



## Parliamentary Joint Committee on Corporations and Financial Services

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Report on Australian Accounting Standards tabled in  
compliance with the Corporations Act 2001 on 30 August  
and 16 November 2004.

February 2005

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## DUTIES OF THE COMMITTEE

Section 243 of the *Australian Securities and Investments Commission Act 2001* sets out the duties of the Committee as follows:

The Parliamentary Committee's duties are:

- (a) to inquire into, and report to both Houses on:
  - (i) activities of ASIC or the Panel, or matters connected with such activities, to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; or
  - (ii) the operation of the corporations legislation (other than the excluded provisions), or of any other law of the Commonwealth, of a State or Territory or of a foreign country that appears to the Parliamentary Committee to affect significantly the operation of the corporations legislation (other than the excluded provisions); and
- (b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; and
- (c) to inquire into any question in connection with its duties that is referred to it by a House, and to report to that House on that question.



## TERMS OF REFERENCE

On 2 December 2004, the Parliamentary Joint Committee on Corporations and Financial Services resolved to 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.





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# 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>.

# CHAPTER TWO

## Background to the Proposed Standards

2.1 This Chapter discusses the policy reasons for the harmonisation of international accounting standards, and the process which has been undertaken in order to produce the current standards.

### Key Institutions

#### *Financial Reporting Council*

2.2 The Financial Reporting Council (FRC) was established under the *ASIC Act 1989* and continues in its operations under the *ASIC Act 2001*. It is an advisory board, whose members are appointed by the Treasurer, and which reports directly to the Treasurer. The *ASIC Act 2001* gives the FRC a number of broad functions, including "broad oversight of the processes for setting accounting standards in Australia."<sup>1</sup>

2.3 The FRC is also given functions relating specifically to the formulation of accounting standards. These include:

- (c) determining the AASB's broad strategic direction; and
- (d) giving the AASB directions, advice or feedback on matters of general policy and on the AASB's procedures; and
- (e) monitoring the development of international accounting standards and the accounting standards that apply in major international financial centres; and
- (f) furthering the development of a single set of accounting standards for world-wide use with appropriate regard to international developments; and
- (g) promoting the continued adoption of international best practice accounting standards in the Australian accounting standard setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy<sup>2</sup>.

2.4 The limits of the FRC's capacity to direct the AASB are provided in the same section:

- (5) The FRC does not have power to direct the AASB in relation to the development, or making, of a particular standard.

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1 *ASIC Act 2001*, s.225(1)(a)

2 *ASIC Act 2001*, s.225(2)

(6) The FRC does not have power to veto a standard made, formulated or recommended by the AASB.<sup>3</sup>

### *Australian Accounting Standards Board*

2.5 Like the FRC, the Australian Accounting Standards Board (AASB) was established under the *ASIC Act 1989* and continues in its operations under the *ASIC Act 2001*. The Board comprises a full time Chairman (currently Mr. David Boymal) and nine part-time Board members. The Commonwealth Government is directly represented on the AASB by an officer from the Department of Finance and Administration.

2.6 The functions of the AASB are outlined in s. 227(1) of the *ASIC Act 2001*, and include:

(b) to make accounting standards under section 334 of the *Corporations Act* for the purposes of the corporations legislation ... ; and

(d) to participate in and contribute to the development of a single set of accounting standards for world wide use.

2.7 Section 334(1) of the *Corporations Act*, which is referred to above, states:

**334(1) AASB's power to make accounting standards.** The AASB may make accounting standards for the purposes of this Act. The standards must be in writing and must not be inconsistent with this Act or the regulations.

### *International Accounting Standards Board*

2.8 The International Accounting Standards Board (IASB) is an international body responsible for setting authoritative International Financial Reporting Standards (IAFRs). It has been in place in its current form since 2001, prior to which the standards setting work was undertaken by a predecessor body called the International Accounting Standards Committee (IASC). Australia has participated in both the IASB and the IASC since the formation of the IASC in 1973.

2.9 The IASB is comprised of 14 board members, appointed from the member nations of the IASB, on the basis of merit (they are not, for instance, appointed on a national basis and do not represent either their national profession, national government or national standards-setting organisation). An Australian, Mr Warren McGregor, is on the IASB and has been heavily involved in the international standards setting process since the early 1980s.

2.10 The IASB has no independent authority to impose accounting standards. For the IASB's standards to become mandatory within any national jurisdiction, they must be adopted by that jurisdiction (usually by a national standards setting body). Currently, Australia, Germany and the UK have moved closest to adoption of the

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3 *ASIC Act 2001*, s.225

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IASB standards. The European Union is moving closer to adoption, and the United States, while less advanced in this process, still appears to be moving in a direction consistent with harmonisation. The IASB's internet site gives an account of the current level of acceptance of its standards:

International Financial Reporting Standards (IFRSs) have achieved recognition universally as a highly influential set of accounting standards, with over 90 countries claiming that they will be following IFRSs in 2005.

In many countries, stock exchange listing requirements or national securities legislation permits foreign companies that issue securities in those countries to prepare their consolidated financial statements using IFRSs. The principal capital markets in this category are Australia, Germany and the United Kingdom. From 1 January 2005, all publicly listed companies in the European Union will be required to prepare their financial statements in conformity with IFRSs. From the same date, Australia will adopt IFRSs as its national accounting standards. New Zealand will require IFRSs from 2007.

