of the currency in which the exercise price is denominated and provided that they are offered on a pro rata basis to all owners of the same class of equity.

These rights do not result in the exchange of a fixed amount of cash denominated in the entity's functional currency under current IFRS for a fixed number of shares because the exercise price changes with movements in foreign exchanges rates. A fixed price in a non-functional currency fails the IAS 32 'fixed for fixed' requirement to be treated as an equity instrument. Rights issues with a foreign-currency-denominated exercise price are therefore currently classified as derivative liabilities, with fair value changes recorded in

## In this issue...

profit or loss. These fair value changes are driven not only by the foreign exchange movements but also movements in the entity's share price. The resulting volatility can be significant even if the rights issue is outstanding for a short period of time.

### What does this proposed amendment mean in practice?

Management will no longer be required to classify rights issues for which the exercise price is denominated in a foreign currency as derivative financial liabilities; they will therefore no longer be required to fair value these rights on an ongoing basis with changes being recorded in profit or loss. Management will be able to classify these rights in equity with no subsequent re-measurement provided they are offered on a pro rata basis to all owners of the same class of equity. The accounting will be simpler as a result, and volatility in profit or loss will be avoided.

The rationale for this narrow amendment is that these rights issues are transactions with shareholders. They are typically distributed on a pro rata basis to all existing shareholders at a fixed price, which results in no re-distribution of equity or value transferred amongst the shareholders. These are therefore considered 'equity transactions' with shareholders in their capacity as shareholders.

### Will the scope of this amendment be extended to other instruments by analogy?

The scope of the proposed amendment is limited to right issues to existing shareholders of the same class of equity provided they are issued on pro rata basis. It does not extend to other transactions denominated in a foreign currency that grant the holder the right to purchase the entity's equity instruments. For example, in a foreign-currency-denominated convertible bond, the embedded conversion option will continue to be bifurcated and accounted for as a derivative liability, with fair value changes recorded in profit or loss.

Likewise, warrants or rights issued to shareholders on other than a pro rata basis would continue to be accounted for as derivative liabilities, with fair value changes recorded in profit or loss.

### When will the proposed changes happen?

The proposed amendment has a 30-day comment period, which ends on 7 September 2009. It is expected to be effective for annual periods beginning on or after 90 days after the amendment is issued and will be applied retrospectively. Earlier adoption is permitted.

This is an urgent amendment, but it will ultimately be superseded by the longer term project that is underway (exposure draft expected in 2010), which takes a comprehensive look at the debt/equity model in IAS 32. Stay tuned for future developments in this area.

# Impairments – a long and winding road

**The economic storm of the last 18 months has impacted many aspects of financial reporting, not least impairments of non-financial assets. Some common themes have emerged from the many impairment queries directed to PwC's Accounting Consulting Services. Dave Walters of UK ACS and Caroline Woodward of the ACS Central team consider a number of them below.**

### Serial impairment charges

A number of companies have taken more than one impairment charge as the downturn has bitten. One company was updating impairment calculations on a monthly basis a year ago as the news from their customers became steadily worse. Impairment testing at a date before the year-end can save time; however, in a downturn, there is an increased risk of a trigger event for a test arising between the date of the impairment test and the year-end. If there is a trigger, the test needs to be updated, even if the indicators are conflicting.

### Quality of assumptions

The output of impairment tests depends on the inputs. There is an expression in computer programming, 'garbage in, garbage out' (GIGO); this is certainly true of impairment testing. This is not a science but the output depends on the input. The assumptions made need to be reasonable and supportable, and should be based on expectations not aspirations. In addition, they should not be made in isolation but should be consistent with each other. For example, higher revenue growth rates (such as in some high technology businesses) should usually be accompanied by higher discount rates, reflecting the increased risk that the higher revenue growth will not appear.

Aggressive revenue targets that have been accompanied by low discount rates will produce a high present value in a discounted cash flow. The final check – to review the result produced by the model against other market data, including typical price/earnings ratio's of comparable entities – should highlight where the GIGO risk is high. Performing this final step is vital.

