

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 118

Topic: Annual Surveillance of Accounting Accounts Report

Hansard Page: E106

Senator Bushby asked:

Senator BUSHBY—You mentioned in the opening statement and in the reply to my question that the report would be tabled soon. Could you take on notice whether your surveillance is highlighting greater degrees of problems?

Mr D'Aloisio—Yes, I think so. In the normal course we would say that, compared to the previous report.

Answer:

ASIC's financial reporting surveillance programme has not revealed systemic problems with the quality of financial reporting by Australian companies, nor has the programme revealed a substantially greater degree of material misstatements of financial position or results in recent reporting periods. However, a number of entities should improve disclosures in particular areas of interest to users of financial reports in the current market.

Current market conditions necessitate a greater focus on areas such as going concern assessments, impairment of assets and determination of fair values of assets. Significant judgement may be required to ensure appropriate measurement and disclosure in these areas, including where there are inactive markets and modelling is required to determine asset values. Companies, directors and auditors should ensure that asset values reflect the impact of market changes.

As the global financial crisis continues, there have been an increasing number of companies with emphasis of matter and qualified opinions in relation to going concern.

Where there is financial pressure on results, there is incentive for some entities to adopt more aggressive accounting policies.

There are a number of areas where more meaningful and useful disclosures could be made by many companies, such as the disclosure of risks and exposures under financial instruments, assumptions in valuing assets, significant accounting policies having the most effect on the financial report (including measurement), and sources of estimation uncertainty.