Certain countries do not permit companies to use IFRSs without a reconciliation to domestic generally accepted accounting principles (GAAP). Most notable among these countries are Canada, Japan and the United States. In the US the Securities and Exchange Commission has indicated that it will probably have to review the need for reconciliation after 2005. It has also expressed strong support for moves to achieve convergence between US GAAP and IFRSs.

Furthermore, in April 2004 the US standard-setter, the Financial Accounting Standards Board, and the IASB agreed to align their future agendas.<sup>4</sup>

## **The process of harmonisation**

2.11 Harmonisation of accounting standards has been recognised as a worthwhile goal since at least the time of the formation of the IASC in 1973. However for several decades, the role of international bodies such as the IASC and the less formal G4+1 group (comprised of Australia, Canada, New Zealand, the USA and the UK) was more as a forum for liaison between national standard setting bodies who could, through such liaison, work towards increasing the extent to which their national accounting standards were concordant.

2.12 Concerted action on a harmonised set of international accounting standards did not properly commence until 2001, after the reconstitution of the IASC as the IASB. The IASB almost immediately commenced work towards harmonised standards, with Australia as a participant in the process. In the FRC's 2000/01 Annual Report, then-Chairman Jeffrey Lucy wrote:

The AASB will now be working closely with the IASB, aligning its work program (to the extent possible) with the IASB's, leading certain projects on

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4 www.iasb.org, accessed 7 December 2004.

the IASB agenda and providing support on others. We should begin to see within a few years whether the work of the IASB, in collaboration with national standard setters, is producing quality international standards capable of wide acceptance in major international capital markets and eventual adoption for world-wide use. The FRC and AASB are committed to the international effort to assist this outcome.

2.13 In 2002, the process of international harmonisation received a substantial boost when the European Union adopted Regulation (EC) No. 1606/2002 (19 July 2002) which required the adoption of IASB standards throughout the EU, provided those standards:

- are conducive to the European public good; and
- meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.<sup>5</sup>

2.14 These standards became effective throughout Europe on 1 January 2005. It should be noted, however, that Regulation No. 1606/2002 only applies to international standards adopted by the European Commission. Not all of the standards have been adopted. A current list of those standards which have been adopted, and those which are in the process of consideration, is available from the European Commission Internal Markets Directorate at the following internet address:

[http://europa.eu.int/comm/internal\\_market/accounting/index\\_en.htm](http://europa.eu.int/comm/internal_market/accounting/index_en.htm)

2.15 In Australia, observation of the European regulatory process contributed to the FRC's decision to formally support the adoption of the international accounting standards in Australia from 1 January 2005. In announcing this decision, then-FRC Chairman Jeffrey Lucy stated:

The FRC fully supports the Government's view that a single set of high quality accounting standards which are accepted in major international capital markets will greatly facilitate cross-border comparisons by investors, reduce the cost of capital, and assist Australian companies wishing to raise capital or list overseas.

Mr Lucy said he understood that the 1 January 2005 timing is somewhat later than the Government would have liked. However, it is determined by the decision of the European Union to require EU listed companies to prepare their consolidated accounts in accordance with IASB standards from that date, in support of the EU single market objective. Australia certainly cannot afford to lag Europe in this regard, Mr Lucy said. He also expressed his support for efforts to encourage the United States to further



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converge its standards with IASB standards with a view to eventual adoption.<sup>6</sup>

2.16 In February 2004, the AASB sought from the FRC advice as to whether exemptions or exceptions to the IASB standards could be included in the Australian standards. "The FRC responded that it did not contemplate that there would be any exceptions or exemptions allowed to companies reporting under the Corporations Act."<sup>7</sup>

2.17 In March 2004, following stakeholder concerns about the timeline for implementing the standards, the FRC imposed a deadline of 31 March 2004 for the IASB to produce its platform of demands, and 30 June 2004 for the AASB to produce the Australian equivalents. Failure to meet those deadlines would have resulted in the standards commencing later than 1 January 2005. Both deadlines were met.<sup>8</sup>

2.18 The regulations currently before the parliament would give legal effect to Australia's adoption of the IASB standards.

### ***International consultation process***

2.19 The process by which the IASB establishes standards is set out as article 18 of the IASB's *Preface to International Reporting Standards*. The process includes extensive opportunities for comment both by members of the public and by the standard-setting bodies in IASB member nations. International consensus on all but two of the proposed standards was achieved fairly readily. The two contentious standards were IAS 32 (*Financial Instruments: Disclosure and Presentation*) and IAS 39 (*Financial Instruments: Recognition and Measurement*). The equivalent Australian standards are AASB 132 and AASB 139.<sup>9</sup>

### ***Australian consultation process***

2.20 The AASB conducted a consultation process in parallel with the IASB process. Regardless of whether the IASB proposed the implementation of a pre-existing IASB standard, an amended standard, or an entirely new standard, the AASB issued an exposure draft for public comment. Where the IASB standard was to be an amended or new standard, the AASB consultation process operated concurrently with the IASB consultation process.

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6 *Bulletin of the Financial Reporting Council*, 2002/4, 3 July 2002.

7 Submission 3, AASB, p. 1.

8 Submission 3, AASB, p. 2.

9 Senate Economics Legislation Committee, *transcript of evidence*, 2 June 2004, p. E96.

2.21 In addition, the AASB itself made comments to the IASB on amended and new standards where appropriate.<sup>10</sup> Those comments were made public on the AASB and IASB websites.

2.22 In all, the AASB issued 32 Exposure drafts and three invitations to comment. These generated hundred of submissions, which were made publicly available (unless specifically marked confidential) and were considered by the AASB in developing the standards which are the subject of this inquiry.

