

21 January 2005



Dr Sarah Bachelard  
Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
Suite SG.64  
Parliament House  
Canberra ACT 2600  
**By email:** corporations.joint@aph.gov.au

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Dear Dr Bachelard

### **Inquiry into Australian Accounting Standards**

CPA Australia welcomes the opportunity to provide a submission to the Inquiry into Australian Accounting Standards, being the Australian equivalents to International Financial Reporting Standards (IFRSs) issued by the Australian Accounting Standards Board (AASB).

CPA Australia has a long history of supporting the adoption of IFRSs into the Australian reporting environment. As a member of the Financial Reporting Council, we supported its strategic direction to the AASB regarding the adoption of IFRSs. We have worked since that time to ensure that our members, the wider reporting community and academics are ready for the introduction of Australian equivalents to IFRSs by continually stressing the need to prepare for the forthcoming change and by providing a range of educational and professional products and services to assist with the introduction of the new standards.

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. We anticipate no impact on small 'mum and dad' businesses in that they are usually small proprietary companies.

CPA Australia appreciates the opportunity to be able to provide comment on the implementation of the proposed standards as we are mindful that changes made to the content of the proposed standards may prevent entities being able to claim compliance with IFRSs under the requirements of International Accounting Standard IAS 1 *Presentation of Financial Statements*. Under IAS 1, compliance with all the provisions of IFRSs is a prerequisite for claiming compliance with IFRSs.

In the light of our comments above, CPA Australia strongly encourages the Parliamentary Joint Committee on Corporations and Financial Services not to recommend any delay to the introduction of the proposed standards. Our comments addressing the Terms of Reference are as follows.

**(a) Whether the proposed standards are consistent with the *Corporations Act 2001* and its regulations (as required under s.334(1) of the Act)**

CPA Australia is not aware of any inconsistencies between the proposed standards and the *Corporations Act 2001*.

**(b) Whether the proposed standards will act in furtherance of the objectives of the Act**

The proposed standards achieve the objectives set out for accounting standards in the *Australian Securities and Investments Commission Act 2001*. The proposed standards retain the benefits of the existing suite of standards in that they provide a basis for decision-making and permit directors to discharge their financial reporting obligations.

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 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.

**(c) Any related matter**

CPA Australia is aware that concerns have been raised about the preparedness of Australian entities to apply the proposed standards and whether some form of relief should be provided for smaller entities. Some of these concerns may have arisen because, traditionally, the majority of Australian entities defer adoption of new standards until they are mandatory rather than adopting them early. Accordingly, we doubt that any extension of time for adoption would be used to better understand or implement the proposed standards. The benefits to the Australian economy will not arise until all reporting entities fully adopt the standards.

Please do not hesitate to contact either myself, or Patricia McBride (Tel: 03-9606 9770, Email: [Patricia.McBride@cpaaustralia.com.au](mailto:Patricia.McBride@cpaaustralia.com.au)), should you have any questions regarding our submission. CPA Australia would welcome the opportunity to participate in a public hearing, should there be one, and to provide any further assistance to the Committee.

Yours sincerely



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Chief Executive  
CPA Australia

c.c. P McBride