

# CHAPTER ONE

## Introduction

### Background

1.1 Section 334(1) of the *Corporations Act 2001* provides the Australian Accounting Standards Board with the authority to make accounting standards for the purposes of the Act. Subsection (2) states that such standards are disallowable instruments for the purposes of section 46A of the *Acts Interpretation Act 1901*.

1.2 Under section 48 of the Acts Interpretation Act, disallowable instruments must be laid before each house of parliament for 15 sitting days. Within that 15 day period, notice may be given in either house of intention to disallow the instruments.

1.3 This process of disallowance ensures that while delegated legislation does not receive the same level of debate as principal legislation, it is nevertheless subject to parliamentary scrutiny.

1.4 On 30 August 2004, forty separate accounting standards were tabled in the Senate. On 16 November 2004, a further accounting standard was tabled in the Senate. On the same day, all forty-one accounting standards were tabled in the House of Representatives. These standards are listed in **Appendix 3**.

1.5 The disallowance period for the standards tabled in the Senate on 30 August ends on March 7, 2005. The disallowance period for the other standard expires on March 8, 2005.

### Adoption of reference

1.6 On 2 December 2004, the Parliamentary Joint Committee on Corporations and Financial Services adopted terms of reference for an inquiry into the standards currently before the parliament. Precise terms of reference were adopted at a subsequent meeting on 9 December 2004.

1.7 The terms of reference for the inquiry are:

The Committee will inquire into the Australian Accounting Standards tabled in compliance with the *Corporations Act 2001* in the Senate on 30 August 2004 and 16 November 2004. The Committee will consider:

- (a) whether the proposed standards are consistent with the *Corporations Act 2001* and its regulations (as required under s. 334(1) of the Act);
- (b) whether the proposed standards will act in furtherance of the objectives of the Act; and
- (c) any related matter.

The Committee will report to both houses of parliament on 8 February 2005.

1.8 The Committee took the view that the current inquiry should focus on whether the proposed standards meet the formal requirements of the *Corporations Act*, and whether any unforeseen anomalies have been identified, particularly by companies preparing to implement the standards. The Committee did not intend that this inquiry should provide encouragement to parties to revisit arguments about the technical content of the standards.

### **Submissions**

1.9 The Committee advertised this inquiry on the internet and in *The Australian* newspaper. In addition the Committee contacted a number of organisations alerting them to the inquiry and inviting them to make a submission. A list of submissions appears at **Appendix 1**.

### **Hearings and evidence**

1.10 The Committee held one public hearing at Parliament House, Canberra, on 7 February 2005. Witnesses who appeared before the Committee at that hearing are listed in **Appendix 2**.

1.11 Copies of the Hansard transcript are tabled for the information of the Senate and the House of Representatives. They are also available through the internet at <http://www.aph.gov.au/hansard>.