A classic GIGO error in the last 12 months has been to assume that a fall in short-term risk-free rates will feed through to lower discount rates for impairment testing. Short-term, risk-free rates have fallen sharply, but longer-term risk-free interest rates have not fallen nearly as far. In addition, risk premia and credit spreads have increased dramatically. Discount rates produced using a WACC model have therefore been higher in the current year than previously. This makes sense, as the discount rate is trying to measure the risk inherent in the assets being tested for impairment. The global recession has increased the risk; discount rates therefore go up.

### Value in use or fair value?

Management should be clear whether it is doing a value-in-use impairment test or one based on fair value less costs to sell. The recoverable-amount calculation method chosen from these two options should be the one that gives the highest recoverable amount and therefore the lowest impairment. A different calculation method will lead to a different test; forecast cash flows, discount rates and even the assets/liabilities being tested will all be different depending on the test method chosen.

A common error is selecting a value-in-use test but not adjusting the cash flows to strip out the costs and benefits of re-organisations and enhancement capital expenditure. Another common problem is describing the test as a value-in-use test but using post-tax cash flows discounted at a post tax rate. Value in use is explicitly pre-tax in the standard, so the calculation of the impairment charge needs to be performed at a pre-tax level. Fair value less costs to sell is a post-tax test, performed using post-tax cash flows and comparing with post-tax assets.

### Onerous disclosure requirements

Another key lesson from the last 12 months is that the disclosure requirements are onerous and take time to address. There has been a substantial increase in the volume of disclosures, especially the sensitivity analysis. Sensitivity analysis is required where goodwill or indefinite-lived intangible assets are subject to testing. It is also required where there is not much headroom in the recoverable amount, such that a reasonably possible change in any key assumption would remove what headroom exists. Required disclosures include describing the cash-generating unit, quantifying the headroom and the key assumptions and by how much they would have to change to remove the headroom. There has been a substantial increase in regulatory scrutiny in this area.

### Is this the end of the impairment era?

Probably not. There will be more impairments and more near misses (with associated disclosure requirements) for many reasons. The downturn is not over yet, and some sectors are yet to see the real effects given they lag behind other parts of the economy. There are mixed indicators of recovery. Management may have made optimistic assumptions about the timing of the economic recovery and how long it may take the rising tide to affect their cash flows. Avoiding an impairment in previous periods with optimistic assumptions may elevate the risk of impairments in the future if the recovery takes longer to occur or does not have the benefits expected for the company.

The assumptions made in impairment calculations continue to need a sceptical eye. Unduly pessimistic assumptions in order to take a 'big bath' charge are also not in accordance with the standards. However, no management team wants to be the last company in their market and industry to take impairment charges.

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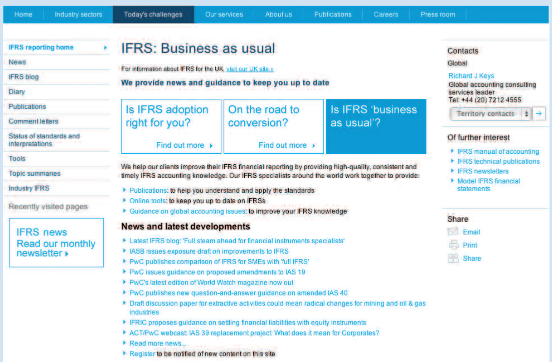

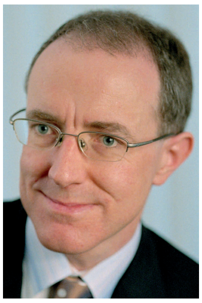

# Beginners' guide: the European Union and accounting

**The European Union is sometimes portrayed as the 'problem child' of the worldwide financial reporting community. And the bureaucracy behind the EU's endorsement processes for accounting standards can seem labyrinthine[1] to insiders, never mind the rest of the world. Yet, the brave step taken by Europe to adopt IFRS, announced in 2001, brought the brand new standard setter into the mainstream and has made IFRS the global counterweight to US GAAP. Graham Gilmour, a director in PwC's UK Regulatory and Public Policy team, peers through the Brussels fog.**

## What do we mean by Europe?

The EU is the world's second largest economy, comprising 27 member states and 495 million consumers. The EU has grown in successive waves of enlargement, from the original six member states, to nine and then 12, 15, 25 and currently 27. More countries are waiting to join. And some western European countries that have long stood outside the EU, such as Switzerland and Norway, have nevertheless tended to follow EU legislative developments very closely.