2.23 The AASB submission stated:

The AASB has addressed a range [of] issues raised by industry groups. In some cases, the concerns have been accommodated in the standards, for example, concerns about the application of financial instrument disclosures to parent entities. In other cases, the AASB has thoroughly investigated the issues and determined that the change needed to accommodate the concerns would jeopardise the greater effort to achieve consistency with IASB standards, for example, in relation to the recognition of internally generated intangible assets.<sup>11</sup>

2.24 When the IASB standards were issued, the AASB finalised its own standards, amending the IASB standards where appropriate (but ensuring that these standards did not jeopardise the ability of for-profit entities, complying with the AASB standards, to also comply with the IASB standards). Consequently, while the AASB did not simply adopt the IASB standards in full, amendments were only made where they did not threaten the fundamental rationale for harmonising international accounting standards.

2.25 Those AASB standards have now been tabled in both houses of parliament, and will operate from the first annual reporting period which commences on or after 1 January 2005 (unless the standards are disallowed by either house).

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10 It should be recalled that there is also an Australian member of the IASB itself.

11 Submission 3, AASB, p. 5.

# CHAPTER THREE

## Issues

3.1 A number of issues were raised in evidence and submissions before the committee, including:

- the transition to the new standards;
- interpretation of the standards;
- consistency between the AASB and IASB standards;
- whether the proposed standards are genuinely principles-based; and
- whether the documentation associated with the standards is appropriate.

3.2 While the committee did not seek evidence in relation to technical aspects of the standards, evidence emerged on two technical issues which the committee wishes to note. These are:

- the impact of the new standards on co-operatives; and
- the treatment of intangible assets under the new standards.

### **Transition to the new standards**

3.3 A number of submitters and witnesses expressed concern that the transition time between the issue of the stable platform of standards and the commencement of those standards has been insufficient, particularly for small and medium reporting entities. The Australian Institute of Company Directors (AICD), for instance, stated:

... larger companies, especially those who raise or plan to raise capital in overseas markets are well on the way to making the transition to [the new standards] on 1 January 2005. However, anecdotal evidence from AICD's membership and recent evidence from surveys conducted by the Institute of Chartered Accountants in Australia (ICAA) and the Australian Prudential Regulation Authority indicates that smaller listed companies and unlisted reporting entities are less well prepared for the transition.<sup>1</sup>

3.4 The Institute of Chartered Accountants in Australia (ICAA) agreed, stating that "there is at least anecdotal information that the non-listed companies may be less well prepared to meet the 1 January 2005 timetable ..."<sup>2</sup>

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1 Submission 14, Australian Institute of Company Directors, p. 3.

2 Submission 8, Institute of Chartered Accountants in Australia, p. 2.

3.5 Some submitters opposed any deferral of the standards' commencement. The National Institute of Accountants (NIA) stated:

Small to medium enterprises are always going to be under-resourced and will seek to delay the inevitable. In this context it is probably prudent to ensure the deadline is firmly stuck to in order to ensure companies of all sizes comply with the new body of accounting literature. It is a truism that entrepreneurs will react to emergencies rather than plan too far ahead. There is little point in delaying the implementation of IFRS at that level.<sup>3</sup>

3.6 CPA Australia provided a similar view:

We have held discussions with a range of our members and other participants in the financial reporting arena and consider that, on the whole, Australian entities will be able to prepare financial reports under the proposed standards when they are required to do so. We also understand that smaller entities usually have less complex operations (in a financial reporting sense) than larger ones, and so are likely to be impacted to a lesser degree by these changes in accounting standards.<sup>4</sup>

3.7 Other submitters went further, arguing that any delay to give small and medium business more time to comply would have negative consequences for Australian markets and for companies which have already complied. The Group of 100 stated:

We believe that with the promulgation of virtually all the 2005 Standards by the AASB in July 2004 and the detailed and costly preparation undertaken by our members and other entities in preparing for the implementation of the Australian equivalents to IASB Standards, delays/interruptions to this process at this stage will create confusion in the marketplace for preparers, shareholders and other users of financial reports.<sup>5</sup>

3.8 Mr Keith Alfredson stated:

Some commentators have also argued that the timetable for adoption of the standards should be delayed for certain entities. I do not support any such delay. In my opinion, the move to international accounting standards has been well publicised ever since the Financial Reporting Council made the strategy decision in June 2002. To now delay the process will favour those entities that have deliberately failed to take the necessary steps to make the changes. This would be a most unfortunate outcome. Further, in my opinion, the extent of change by smaller entities that do not enter into complex financial instruments has, in my opinion, been grossly exaggerated. For many such entities, there will be few changes in

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3 Submission 19, National Institute of Accountants, p. 2.

