

# Labor Member's Supplementary Report

**Inquiry into** the Australian Accounting Standards tabled in compliance with the *Corporations Act 2001* on 30 August and 16 November 2004

## Introduction

Labor members concur with the recommendations of the Committee and are also of the view that the relevant standards not be disallowed. However, we wish to make a number of additional comments.

### Labor's Position

There are four issues on which Labor members wish to add to the Committee report. These include:

- Interpretation of the standards
- Consistency of the standards with regard to multiple treatments within standards
- Requirements under s300A of the Corporations Act and AAS 1046 and 1046A
- Issues relating to the content of the standards, in terms of the impact of the new Australian Accounting Standards (AAS) on co-operative business structures

### Interpretation of the standards

Labor members recommend that the AASB urgently prepare for the likely increase in the volume of requests for interpretation and clarification of standards.

While recognising that the onus for interpreting the standards lies with the reporting company, it is important to provide avenues of support for businesses as they interpret and implement the new standards. We consider support for companies would be enhanced as result of the AASB conferring with the International Accounting Standards Board to explore efficiencies for future resolution of interpretation requests.

The role of the Urgent Issues Group was discussed by the NIA, who said in their submission that the UIG could play a more consultative role, assisting businesses with understanding of the new standards in addition to providing interpretations where necessary.<sup>1</sup> Labor members encourage consideration of a more consultative approach for the UIG or the establishment of another nominated consultative group of the AASB.

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<sup>1</sup> Submission 19, National Institute of Accountants, pp. 4 - 5

**Recommendation 1: That the AASB consider expanding the role of the Urgent Issues Group to allow for more consultation with companies requiring explanation of the new standards****Consistency of the standards with regard to multiple accounting treatments**

The committee noted strong concerns from BHP Billiton,<sup>2</sup> The Group of 100<sup>3</sup> and KPMG<sup>4</sup>, regarding the demands of reporting for Australian entities with multi-jurisdiction reporting obligations. This arises from the need to use one treatment of an accounting standard in Australia and a different standard internationally, despite the implementation of international accounting standards.

Labor members also noted the statements of AASB Chairman Boymal with regard to the IASB's intention to remove alternate treatments as soon as practicable in the future.

While recognising the burden that different accounting treatments in different jurisdictions places on a number of Australian based organisations in the short term, it is understood that this issue will be resolved as the IASB eliminates alternative treatments and as the AASB consults with the IASB and updates its standards over coming years.

**Requirements under s300A of the Corporations Act and AAS 1046 and 1046A**

A submission to the Inquiry from KPMG, identified the potential overlap and inconsistency that exists between s300A of the Corporations Act and AAS 1046 with regard to disclosure of executive remuneration. The differences relate to the selection of executives whose remuneration details are to be disclosed. Labor member's acknowledge and welcome Professor Boymal's advice to the Inquiry that Treasury and the AASB to working to resolve these issues.<sup>5</sup> We also note Professor Boymal's view that resolution of these differences is possible without alteration of the s300A requirement.<sup>6</sup>

As Professor Boymal in his evidence to the Inquiry stated 'Apart from the differences in people, the parliament decided that 300A [of the Corporations Act] information would be for publicly listed companies. There are other entities who have to provide the 1046 information'<sup>7</sup>

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<sup>2</sup> Submission 21, BHP Billiton, p.1

<sup>3</sup> Submission 12, The Group of 100, p.1

<sup>4</sup> Submission, 17, KPMG, p.1

<sup>5</sup> Transcript of evidence, Boymal, 7 February 2005, p. 48

<sup>6</sup> Ibid

<sup>7</sup> Ibid

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In light of this advice, Labor members wish to note that AAS 1046 should be read as a supplement to the Corporations Law and be read in conjunction with it. Accounting standards do not replace, and should not be seen as a replacement of the executive remuneration disclosure requirements contained in s300A.

### **Issues relating to the content of the standards, in terms of the impact of the new Australian Accounting Standards (AAS) on co-operative business structures**

As identified in the committee report, the Inquiry received submissions from co-operative entities regarding the impact of new standards on the accounting treatment applied to a member's initial financial investment.<sup>8</sup> While concurring with the position that technical matters of this nature are outside the terms of reference of the committee, Labor members have noted the significant concern among cooperatives on this issue and determined that further comment was justified.

In reference to this issue, AASB Chairman David Boymal stated to the committee, 'There's going to need to be an educational program so that this [*the impact on co-operatives*] is understood by all.'<sup>9</sup> Labor member's support this view and suggest that the AASB and ASIC confer on how best to provide support on this issue.

It was noted by Senator Burke, that in the case of co-operative entities in the financial services industry, that APRA requirements for capital reserves may be impacted by these changes. In response, Professor Boymal stated;

'Yes, but APRA would be understanding, APRA has already said to quite a number of companies that come under its control that, until it, APRA, can come to grips with that, the old rules will prevail whilst they work out how to deal with the issues.'<sup>10</sup>

**Recommendation 2: That the AASB, ASIC and APRA consider a means of delivering educational support for co-operatives in relation to the impact of the new standards on the accounting treatment of a member's initial financial investment.**

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<sup>8</sup> Submission 6, The Co-operative Federation of WA Inc, p. 3

Submission 10, Norco Co-operative Limited, p. 3

Submission 13, Co-operative Federation of NSW, p. 4

<sup>9</sup> Transcript of evidence, Boymal, 7 February 2005, pp. 47 - 48

Clarification added [*the impact on co-operatives*]: Refer to p. 13 of Committee report for full quote

<sup>10</sup> Transcript of evidence, Boymal, 7 February 2005, pp. 48

**For Labor Members**

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