The EU has three institutions of major importance:

- The Council – comprising the political leaders of each of the member states.
- The European Parliament – an assembly of representatives elected by the citizens of the member states.
- The European Commission (EC) – the executive arm or civil service of the EU, responsible for drawing up legislation and implementing decisions of the Council and the Parliament.

All three of these have a voice when it comes to accounting.

## Basic rules for drawing up financial statements

The EU has been involved in accounting for decades. It issued the Fourth and Seventh Directives on Company Law as early as the 1970s. These set out the basic format, in terms of balance sheet, profit and loss account, etc, for single-entity and consolidated statutory accounts. It was thought necessary to have some basic framework for presentation of accounts across the EU, even though different countries followed different GAAP at that time.

These 'Accounting Directives' are still in use today, notwithstanding the more recent introduction of IFRS. In fact, the EC is currently conducting a review of the Directives. It has postponed the results of that review, pending further assessment of the impact of the new 'IFRS for SMEs' standard.

## IFRS and the single market

The EU embarked on a five-year legislative process in 1999 – the Financial Services Action Plan – to deliver the components of a single European capital market. This included common rules for prospectuses, takeovers and mergers, measures to prevent market abuse and markets for financial instruments. The premise was that the rules would provide a 'passport' for participants to access the markets anywhere in Europe.

A key related development was the desire for common accounting rules for listed companies. The EC's 'IAS Regulation' was proposed in June 2001 and passed in June 2002. It required all EU companies that are listed on EU-regulated markets to prepare their consolidated accounts in accordance with IFRS from 2005.

Individual EU member states also have the option under the regulation to extend the use of IFRS to other companies. They can require, or permit, non-listed and private companies to prepare their statutory accounts on the basis of IFRS. Different member states have taken different approaches.

## Endorsement

IFRS standards have to go through a process of 'endorsement' to be formally adopted for use in consolidated financial statements. This is necessary to give legal effect to the use of IFRS at a pan-European level. The process can be quite lengthy and involves multiple bodies and institutions (see box).

### Steps in the EU's endorsement process for IFRS[2]

1. Technical experts within the European Financial Reporting Advisory Group (EFRAG) review the standards. EFRAG then provides advice to the European Commission on whether a particular standard is suitable for adoption.
2. EFRAG's advice is evaluated by a further body, the Standards Advisory Review Group (SARG). This group of experts does not provide technical input but reviews the process and provides independent advice to the EC and member states that EFRAG's opinions are objective and well-balanced.
3. The EC prepares a recommendation for consideration by the Accounting Regulatory Committee (ARC), composed of representatives of member states.
4. The ARC votes on the EC's recommendation; it passes it into law unless the Parliament calls for the EC and ARC to reconsider.
5. An EU-endorsed standard finally becomes law a stipulated number of days after it has been published in the EU's Official Journal.

[1] Definition of 'labyrinth' in Greek mythology: an elaborate structure built for King Minos of Crete to hold the Minotaur. Daedalus had made the Labyrinth so cunningly that he himself could barely escape it after he built it.
[2] Editor's note: Sounds lovely doesn't it? this description is, shall we say, optimistic. It does eventually work out that way but it's not easy or painless.

The endorsement process has resulted in controversy in the past. The EC proposed deleting certain provisions on the full fair value option and on portfolio hedging of core deposits (known as the 'IAS 39 carve out')[3]. The ARC decided in favour of the EC's proposal. The fair value issue has since been addressed by the IASB issuing an amendment to IAS 39, but the hedging 'carve out' remains.

The standards applied in Europe may differ from the IFRS standards issued by the IASB as a result of the endorsement process. The EC has recommended that the accounting framework for EU-listed companies be described as 'International Financial Reporting Standards (IFRSs) as adopted by the European Union', to reflect their legal status and the fact that minor differences can exist. However, very few companies within the EU used the 'IAS 39 carve out'.

The endorsement procedure can also result in a delay before a standard becomes legally 'adopted' for use in the EU. In fact, the time taken to endorse a standard can vary from under a week (in the case of the October 2008 financial instruments reclassification amendment to IAS 39) to over a year (in the case of IFRIC 12 on service concessions)! The length of time taken to endorse a standard or interpretation can be indicative of its popularity (or lack thereof) or a measure of how vocal the opponents are.