4 Submission 11, CPA Australia, p. 1.

5 Submission 12, The Group of 100, p. 1.

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recognition and measurement practices, with the changes in presentation and disclosure being relatively easy to cope with.<sup>6</sup>

3.9 In evidence before the committee, the NIA suggested a means by which small and medium reporting entities might obtain relief from some of the time pressures imposed by the commencement of the standards. The NIA stated:

We have asked the Australian Securities and Investments Commission to consider granting some lodgment relief to permit unlisted entities the opportunity to lodge a little later if the auditor finds that there are material errors in the first cut of their financial statements seen by the auditor for review, for the purposes of audit. To us, that is probably the most practical form of relief that would not conflict with any auditor independence rules...<sup>7</sup>

3.10 The committee put this suggestion to the AASB, who gave the suggestion some support:

I think that has merit. One could say, 'What would one month do?' It struck me, as I heard that suggestion, that one thing that even one month would do is that when the accountants have finished with the big end of town they will then have another month to service the small end. One month is a short period of time and may not be long enough, but if lodgments with ASIC, just for the transition year, were delayed a month for that end of the market I cannot see that any great harm would be done, and it might produce a benefit. The question is: just how much of a benefit? It is a bit hard to measure, but it is a suggestion with merit.<sup>8</sup>

## Recommendation 1

**The Committee recommends that small and medium enterprises be permitted an additional month to report to ASIC for that enterprise's first reporting year under the new standards.**

3.11 This recommendation immediately raises the question of what a "small or medium enterprise" actually is. This considered this issue in some depth in its *Report on Aspects of the Regulation of Proprietary Companies*, which was tabled in March 2001. In that report the committee stated as a principle that:

In applying the reporting entity test, the [Committee] believes that directors and auditors must not only consider the relationship between shareholders and management, but also whether there are existing and potential users of the accounts who may be dependent on the financial reports.<sup>9</sup>

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6 Submission 4, Mr. Keith Alfredson, p. 2.

7 *Transcript of Evidence*, Ravlic, 7 February 2005, p. 18.

8 *Transcript of Evidence*, Boymal, 7 February 2005, p. 47.

9 Parliamentary Joint Statutory Committee on Corporations and Securities, *Report on Aspects of the Regulation of Proprietary Companies*, March 2001, p. 34.

3.12 The committee is disappointed that, nearly four years after its report, there has been no government response to its recommendations.

### **Reporting of comparative information**

3.13 A particular concern for small and medium enterprises was the requirement to report comparative data for the reporting period immediately prior to the first reporting period under the new standards. The AICD suggested that removing this requirement for smaller reporting entities may make the task of transition more manageable:

Historically Australian companies have not been required to implement new standards in the year they are introduced – Australian companies are now faced with the dual pressure of the introduction and implementation of new standards in the same year. This is unprecedented. What is different on this occasion is that for a number of the IFRS standards the past has to be re-stated as if the new standards had always applied. It is the cost of “restatement of the past” that will fall heaviest on smaller companies.

... relief for this group could be provided by an exemption for these companies from the requirement to provide comparatives in the first year of the introduction of IFRS.

Investors will still be able to make comparisons between pre and post IFRS numbers because of AASB 1047 and AASB 1 which requires companies to make a detailed reconciliation between pre and post IFRS numbers. The AASB 1047 disclosures require companies to make estimates based on materiality whilst AASB 1 requires the detailed comparison between the two sets of financials.<sup>10</sup>

3.14 The AASB noted that the issue of comparatives is less urgent and onerous than has been claimed in other evidence and submissions:

These small companies normally will have a June year end. If they are that small they will not be listed so they will not have half-year published reporting. That means that the first set of accounts that they produce under IFRS will be for 30 June 2006. Let us say they produce them two months after that, say, 31 August 2006. At that time they will have to have restated their comparatives for 2005. Yes, everybody agrees they should be thinking about that now but they do not actually have to produce or come public with that until about August 2006. They have all of the time from now until then to continue to work on it.<sup>11</sup>

3.15 The committee considers that in any major regulatory change, there will be some affected entities who delay their transition to the new regime until the last moment. Reporting entities have had sufficient notice that the new standards would be promulgated, and sufficient notice of the content of those standards. Given that the

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10 Submission 14, Australian Institute of Company Directors, pp. 4-6.

11 *Transcript of Evidence*, Boymal, 7 February 2005, p. 47.

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standards commenced in Europe on 1 January 2005, the committee considers that the Australian commencement date should only be amended if there are compelling reasons to do so. The evidence before this inquiry in relation to the process of transition has not suggested any such reason.

### **Interpretation of the standards**

3.16 The proposed standards are principles-based; that is, they purport to be statements of accounting principles which can guide the accounting profession, so that any accounting treatment which accords with the principles will be regarded as compliant with the new standards. Such a system may be contrasted with the rules-based system in operation in the United States of America, where accounting requirements are spelt out in detail.

3.17 One difficulty associated with principles-based standards is that companies and regulators must interpret the standards in order to assess whether their accounting practices are compliant. In the absence of authoritative interpretations, reporting entities may find that their interpretations of the standards differ from the interpretation of the regulators, exposing them to potential liability.

3.18 The IASB has established the International Financial Reporting Interpretations Committee (IFRIC) to provide authoritative interpretations of the standards. However, IFRIC's work program will focus on global aspects of the standards rather than regional or national variations. In Australia, the Urgent Issues Group (UIG) of the AASB has already been working to provide authoritative interpretations of the new standards. These interpretations are then given force under the standards, by standard AASB1048: *Interpretation and Application of Standards*. However, while these interpretations will support reporting entities, in many cases companies will still have to interpret the standards for themselves.

3.19 A number of submitters and witnesses expressed concern that the standards are not sufficiently supported by authoritative interpretations, or that there are insufficient mechanisms in place to develop those interpretations. In evidence, Mr John O'Grady from Ernst & Young expressed concern that IFRIC may be "somewhat overwhelmed."<sup>12</sup> Similarly, the Group of 100 stated:

there is a growing concern about the existence of appropriate mechanisms to provide timely and authoritative interpretations of the new requirements. Authoritative interpretations by the AASB and/or the IASB are essential to the Standards being applied consistently and in achieving comparability of financial reports. In the absence of such interpretations there is a risk that the major accounting firms and regulators will occupy this space and develop their own interpretations. The G100 does not believe that this would be a satisfactory outcome.<sup>13</sup>

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12 *Transcript of Evidence*, O'Grady, 7 February 2005, p. 11.

