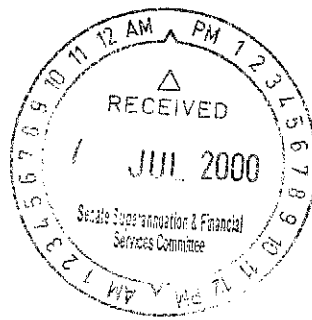


Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (b)

Submission No. 20

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4 July 2000

Ms Sue Morton
Secretary
Select Committee on Superannuation and
Financial Services
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

Public Hearing – Superannuation and Financial Services – Main Inquiry

I am enclosing corrected copy of the evidence given by me at the Public Hearing in Melbourne on Friday, 9 June 2000.

Also enclosed is the schedule that summarises the status of harmonising Australian accounting standards with the IASC standards, that I referred to in my evidence together with an updated AASB work program. The IASC standards listed in the former schedule are those considered by IOSCO.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Keith Alfredson'.

Keith Alfredson
Chairman

Comparison of the status of IASC pronouncements with Australian pronouncements

AASB and AAS standards are in conformity with the relevant IASC standards, unless otherwise indicated in the footnotes.

IAS	AASB	SIC	UIG
IAS 1, Presentation of Financial Statements (revised 1997)	AASB 1001 & AAS 6 "Accounting Policies" (revised 1999) AASB 1034 & AAS 37 "Financial Report Presentation and Disclosures" (revised 1999) AASB 1040 & AAS 36 "Statement of Financial Position" (1999)	SIC-6, Costs of Modifying Existing Software SIC-8, First-time Application of IAS as the Primary Basis of Accounting SIC-18, Consistency – Alternative Methods	UIG deemed that the SIC-6 issue is already covered in Australian standards UIG considered the SIC-8 issue to be outside its mandate UIG deemed that the SIC-18 issue is not relevant in Australia
IAS 2, Inventories (revised 1993)	AASB 1019 & AAS 2 "Inventories" (revised 1998)	SIC-1, Consistency – Different Cost Formulas for Inventories	Abstract 21 "Consistency – Different Cost Formulas for Inventories"
IAS 4, Depreciation Accounting (reformatted 1994)	AASB 1021 & AAS 4 "Depreciation" (revised 1997)		
IAS 7, Cash Flow Statements (revised 1992)	AASB 1026 & AAS 28 "Statement of Cash Flows" (revised 1997)		
IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised 1993)	AASB 1001 & AAS 6 "Accounting Policies" (revised 1999) AASB 1018 & AAS 1 "Statement of Financial Performance" (revised 1999) ¹		
IAS 10, Events After the Balance Sheet Date (revised 1999)	AASB 1002 & AAS 8 "Events Occurring After Reporting Date" (revised 1997) ²		
IAS 11, Construction Contracts (revised 1993)	AASB 1009 & AAS 11 "Construction Contracts" (revised 1997)		

¹ AASB 1018 and AAS 1 do not require separation of revenues and expenses between operating activities and non-operating activities.

² IAS 10 requires the financial effect of a subsequent event that provides evidence that the going concern basis is not appropriate to be recognised in the financial report. AASB 1002 and AAS 8 require disclosure of the financial effect of such an event.

IAS	AASB	SIC	UIG
IAS 12, Income Taxes (revised 1996)	AASB 1020 & AAS 3 "Income Taxes" (revised 1999)		
IAS 14, Segment Reporting (revised 1997)	Final draft revised AASB 1005 and AAS 16 based on ED 90 "Segment Reporting" (1998)		
IAS 16, Property, Plant and Equipment (revised 1998)	AASB 1021 & AAS 4 "Depreciation" (revised 1997) AASB 1041 & AAS 38 "Revaluation of Non-Current Assets" (revised 1999) ³	SIC-14, Property, Plant and Equipment – Compensation for the Loss of Items	UIG agreed to wait for further development of the Impairment project as SIC-14 refers to IAS 36
IAS 17, Leases (revised 1997)	AASB 1008 & AAS 17 "Leases" (revised 1998)	SIC-15, Operating Leases – Incentives	Abstract 3 "Lessee Accounting for Lease Incentives under a Non-Cancellable Lease" deals with the lessee – further info. is being sought to progress the lessor accounting
IAS 18, Revenue (revised 1993)	AASB 1004 & AAS 15 "Revenue" (revised 1998) ⁴		
IAS 19, Employee Benefits (revised 1998)	In respect of employment benefits , a draft revised AASB 1028 and AAS 30 based on ED 97 "Employee Benefits: Amendments to AAS 30/AASB 1028" (1998) In respect of post-employment benefits , work is in process		

³ IAS 16 requires revaluation increments and decrements to be offset only on an individual assets basis – AASB 1041 and AAS 38 require offset on a class of assets basis. IAS 16 requires disclosure of the cost carrying amount of revalued assets – AASB 1041 and AAS 38 do not. IAS 16 requires disclosure of restrictions on the distribution to owners of the balance of the asset revaluation reserve for each class of assets – AASB 1041 and AAS 38 require disclosure of such restrictions in relation to the whole of the revaluation reserve.