The risk is that, as a result of the time needed for endorsement, Europe can at any point be working from a different set of standards from those being used elsewhere in the world. The EC has acknowledged this is a concern.

## Politics and the financial crisis

European politicians have taken an interest in some IFRS standards in the past (IAS 39, IFRS 8, and IFRS 3R are examples), but the financial crisis has served to increase significantly the degree of political scrutiny of financial reporting and of the IASB.

This is for a number of reasons. Firstly, some politicians have rightly or wrongly been persuaded by the arguments that accounting has contributed to 'pro-cyclicality' – that is, accounting has exacerbated the effects of the crisis. Secondly, they are distrustful in times of crisis of ceding control over accounting rules to an independent, private sector, standard-setting organisation. Thirdly, the crisis has boosted the importance in the public policy 'pecking order' of finance ministers and banking regulators – and those groups have taken a greater interest than ever before in accounting standards.

For the first time, the agendas for EU Finance Ministers' meetings have included accounting issues. And the IASB has been invited to make presentations to the EU Finance Ministers.

The scope for political intervention in the EU's endorsement process for IFRS has increased in this environment. This, together with the unknown views of a new Parliament elected this summer and a new set of Commissioners from the beginning of 2010, creates an uncertain period for IFRS in Europe.

**Definition of 'bureaucracy'**

The collective organisational structure, procedures, protocols and set of regulations in place to manage activity, usually in large organisations and government. It is represented by standardised procedure (rule-following) that guides the execution of most or all processes within the body; formal division of powers; hierarchy; and relationships, intended to anticipate needs and improve efficiency.

The word "bureaucracy" stems from the word "bureau", used from the early 18th century in Western Europe to refer to a writing desk and a workplace, where officials worked. The original French meaning of the word bureau was the baize used to cover desks. The term bureaucracy came into use shortly before the French Revolution of 1789 and rapidly spread to other countries.

An early example of a bureaucrat is the scribe, who first arose as a professional on the early cities of Sumer. The Sumerian script was so complicated that it required specialists who had trained for their entire lives in the discipline of writing to manipulate it. These scribes could wield significant power, as they had a total monopoly on the keeping of records and creation of inscriptions on monuments to kings.

*Source: Wikipedia*

## Europe at the IASB

The EC takes a close interest in developments at the IASB – both in relation to technical, standard-setting developments and the oversight and due process arrangements. EC staff act as official observers at meetings of the IFRIC and of the Standards Advisory Council. The EC issues comment letters on major pronouncements.

The EC's Internal Market Commissioner, Charlie McCreevy, participates in meetings of the new Monitoring Board, established earlier this year to provide public interest oversight of the activities of the IASB and its Trustees. The EC has not yet formally signed the Memorandum of Understanding underpinning the Monitoring Board. This is so that the relevant committee of the European Parliament, reconstituted following this summer's elections, can consider the arrangements.

## Show me the money!

The IASB has a potential shortfall in contributions to cover its future operating costs. It needs to move to a funding regime that is sustainable in the longer term. Current funding is from a mix of levy-based systems in some countries and voluntary contributions in others; the latter have been adversely affected by the economic crisis.

3 The legal viewpoint at the EC was that they could delete things from IFRS but could not insert new text.

A number of countries in Europe such as the UK already have broad-based levy systems that raise money from listed companies. However, the EU has proposed that from 2011 these are replaced by block EC funding for the IASB of €4 million annually. This sum may not be sufficient, but the EU is likely to attach conditions to the granting of any further funds, such as appropriate progress by the IASB and its trustees on governance enhancements. He who pays the piper calls the tune?

### Concluding thoughts

Europe has been an important 'test bed' and launch pad for IFRS. Europe's experiences with IFRS transition in the period 2004-2005, and on issues such as enforcement, have been of immense interest to other countries around the world that are now undergoing a similar process. The adoption of IFRS by the EU gave immediate credibility and standing to the new standard setter and the standards.

The rest of the world, with some justification, may assert that Europe receives more than its fair share of attention from the IASB. But if Europe had not decided to use IFRS, the rest of the world, including the US, would have little interest in converging, or convergence would have taken much longer. IFRS and Europe: they need each other!