13 Submission 12, The Group of 100, p. 2.

3.20 The NIA expressed dissatisfaction with the current arrangements whereby the UIG provides interpretations which are given force by AASB1048:

The Australian standard setter has no effective means to bring out all of the practical problems people face in practice. It does have a subcommittee that meets monthly to decide on appropriate interpretations known as the Urgent Issues Group (UIG). The UIG is fast losing relevance because most decisions relating to interpretations will now be dealt with by the IASB's interpretation body, the International Financial Reporting Issues Committee (IFRIC). There is little point for the maintenance of an Australian interpretative body that has to have its work approved formally by the domestic standard setter before it is given legal status via its incorporation into what is known as a 'service standard'. The 'service standard', known as AASB 1048, lists all of the interpretations and gives them legal force by reference. What we are in effect talking about is a system that makes a virtue out of double handling rather than dealing with interpretations with a 'one-stop shop'. Any interpretations the domestic standard setter deals with should only be in circumstances that are uniquely Australian as opposed to the taking of a different view on a technical standard that would result in substantive differences between the international and domestic bodies of literature.<sup>14</sup>

3.21 KPMG supported the NIA's view that the process of interpretation should not result in unnecessary differences between the operation of the standards in Australia and overseas:

In most cases, interpretation of IFRS is a global, not just local, issue. We agree that certain matters of interpretation remain outstanding and that shortfalls exist in the IASB based standards. However, the interpretive guidance provided by AASB, ASIC or any other regulatory body should:

- result in compliance with IFRS;
- not be mandatory; and
- not be considered the only outcome that would result in compliance with accounting standards, otherwise a rules-based system like that in the US, which has been highly criticised, may evolve.<sup>15</sup>

3.22 In evidence, the AASB indicated that concerns about interpretations are understandable, but expressed confidence that the IFRIC and the UIG will be able to provide appropriate interpretive material as the need emerges:

It is absolutely obvious that the most desirable sort of interpretation is one that would apply throughout the world. Therefore ideally IFRIC should be making the interpretation. Unfortunately IFRIC is reluctant to do that. It is a matter of resources and of the chairman of the IASB saying, 'We've introduced principles based standards; work it out for yourselves.' IFRIC is

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14 Submission 19, National Institute of Accountants, p. 2.

15 Submission 17, KPMG, pp. 8-9.



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very slow and has a very drawn out process in relation to making interpretations. If international interpretations are not forthcoming then it appears to us that it would be desirable to have an Australian interpretation, because, if there is no international interpretation, we are not achieving comparability world wide. But rather than just giving up, it is better to have comparability within Australia if you cannot get it world wide. So we would defer to the international interpretations all the time—they are the most desirable—but if they are not forthcoming within a reasonable time frame then we believe there is a role for the Australian authoritative interpreter to provide interpretation.<sup>16</sup>

3.23 In the committee's view, a balance must be struck between providing reporting entities with adequate interpretative guidance on the one hand, and maintaining the flexibility of a principles-based accounting system on the other. The committee agrees that both IFRIC and the UIG should continue to work to add to the body of authoritative interpretations, but considers that the current lack of comprehensive interpretations is no reason to delay the commencement of the standards.

### **Consistency between the AASB and IASB standards**

3.24 The international harmonisation of a regime of standards carries with it an inevitable tension between maintaining international consistency, and adapting standards to meet local requirements. While the committee received some submissions calling for changes to the proposed standards (which would differentiate them from the international standards)<sup>17</sup>, the balance of evidence was in fact critical of any deviation by the AASB away from the international standards. CPA Australia supported the international standards in the following terms:

The suite of international standards, however, is superior to the suite of existing Australian accounting standards that they propose to replace in that they are closely based on IFRSs. Further, they address financial reporting issues that are not addressed by existing Australian accounting standards. By reporting under a comprehensive international regime, Australian for-profit entities will:

- report on a well-understood and internationally recognised basis rather than being based on standards developed in Australia (that are generally not well-understood internationally). The full international suite of standards also will obviate the need for preparers to self-select accounting policies in order to report on transactions and issues that are not directly addressed by existing Australian standards;
- present reports that are able to be understood readily by international investors and comparable with the reports of entities

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16 *Transcript of Evidence*, Boymal, 7 February 2005, p. 41.

17 See the discussion of co-operatives and intangible assets, below.

from many other jurisdictions. It is anticipated that the outcome will foster informed international investment that bases an entity's cost of capital on a sound understanding of the risks associated with that entity; and

- present reports that are aligned with international reports, thereby facilitating domestic and international investor confidence in the Australian economy.

Where the AASB considers that an individual Australian standard is superior to its replacement international standard, the AASB is working with the IASB to improve that international standard.<sup>18</sup>

3.25 KPMG also argued in favour of greater harmonisation, identifying a number of inconsistencies between the AASB and IASB standards and arguing that:

It is imperative for the Joint Parliamentary Committee in making its inquiries about the Australian Accounting Standards to consider its findings within the context of international developments and the need for one set of high quality globally accepted standards.

