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Bronwyn Meredith
Principal Researcher
Parliamentary Joint Committee on Corporations
And Financial Services
Parliament House
Canberra ACT 2600



Dear Bronwyn

Enclosed is a photocopy of the Chambers Report (1978) which was the result of an enquiry set up by the then Attorney General of NSW, Frank Walker, into the efficacy of Accounting Standards. Whereas the Standards have changed shape considerably since then, we find the general drift of Chambers' argument still quite valid. Whereas he does not pursue the "serviceability" line in exactly the same manner as we do, our proposition that the same quality, "fitness for use", criterion that applies to goods and services in general, should underpin accounting. And whereas the 1978 Chambers Committee tries to revamp the Accounting Standards of the day, we would more or less abandon them and impose a single general quality criterion of "true and fair", with "true and fair" meaning that the data that result are "serviceable - fit for use".

Our argument is that were that to be the case and serious questions asked about the serviceability of the data resulting from compliance with the current Standards, most of the practices currently endorsed would be not meet the "true and fair" test.

We find it surprising that nobody seems to ask "how" the data currently produced can be used to determine the wealth and progress of companies, in absolute terms of their financial performance and financial position, or in terms of the structural financial dimensions which the various ratios and such derivations are intended to indicate.

We think it also worth noting that, without serious examination, most of the current corporate governance recommendations (in Australia's CLERP 9, the ASX Corporate Governance Council's Guidelines, and in the Combined Code

in the UK, and Sarbanes-Oxley Act in the US, for example) proceed as if the current corporate vehicle is beyond criticism. Yet it seems that over time, the more complex and the more global companies' operations have become, the greater the incidence of malfeasance and misfeasance, and the greater the difficulty in monitoring and governing companies. Perhaps, the current corporate vehicle has outlived its appropriateness for harnessing vast amounts of capital for commerce. It may be that the present manner in which we have absentee ownership (in the form of individual shareholding) is the problem. We have argued strongly in numerous places that the holding company/subsidiary structure is unquestionably a vehicle for deception and manipulation. We have quite a bit to say about that, for example, in *Corporate Collapse* especially Chapter 17.

We will continue to pursue our case, notwithstanding the inevitable "regulatory lull" that will follow the passing of CLERP 9. It will all happen again, because the fundamentals have not been dealt with anywhere. Most of the 'principles' that you have spelled out in the hearings are not addressed (see our submission).

I trust that Committee members find this material of assistance in their Committee deliberations.

Yours sincerely

A handwritten signature in black ink that reads "Graeme Dean". The signature is written in a cursive, flowing style.

Graeme Dean
On behalf of himself and Professor Frank Clarke