# EU endorsement status

**This table shows the standards and IFRICs that have not yet been endorsed by the EU, and their effective dates.**

| | From 01 Jul 2008 | From 01 Oct 2008 | From 01 Dec 2008 | From 01 Jan 2009 | From 01 Jul 2009 | From 01 Jan 2010 |
|---|---|---|---|---|---|---|
| **New standards** | | | | | | |
| IFRS 1 (revised) 'First-time adoption' (effective 1 July 2009) | | | | | | |
| Amendment to IAS 39, 'Financial Instruments: Recognition and measurement' on 'Eligible hedged items' (effective 1 July 2009) | | | | | | |
| Amendment to IFRS 7,'Financial instruments: Disclosures' (effective 1 January 2009) | | | | | | |
| Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives (effective 1 July 2008) | | | | | | |
| Annual improvements 2009 (effective 1 January 2010) | | | | | | |
| Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010) | | | | | | |
| Amendments to IFRS 1 for additional exemptions (effective 1 January 2010) | | | | | | |
| **New IFRICs** | | | | | | |
| IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009) | | | | | | |
| IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009) | | | | | | |

# IASB's loss is Canada's gain

**Tricia O'Malley has been at the IASB since its inception in 2001. She leaves this month to return as chair of the Canadian Accounting Standards Board. She talks to *IFRS news* about the challenges of a standard setter.**

**What were your main areas of focus during your time at the Board?**

I started when the IASB was set up in 2001. I was a full-time board member for six years. Then for the past two years I have been on the staff of IASB, as Director of Implementation Activities. This involves being IFRIC co-ordinator and being responsible for the annual improvements project. This combination makes sense because so many of the issues considered in the annual improvements project result from submissions to the IFRIC. IFRS 1 is also under my control. This is because a lot of implementation queries arise from new jurisdictions identifying issues we hadn't thought about because these jurisdictions have certain structures, for example, that are more significant for them than they were for existing IFRS jurisdictions.

**What has been Board's greatest achievement during your tenure?**

As far as technical achievements are concerned, I think the share-based payments standard was very important. There was so much opposition to putting it onto our agenda to begin with, and the whole issue had almost put the FASB out of business. But the accounting scandals over executive compensation that emerged after the technology boom convinced us that we needed to act; they also removed a lot of credibility from those who had been opposed to the standard. The IASB's success in getting the standard established gave the FASB the opportunity to revisit it. We now are close to convergence. To me, that's really important.

Another big achievement was achieving the stable platform. We probably didn't achieve all we wanted, but the fact the European transition went as well as it did says something about the quality of the work we did and the great efforts of the preparers.

An endorsement of the concept of IFRS is the number of countries that have adopted the standards. The idea of a single set of standards goes back to 1973 when the IASC was formed, but at that time it was just a good idea looking for a market. Now the market has become sufficiently global and sophisticated that there is demand for the 'product'.

**The Board has been facing some criticism, particularly within Europe. What alternative is there to the IASB?**

There isn't one. There has to be a single body or you end up 'negotiating', with everyone defending what they do at home. The 'IAS Regulation' in Europe is key to implementing the Lisbon Treaty of 2000 and having a single European capital market. The accounting is just one piece of that, but it seems to be the only part that gets the bad press. There is a lot of other work going on in corporate law and securities law, and with the Committee of European Securities Regulators and other infrastructures that is critical to developing the European capital market. Now 7,000-odd companies are applying IFRS, so what will they use as an alternative? Does Europe really want a European GAAP? Some comment letters from European respondents do show a common European view, but there are in fact widely differing opinions within Europe. We at the IASB should look at it from the perspective that these sorts of challenges make you sharpen your practice.

**What does the future look like for the Board? What should its priorities be?**

What worries me is the almost continual demand for changes in governance, review and oversight [of the IASB]. Many of those who make these demands know little about financial reporting and standard setting and how much work has gone into the proposals even before they go out for comment. I worry that the Board and trustees will be so tied up in processes that they won't be able to get anything done. People who don't want change will disagree with the Board's conclusions. It is those who don't have a technical argument who like to slow the process down.

The best thing to insure the future of the IASB is for major jurisdictions to be involved. We need the US, Japan and emerging economies – Brazil, China and India, with their huge capital markets. Moving to IFRS is a leap of faith on their part. Economies such as Canada and Australia are too small to attract global capital using unique national standards. So if our major companies were to attract foreign investors, we had to use a recognisable language. But if China wanted to abandon IFRS, others may arguably learn their language. They have a lot at stake, getting involved in the international process, but also a lot to gain.