We believe that many of the issues facing Australia will be addressed at an international level. Furthermore, it is our view that working in collaboration with the international standards setters will help Australia achieve its legislative objectives and convergence with international standards.<sup>19</sup>

3.26 Finally, BHP Billiton argued for greater consistency by allowing the use of optional accounting treatments where IASB standards do so:

In all of our submissions, we have emphasised the view that harmonisation should be done in a manner that ensures Australian accounting standards are identical to those of the IASB. This means that where an IFRS contains options for the basis of accounting applied, those options should remain in the converged Australian standard to ensure that no ... differences exist.<sup>20</sup>

3.27 On the latter issue, the AASB explained its reasons for withdrawing the optional accounting treatments in the following terms:

The AASB established a quite complicated policy in relation to those. I think you would understand that, if there were a country embracing the international standards that did not have rules or had very loose rules, maybe two or even three ways of doing things could well be acceptable—much better than literally dozens or hundreds of different ways. But if there were a country that had prided itself on having one approach to doing things then the idea of there being just straight out choices would not be such a good idea. The International Accounting Standards Board itself is not all that keen on choices, but some of the standards are quite old, and

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18 Submission 11, CPA Australia, p. 2.

19 Submission 17, KPMG, p. 1.

20 Submission 21, BHP Billiton, p. 1.

they were written to get the UK and the US to agree, so both of their methods were included. Basically, many of the choices are rather old compromises.

The AASB adopted the policy that, if more than one method was allowed in the international standards, and one of those methods was a method that we had already been applying in Australia, and that was the only method that we had been applying in Australia, we thought it appropriate not to introduce the alternative but to leave things as they were.<sup>21</sup>

### **Are the proposed standards genuinely principles-based?**

3.28 At a number of points in this report, the committee has referred to the proposed standards as being "principles-based." The committee received a submission from Professor Graeme Dean and Professor Frank Clarke which argued that, in fact, the proposed standards simply amount to another set of rules, which may not support the underlying principle that an accounting system should give a true and fair picture of a reporting entity's financial performance and financial position:

No general principle or principles have been specified, no explanation of how the data to emerge from the [standards] will contribute to a true and fair view of an entity's financial position and performance has been made. Indeed no explanation of the dimensions of what a *true and fair view* entails has been forthcoming. For a successful transition such a specification is a prius.<sup>22</sup>

3.29 The professors argued for a "true and fair view over-ride" to be superimposed on the standards, so that above all else, accounting reports must present a true and fair view of an entity's financial position and performance.

3.30 The committee noted standard AASB 101, *Framework for the Preparation and Presentation of Financial Statements*, which acknowledges that there is no "true and fair over-ride" but which argues that the adoption of the standards will result in the production of true and fair reports:

Financial reports are frequently described as showing a true and fair view of, or as presenting fairly, the financial position, financial performance and cash flows of an entity. Although this *Framework* does not deal directly with such concepts, the application of the principal qualitative characteristics and of appropriate accounting standards normally results in financial reports that convey what is generally understood as a true and fair view of, or as presenting fairly, such information.<sup>23</sup>

3.31 The international equivalent of AASB 101, known as ISB 1, does however contain a "true and fair view override" in the following terms:

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21 *Transcript of Evidence*, Boymal, 7 February 2005, p. 39.

22 Submission 7, Professors Dean and Clarke, p. 4.

23 *AASB Framework for the Preparation and Presentation of Financial Statements*, para 46.

In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement in the manner set out in paragraph 18 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.<sup>24</sup>

3.32 The AASB explained this departure from the international standard as follows:

Our local legislation at the present time has what you might call twin requirements, but I would say they do not relate to an override. The twin requirements, as one of the other speakers indicated, are to both comply with the accounting standards and give a true and fair view. The Corporations Law says you must comply with the accounting standards as the first initial requirement. If the directors believe that complying with the standards does not produce a true and fair view, then the directors must give as much additional information as is required in order that a true and fair view is also given. So there is an acknowledgement in the law that these are not necessarily exactly the same thing, but it is not an override.

I am afraid I cannot tell you exactly when but in previous Corporations Law in Australia we did have a true and fair view override. The law said something like, 'You must comply with the accounting standards unless this does not give a true and fair view, at which time you do not have to comply with the standards.' The companies made improper use of that, blatantly saying, 'We're not going to comply with the accounting standard because it does not give a true and fair view.' They really were not even giving good reasons; they were just saying: 'That's our view. There you are.' The law was changed to prevent that from happening, and I would fear that, if consideration were given again to a true and fair view override, we would suffer the same problems again.<sup>25</sup>

3.33 The committee agrees that the presentation of a true and fair statement of a company's financial position and performance should underpin any system of accounting standards. However, the committee considers that this should be accomplished in the manner proposed by the AASB – by the presentation of additional explanatory material as necessary, to provide a clear view where the accounting standards do not. In the first instance, entities must comply with the standards.

### **Documentation associated with the standards**

3.34 During the Senate Economics Legislation Committee's estimates hearings in June 2004, Senators raised with the AASB the fact that some supporting materials required in order to implement the new standards were only available to the public if

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24 IASB *IAS1: Presentation of Financial Statements*, para IN7

25 *Transcript of Evidence*, Boymal, 7 February 2005, p. 43.