⁴ IAS 18 comments that when goods or services of a similar nature are exchanged, this is not regarded as an exchange that generates revenue. AASB 1004 and AAS 15 require an exchange of goods or services to be treated as a transaction that does not give rise to revenue when and only when the exchange is for goods or services that are of the same nature and value and the transaction does not involve cash consideration.

IAS	AASB	SIC	UIG
IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (reformatted 1994)	AASB 1004 & AAS 15 "Revenue" (revised 1998) ⁵	SIC-10, Government Assistance – No Specific Relation to Operating Activities	UIG deemed that the SIC-10 issue is already covered in Australian standards
IAS 21, The Effects of Changes in Foreign Exchange Rates (revised 1993)	Draft revised AASB 1012 and AAS 20 based on ED 86 "Foreign Currency Translation" (1997) and Invitation to Comment "Application of Foreign Currency Translation to Equity" (1998)	SIC-7, Introduction of the Euro SIC-11, Foreign Exchange Capitalisation of Losses Resulting from Severe Currency Devaluations	UIG deemed that the SIC-7 issue is already covered in Australian standards UIG deemed that the SIC-11 issue is not applicable as the "severe currency devaluation" treatment is not permitted in Australia
IAS 22, Business Combinations (revised 1998)	AASB 1015 & AAS 21 "Acquisition of Assets" (revised 1999) ⁶	SIC-9, Business Combinations – Classification as either Acquisitions or Unitings of Interests	UIG deemed that the SIC-9 issue is not applicable as pooling is not permitted in Australia
IAS 23, Borrowing Costs (revised 1993)	AASB 1036 & AAS 34 "Borrowing Costs" (1997)	SIC-2, Consistency – Capitalization of Borrowing Costs	UIG deemed that the SIC-2 issue is already covered in Australian standards
IAS 24, Related Party Disclosures (reformatted 1994)	Draft ED is in process		
IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries (reformatted 1994)	Preliminary work in process for an ED to amend AASB 1024 and AAS 24	SIC-12, Consolidation – Special Purpose Entities	Abstract 28 "Consolidation – Special Purpose Entities"

⁵ IAS 20 requires grants to be treated as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis, and requires grants related to specific assets to be treated as deferred income or as deductions from the carrying amounts of the assets. AASB 1004 and AAS 15 require contributions to be recognised as revenue when the entity controls the contribution or a right to the contribution, it is probable the contribution will flow to the entity and it can be measured reliably.

⁶ IAS 22 requires pooling where there is a uniting of interests – AASB 1015 and AAS 21 do not permit pooling, except that it may be used under AAS 21 in the case of an internal reconstruction. IAS 22 requires transaction costs on issuing equity used to purchase a business to be included in the cost of acquisition – AASB 1015 and AAS 21 require such costs to be recognised directly in equity.

IAS	AASB	SIC	UIG
IAS 28, Accounting for Investments in Associates (revised 1998)	AASB 1016 & AAS 14 "Accounting for Investments in Associates" (revised 1998) ⁷	SIC-3, Elimination of Unrealised Profits and Losses on Transactions with Associates	Abstract 20 "Equity Accounting – Elimination of Unrealised Profits and Losses on Transactions with Associates"
IAS 29, Financial Reporting in Hyperinflationary Economies (reformatted 1994)	Incorporated in the Foreign Currency Translation project		
IAS 31, Financial Reporting of Interests in Joint Ventures (revised 1998)	AASB 1006 & AAS 19 "Interests in Joint Ventures" (revised 1998)	SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers	UIG deemed that the SIC-13 issue is already covered in Australian standards
IAS 32, Financial Instruments: Disclosure and Presentation (revised 1998)	AASB 1033 & AAS 33 "Presentation and Disclosure of Financial Instruments" (revised 1999) ⁸	SIC-5, Classification of Financial Instruments – Contingent Settlement Provisions SIC-16, Share Capital – Reacquired Own Equity Instruments (Treasury Shares) SIC-17, Equity – Costs of and Equity Transaction	UIG deemed that SIC-5 is not consistent with IAS 32 and IAS 39 – awaiting clarification from the IASC UIG deemed that the SIC-16 issue is not relevant in Australia Abstract 23 "Transaction Costs Arising on the Issue of Equity Instruments" presently deals with successful equity issues – soon to also deal with unsuccessful issues
IAS 33, Earnings Per Share (1997)	Draft revised AASB 1027 based on ED 85 "Earnings per Share" (1997)		

⁷ IAS 28 requires the equity method to be applied in the investor's financial report where it's applied in the consolidated financial report. AASB 1016 and AAS 14 require the cost method in the investor's financial report, except where consolidated financial reports are not required to be prepared. IAS 28 requires the carrying amount of an investment to be written down to recognise decline of value that is other than temporary. AASB 1016 and AAS 14 require investments to be carried at no more than their recoverable amounts.

