

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 17

Topic: ABC Learning

Hansard Page: E130-1

Senator ABETZ asked:

Senator ABETZ—I was able to have an informal chat before on the other matter of financial planning, so thank you to Mr D'Aloisio and Dr Boxall for that. I have a question in relation to ABC Learning. I have been told that ASIC inquired into the accounting practices of the company and determined that they were fair, honest and representative in 2006. Is that correct?

Mr D'Aloisio—Sorry, could you just repeat that question?

Senator ABETZ—It has been suggested to me that ASIC undertook an examination of the accounting practices of ABC Learning in 2006 and allegedly determined that they were fair, honest and representative, and supposedly that was undertaken in 2006.

Mr D'Aloisio—The ABC Learning matter, as we have announced, is the subject of an extensive investigation by ASIC—and in due course I will take that question on notice and we will answer that as well— but for the moment it is really an operational matter within ASIC and I would like that investigation to get to its finality.

Senator ABETZ—Was there a separate inquiry and investigation in 2006 which did come to a conclusion and to finality that determined that their accounting practices were fair, honest and representative? I am not asking about the current one—I want to steer clear of that—I am asking whether there was a completely separate one that was finalised in 2006.

Mr D'Aloisio—Could I take that on notice?

Senator ABETZ—Of course you can. Thank you for that; that allows me to depart.

Answer:

While ASIC reviewed and enquired of ABC in relation to the revaluation of childcare licences in its financial reports for the periods ended 30 June 2005 and 31 December 2005 in 2006, ASIC did not conduct any investigation of ABC in 2006 and did not reach any conclusion that any or all of the accounting practices of ABC were fair, honest or representative.

ASIC did not enquire of the company in relation to other accounting treatments as there was no apparent indication of inappropriate accounting from a review of the company's financial reports. That does not mean that ASIC was satisfied with any of those other accounting practices.

Following the receipt of a complaint in May 2006, ASIC made enquiries regarding the revaluation of childcare licences by ABC in its financial statements for year ended 30 June 2005 and half-year ended 31 December 2005. Revaluation of the licenses was

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permitted under the accounting standards for the year ended 30 June 2005 and new accounting standards applied thereafter. The new standard AASB 138 “Intangible Assets” (“AASB 138”) only allows the revaluation of intangible assets where there is an active market as defined in the standard. However, the standards only apply where an accounting treatment has a material impact.

ASIC raised some issues of concern with ABC in relation to the revaluation of the licences, particularly that the revaluations may not have been permitted by AASB 138. ASIC further reviewed the 30 June 2006 financial statements of ABC. However, ASIC noted that the financial impact of these concerns on the 2006 financial statements was not material to the company. ASIC decided that it would not proceed further with its enquiries in relation to these concerns at that time.

ASIC is currently conducting an investigation into the collapse of ABC Learning Limited and the circumstances surrounding the collapse. ASIC is presently unable to comment on what action is likely to result from this investigation.