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an annual subscription fee of \$44 is paid. The AASB International Standards Support Materials service continues to charge this annual fee. According to evidence presented before both this committee and the Senate Economics Legislation Committee, this is because the material is owned by the IASB, which insists upon the fee.<sup>26</sup>

3.35 This committee agrees with views expressed by members of the Senate Economics Legislation Committee that, as a matter of basic principle, such materials should be available free of charge. It is unreasonable to expect reporting entities to report on their financial positions in accordance with supporting material which is not freely available. The committee wishes to express its disappointment that the IASB has not acceded to the request to provide this information free of charge.

3.36 A submission before the committee raised further concerns about the syntax of the standards themselves. Mr Ian Langfield-Smith from Monash University stated:

The standards also fail to satisfy the requirements of s. 224(a)(vi) of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) that standards be “readily understandable”. In particular, the inclusion of editorial comments (or implementation guidance) makes the standards extremely difficult to read, navigate, and interpret. The drafting can only reasonably be described as an exemplar of the worst drafting practice possible...

The absence of definitions of key terms makes the standards unnecessarily difficult to interpret. The reader has to decide if the term is intended to have a technical meaning or an every day meaning. If it is the former, is that meaning the one generally understood in Australia before the making of the 2005 AASB standards, or is it to be found in one or more other 2005 standards? What do we do when the usage differs in those other standards? I find it hard to understand how competent, skilled professionals could think that the standards are easier to understand without defining key terms. The AASB cannot excuse its failure to do so merely because the IASB has not done so. That is not what the community is entitled to expect from the AASB. Having accepted the task, it should be done properly.<sup>27</sup>

3.37 The AASB in response noted that the drafting was undertaken by the IASB and not the AASB, and that in any event such a comment was "a gross overstatement ... I don't think others have really been complaining along those lines."<sup>28</sup>

3.38 The committee is, however, satisfied that the standards do not contravene the requirements of the ASIC Act. Section 224 of the ASIC Act outlines the objects of Part 12 of that Act, which relate to the Australian Financial Reporting System. The facilitation of "readily understandable" standards is clearly an object of Part 12, but it

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26 *Transcript of Evidence*, Boymal, 7 February 2005, pp. 44-45. See also Senate Economics Legislation Committee, *Transcript of Evidence*, Boymal, 2 June 2004, p. E104.

27 Submission 15, Langfield-Smith, p. 3.

28 *Trasncript of Evidence*, Boymal, 7 February 2005, p. 44.

is not a legal requirement. Consequently, while the committee would encourage the AASB, along with all Commonwealth agencies, to pursue plain English wherever possible, criticism of the syntax of the standards cannot in this case call into question the compliance of those standards with relevant legislation.

3.39 In relation to the definition of terms in the standards, the committee notes that almost all of the standards contain definitions, typically as a section at the beginning of the standard, though a number of them (AASB 1, 2, 3, 4, 5, 6, 1004, 1031) contain definitions in appendices, and a number (AASB 1023, 1038, 1039, 1045, 1046) contain definitional sections towards the end of the standard. Only standards AASB 129: *Financial Reporting in Hyperinflationary Economies*, AASB 130: *Disclosure in the Financial Statements of Banks and Similar Financial Institutions* and AASB 1048: *Interpretation and Application of Standards* do not contain definitional sections. The committee is therefore satisfied that sufficient definitional guidance is in place.

### **Issues relating to the content of the standards**

3.40 In establishing this inquiry, the committee took the view that its objective should not be to focus on the technical content of the standards. The IASB and AASB have conducted extensive consultation in designing the standards, and it would be unproductive for the committee to throw those standards open for additional debate at this time, within the relatively short timeframe of this inquiry. However, two matters relating to the technical content of the standards emerged in evidence before the committee. The committee does not propose to make recommendations in relation to these issues, but will set out the evidence received.

#### ***Co-operatives***

3.41 The committee received a number of submissions from co-operative entities concerned about the likely impact of the new standards on their operations. Currently, when a new member joins the co-operative they purchase a share in the co-operative, which is then counted as equity. However these "shares" differ from listed, traded shares because the co-operative must refund the value of the share to a Member when that member leaves the co-operative. This obligation to pay leads to difficulties under AASB 132, which states:

*A financial liability* is any liability that is:

(a) a contractual obligation:

(i) to deliver cash or another financial asset to another entity...<sup>29</sup>

3.42 Because the co-operative has an obligation to repay its members' initial investment essentially on demand, AASB would classify those member funds as debt rather than as equity. This will result in a substantial shift in the debt to equity ratios of these co-operatives without any actual change in their circumstances or operations.

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29 AASB 132, *Financial Instruments: Disclosure and Presentation*, s. 11.

3.43 Submissions from the co-operatives outlined the possible consequences of this change as follows:

There are a number of potentially significant negative consequences of reclassifying member shares from equity to debt:

- it would disrupt the financial ratios and complicate access to finance;
- many co-operatives would find themselves in technical default on their loan agreements which require particular levels of equity;
- a balance sheet that reflected zero equity would make it difficult for co-operatives to secure new debt financing;
- vendors and suppliers who utilise the balance sheet to assess credit worthiness would be confused over the lack of equity and may withhold credit arrangements or force onto co-operatives added credit compliance costs;
- the classification may result in the preparation of misleading financial statements for co-operative companies that will confuse rather than assist members' understanding of those financial statements.<sup>30</sup>

3.44 The AASB recognised that this is an issue for co-operatives and similarly structured entities, but regarded this challenge as manageable:

... the earth is not going to fall in. Those entities are exactly the same entities they were before. There is going to need to be an educational program so that this is understood by all, but they are identical to the organisations that they were before.