⁸ The transitional arrangements under AASB 1033 and AAS 33 do not require retrospective application of the compound instruments classification by components to instruments issued before 1 January 1998 – IAS 32 does not have similar arrangements. The AASB 1033 and AAS 33 disclosures are not required for parent entity financial reports presented with consolidated financial reports – there is no exemption under IAS 32.

IAS	AASB	SIC	UIG
IAS 34, Interim Financial Reporting (1998)	Final draft revised AASB 1029 and new AAS based on ED 96 "Interim Financial Reporting" (1998)		
IAS 35, Discontinuing Operations (1998)	Final draft new AASB and AAS based on ED 95 "Discontinuing Operations" (1998)		
IAS 36, Impairment of Assets (1998)	ED 99 "Impairment of Assets" (1999)		
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (1998)	Draft new AASB and AAS based on ED 88 "Provisions and Contingencies" (1998) and Invitation to Comment "Provisions and Contingencies: Restructuring Upon Acquisitions, and Transitional Provisions" (1999)		
IAS 38, Intangible Assets (1998)	Preliminary work in process, which includes considering amendment to AASB 1011 and AAS 13 on R&D and AASB 1013 and AAS 18 on Goodwill		
IAS 39, Financial Instruments: Recognition and Measurement (1998)	Participating in the Joint Working Group on Financial Instruments		

Australian Accounting Standards Board work program – from July 2000

The timing and outcomes shown are estimates and are subject to change.

Project	Status	Q3 2000	Q4 2000	Q1 2001	Q2 2001
IASC Harmonisation Program					
<i>Standards to be finalised</i>					
Segment Reporting	ED 90	Std(r)			
Foreign Currency	ED 86 & ITC	Std(r)			
Discontinuing Operations	ED 95	Std			
Interim Reporting	ED 96	Std(r)			
Earnings per Share	ED 85	Std(r)			
Employee Benefits	ED 97		Std(r)		
Provisions & Contingencies	ED 88 & ITC		Std		
Impairment of Assets	ED 99				Std
<i>Exposure Drafts to be issued</i>					
Related Party Disclosures			ED		
Director & Executive Disclosures			ED		
Consolidations				ED	
Investment Properties	DP 24			ED	
Intangible Assets, Goodwill & R&D	IP		Constituent hearings		
Post-Employment Benefits			KDQ		
Financial Instruments					
IAS 39 Financial Instruments	Monitor	Education			
G4+1 Joint Working Group	Draft ED	Education	ITC		
Industry Specific projects					
Public Infrastructure Disclosures	ED 100			Std	
Prospective Information	PAP		IP		
GPFR/GFS Comparison	ABS liaison		IP		
Fair Value / Deprival Value Comparison	ATM 10		HoTARAC & DoFA liaison	IP	
Superannuation Plans	ICAA committee			KDQ	
Land Under Roads	PAP		Report		
Not-for-Profit Entities	Contractors			Report	
Local Government (review AAS 27)	Liaison				Report

Std = Standard ED = Exposure Draft ITC = Invitation to Comment
 IP = Issues Paper (r) = revised ATM = Accounting Theory Monograph
 DP = Discussion Paper PAP = Project Advisory Panel KDQ = Key Decisions Questionnaire
 GPFR = General Purpose Financial Reporting GFS = Government Finance Statistics
 HoTARAC = Heads of Treasuries Accounting and Reporting Advisory Committee
 DoFA = Department of Finance and Administration (Commonwealth)
 IASC = International Accounting Standards Committee
 ICAA = Institute of Chartered Accountants in Australia

The staff of the AASB also have considerable involvement in projects being conducted by the IASC Board and its Steering Committees, the Public Sector Committee (PSC) of the International Federation of Accountants and by the Group of 4 standard setters (which includes Australia, Canada, the UK and the USA). AASB staff are among the Technical Advisers to the IASC Board, PSC, Joint Working Group on Financial Instruments and the IASC's Steering Committees on Insurance, Extractive Industries and Pensions.

Current IASC projects include: Agriculture (E65), Pensions amendments (E67), Tax amendments (E68), Insurance (DP – Australia Chairs the Steering Committee), Extractive Industries (draft DP – Australia Chairs the Steering Committee), Discounting (draft DP).

The PSC is progressing a project based on using IASC standards in the public sector – Australia Chairs the PSC.

Current G4 projects include Review of Equity Accounting (draft DP), Share-Based Payment (draft DP), Leases (ITC) and Non-Reciprocal Transfers (DP).