



20 January 2005

The Secretary  
Parliamentary Joint Committee on  
Corporations and Financial Services  
Suite SG.64  
Parliament House  
CANBERRA ACT 2600

Email: corporations.joint@aph.gov.au  
anthony.marinac@aph.gov.au

Dear Secretary,

**Inquiry into Australian Accounting Standards tabled in compliance with the Corporations Act 2001 in the Senate on 30 August 2004 and 16 November 2004 (2005 Australian International Financial Reporting Standards - AIFRS)**

The Institute of Chartered Accountants in Australia (Institute) appreciates the opportunity of providing the Parliamentary Joint Committee on Corporations and Financial Services with its views on the 2005 Australian International Financial Reporting Standards (AIFRS) that were tabled in the Senate on 30 August and 16 November 2004. The Institute looks forward to meeting with the Committee to provide any further information that the Committee may require.

**1. Support for the 2005 AIFRS**

The Institute has been a long-term supporter of the move to adopt International Financial Reporting (Accounting Standards) for Australian Entities and the release by the Australian Accounting Standards Board (AASB) of the 2005 AIFRS in July 2004 is strongly supported by the Institute. As such the Institute believes that:

- the proposed standards (AIFRS) are consistent with the *Corporations Act 2001* and its regulations (as required under s.334(1) of the Act); and
- the proposed standards will act in furtherance of the objectives of the Act; and
- the Institute encourages the Committee to Report to Parliament to this effect.

The Institute would be concerned if any changes were made to these standards, as this would almost certainly lead to differences between financial reports complied under International and Australian Accounting Standards. In any event if Parliament was concerned with any particular aspect of a standard the matter should be dealt with by referral back to the Australian Accounting Standards Board (AASB) for its review and consideration.



## 2. Implementation Issues for Non-Listed Reporting Entities

The Institute has been working with key constituents to ensure that there is an orderly implementation of the 2005 AIFRS. Disclosures made to the market by listed entities during the 2004 reporting period indicate that most of the entities listed on the Australian Stock Exchange (ASX) are well prepared for first time adoption of the 2005 AIFRS for their financial periods commencing from 1 January 2005 (30 June 2005 financial statements for a typical June balancing entity). This will ensure that the Australian market will be reporting financial information in a manner consistent to that of Europe and a number of other major capital markets.

However there is at least anecdotal information that the non-listed companies may be less well prepared to meet the 1 January 2005 timetable, and to that extent the Institute is working with key constituents to see what assistance can be provided to this group to ensure satisfactory implementation.

Two specific Issues have been raised with the Institute, which the Parliamentary Committee might wish to consider:

### (a) **Comparatives relief for non-listed entities' First time Adoption of 2005 AIFRS**

The Institute understands that those supporting the provision of relief from reporting "comparatives" for non-listed reporting entities maintain that such relief will enable non-listed reporting entities to reduce the costs of first time adoption and facilitate easier adoption. Whilst the Institute acknowledges that these objectives are laudable they should be directed primarily at small and medium enterprises as opposed to non-listed reporting entities in general. In this context the issues are not confined to the adoption of IFRS alone but encompass the wider issue of differential financial reporting generally.

Consequently, the Institute would encourage the Committee to consider the existing definition of a small company under the Corporations Act 2001 with a view to at least doubling the threshold levels under which a company is classified as small and therefore excluded from preparing financial reports in accordance with Part 2M.3. The Institute also considers that the application of the reporting entity concept should be reconsidered by the Australian Accounting Standards Board in the light of comments received on the discussion paper entitled "Preliminary Views on Accounting Standards for Small and Medium sized Enterprises" recently by the International Accounting Standards Board (IASB) in June 2004.



**(b) Harmonisation with CLERP 9**

The Institute believes that AASB 1046 'Director and Executive Disclosures' and the CLERP 9 Director and Executive Remuneration Disclosures should be harmonised by the AASB with CLERP 9 duplication eliminated with an ASIC Class Order pending amendments to CLERP 9 in this area.

The Institute would appreciate the opportunity to discuss the issues raised in this submission in greater detail. For further information in relation to this submission please contact Keith Reilly FCA, the Institute's Technical Consultant, on (02) 9290 5703 or keith@icaa.org.au.

Yours faithfully,

Stuart A Black FCA  
President  
The Institute of Chartered Accountants in Australia

Encl.



## ANNEXURE 1

The Institute of Chartered Accountants in Australia (ICAA) was established by Royal Charter in 1928.

It is Australia's premier accounting body, which represents 40,000 members who are fully qualified Chartered Accountants working in diverse roles within private practice, business, industry, government and education, both in Australia and overseas.

The Institute is focused on leadership, protecting the standards and reputation of the accounting profession and influencing the policies and regulations that affect the industry.

Our principal areas of interest encompass:

- Education of young accounting graduates through the CA program (current enrolments comprise approximately 10,000 students);
- Continuing professional education for accountants in practice and commerce;
- Technical support in the areas of accounting, auditing, taxation, superannuation, financial planning and financial advisory services. This technical support is provided by way of regular newsletters to members on changes to legislation and other developments, and also through the provision of a call up advisory line;
- Lobbying and advocacy on behalf of members with respect to accounting and auditing standards, taxation, corporate law, superannuation and retirement incomes, and financial services;
- Thought leadership associated with our areas of primary focus with a view to enhancing the standing and reputation of accountants and providing input into public policy;
- Quality control through an extensive program of inspections covering members operating in public practice;
- Administration of a professional conduct regime whereby members whose activities or actions could lead the profession into disrepute are called to account and disciplined appropriately; and
- The establishment and promulgation of standards of professional conduct with particular emphasis on ethical behaviour

Unlike other accounting bodies, the Institute does not include candidates/students in its membership figures. Membership is based on tertiary graduation, completing the Institute's CA program and meeting the highest educational, professional and ethical standards.

For further information about the Institute of Chartered Accountants in Australia visit [www.icaa.org.au](http://www.icaa.org.au).