We have been warning them about debt covenants or other contracts that are inappropriately worded for a while and they had better get on with fixing them. Yes, their accounts will look different, but the earth will not fall in. I think the sooner they get on with it and realise that as entities they are completely the same as they were before, the better.<sup>31</sup>

### ***Intangible assets***

3.45 The new standards provide rules for the valuation of internally generated intangible assets. In most cases, where there is not an external market to facilitate a market-equivalent evaluation of the value of those assets, they will no longer be given a value. This is a substantial change from current regulatory arrangements, which do not provide specific rules in relation to the valuation of internally generated intangible assets.

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30 This point was made in identical terms by the Co-operative Federation of Western Australia (Submission 6), Norco Co-operative Limited (Submission 10), the Co-operative Federation of NSW (Submission 13),.

31 *Trasncript of Evidence*, Boymal, 7 February 2005, pp. 47-48.

3.46 While this was a source of some contention during the development of the standards, there was little evidence on this issue before the committee.<sup>32</sup> However, the committee notes the final rationale presented by the Financial Reporting Council for agreeing to the IASB's treatment of internally generated intangible assets:

Australia has been the only significant country, in terms of accounting standards, that has allowed an accounting treatment for the recognition and valuation of internally generated intangible assets. This aspect of Australia's former accounting standards was not highly regarded internationally.<sup>33</sup>

## Conclusions

3.47 Submissions and evidence received by the committee make it clear that the transitions to the new accounting standards is a major regulatory change which will no doubt bring transitional challenges to large, medium and small reporting entities. The committee was reassured by the AASB's evidence that, in managing this transition process it has established it will maintain, strong communication links with enforcement agencies, including ASIC. While some members of the committee had the view that this relationship might be formalised by a Memorandum of Understanding or similar instrument, the committee's primary concern is that sufficient communication takes place in order for the transition to proceed smoothly.

3.48 The committee is satisfied that this transition is being managed effectively, and that any costs associated with the transition will be more than offset by the benefits of operating under an internationally harmonised set of accounting standards. The committee considers that the standards are in accordance with their governing provisions in the *Corporations Act 2001*, and that they will act in furtherance of the objectives of that Act.

## Recommendation 2

**The committee recommends that the Senate and House of Representatives do not disallow the Australian Accounting Standards tabled on 30 August 2004 and 16 November 2004.**

**Senator Grant Chapman**

**Chairman**

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32 Intangibles were dealt with by Mr Keith Alfredson (submission 4), the Financial Reporting Council (submission 18) and PricewaterhouseCoopers (submission 22).

33 Submission 18, Financial Reporting Council, p. 3.



# 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**

Ms ANNA BURKE MP

**DEPUTY CHAIR**

**SENATOR KATE LUNDY**

**SENATOR PENNY WONG**

**MR CHRIS BOWEN**

# **APPENDIX 1**

## **SUBMISSIONS**

1. Pitcher Partners
2. Ms Barbara Mescher
3. Australian Accounting Standards Board
4. Mr Keith Alfredson
5. PKF Australia Limited
6. The Co-operative Federation of Western Australia Inc.
7. Professors Graeme Dean and Frank Clarke
8. The Institute of Chartered Accountants in Australia
9. Ernst & Young
10. Norco Co-operative Limited
11. CPA Australia
12. The Group of 100
13. Co-operative Federation of NSW Ltd
14. Australian Institute of Company Directors
15. Department of Accounting & Finance
16. Dairy Farmers
17. KPMG
18. Financial Reporting Council
19. National Institute of Accountants
- 19A. National Institute of Accountants
20. Financial Management Group
21. BHP Billiton Limited
22. Price Waterhouse Coopers

23. Investment & Financial Services
24. Longeergan Edwards & Associates
25. The Bega Co-operative Society Limited

## **APPENDIX 2**

### **PUBLIC HEARING AND WITNESSES**

**Monday, 7 February 2005 – Canberra**

**The Australian Institute of Company Directors**

SERVICE, Mr James, Reporting Committee Member

BEECHER, Mr James, Reporting Committee Member

EVANS, Mr Ralph, Reporting Committee Member

**Ernst and Young**

O'GRADY, Mr John, Partner, National Accounting and Auditing Standards

**National Institute of Accountants**

AGLAND, Mr Reece, Technical Counsel

RAVLIC, Mr Tom, Policy Adviser – Financial Reporting & Governance

**CPA Australia**

MCBRIDE, Ms Patricia, Policy Adviser – Financial Reporting & Governance

CARROLL, Ms Naomi, Policy Adviser – Financial Reporting & Governance

**Institute of Chartered Accountants in Australia**

PALMER, Mr Bill, General Manager – Standards and Public Affairs

REILLY, Mr Keith, Technical Standards Adviser

**Australian Accounting Standards Board**

BOYMAL, Professor David, Chairman

Mr Angus Thomson, Technical Director



# **APPENDIX 3**

## **AUSTRALIAN ACCOUNTING STANDARDS CONSIDERED BY THE COMMITTEE IN THIS INQUIRY**

AASB 01	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 02	Share-based Payment
AASB 03	Business Combinations
AASB 04	Insurance Contracts
AASB 05	Non-current Assets Held for Sale and Discontinued Operations
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Balance Sheet Date
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates

AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 129	Financial Reporting in Hyperinflationary Economies
AASB 130	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Disclosure and Presentation
AASB 133	Earnings per Share
AASB 134	Interim Financial Reporting
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation and Application of Standards
AASB 1046A	Amendments to AASB 1046