I'm also concerned the Board has too much to do, conducting business as usual, and now also dealing with the financial crisis and pressure from the G20. You get criticism on the one hand that there is too much change, too many new standards coming out too fast and needing more consultation. On the other hand, leaders from the same jurisdictions say we need a new standard on a particular topic by end of year, so make it happen. So how does anyone expect the Board to respond to wildly conflicting messages? They can't possibly do both; it's a no-win situation. What is important is that the Board continues to produce standards of the highest quality.

### What does the future hold for you?

I'm taking over as chair of the Canadian Accounting Standards Board. We're moving to IFRS from 1 January 2011. One of the concerns of national standard setters is whether IASB will be independent and responsive. In Canada we have said that the only time we wouldn't accept an IASB standard is if the process falls down and the Board loses its independence. Only then would we consider leaving IFRS.

As we are adopting IFRS word for word, the Canadian Board will be restricted to standard setting for private enterprises (PEs) and not-for-profit entities. We will not be adopting the IASB's IFRS for SMEs, but creating a Canadian version of it with existing Canadian GAAP as our starting point to make it easier for the preparers. Over time, I expect the Canadian PE GAAP will begin to look more like the SME standard, but the last thing we needed was to add a new GAAP for SMEs while large entities are in the process of converting. However, there are likely always to be differences between IFRS for SMEs and Canadian GAAP for private enterprises, as we know our own environment and understand what is needed and what will be acceptable.

**What makes you laugh**

Almost everything! I like the ridiculous and the absurd. Some of the old Monty Python sketches make me laugh until I cry.

**What is the first thing you pack when travelling?**

My noise-reducing headphones and i-pod.

**What are your favourite hotel and restaurant in the world?**

I loved the Hiragiya Ryokan, a traditional Japanese inn in Kyoto. Also, the Continentale in Florence. It is in the Design Hotel chain and located right beside the Arno at the corner of the Ponte Vecchio. As for restaurants, I would say Guy Savoy and Willi's wine bar in Paris. Also the River Café and Tajima-tei in London – sushi is my favourite way of eating fish. And I have to give a mention to Rundles in Stratford, Ontario.

**How do you manage jet lag?**

I always try to fly west! But seriously, I think it's important to listen to your body. The best schedule for me is to leave early evening and arrive early morning, then I go to work and keep going until I crash. That way I'm switched over in a day. It also really helps to be able to sleep on a plane. Despite my moving to a national role, I'll still be flying a lot. Toronto to Vancouver is only a couple of hours shorter than to Toronto to London.

**What is the first thing you do when you get home after a big trip?**

It depends what you mean by home! In Stratford, Ontario, I go out and look at my garden. I love the smell of wet mud. I also like to go out and have a good burger.

## Patricia (Tricia) O'Malley – biography

- April 2001-July 2009: IASB
  - July 2007-July 2009: Director, Implementation Activities
  - April 2001-July 2007: IASB member
- October 1999-March 2001: full-time chair, Canadian Accounting Standards Board
- 1983-October 1999: Partner, National Assurance & Professional Practice Group, KPMG Canada and predecessor firms
- 1997-1999: volunteer Vice-Chair, Canadian Accounting Standards Board (AcSB)
  - Canadian representative, G4+1 group of standard setters
  - Canadian representative, Joint Working Group on Financial Instruments
- 1989-1997: Member, Emerging Issues Committee of the AcSB
- 1995-1998: Member, CICA Inter-Institute Vision Task Force and Task Force on Standard Setting
- 1993-2004: Member, Independent Advisory Committee on Government Accounting and Auditing Matters of the Auditor General of Canada
- 1992-1999: Member then Chair, Financial Disclosure Advisory Board, Ontario Securities Commission
- 1989-1994: Member of the Executive Committee then President, Canadian Academic Accounting Association
- 1988: Chair, Research Report Study Group on Leasing Issues

Ms O'Malley is a member of the Canadian Institute of Chartered Accountants and a Fellow of the Institute of Chartered Accountants of Ontario. She holds a Bachelor of Commerce (Hons) from the University of Manitoba.

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