THE 'BIG BANG' OF INTERNATIONAL ACCOUNTING STANDARDS

Australian companies may be faced with a 'big bang' implementation of international accounting standards when the calendar turns to January 2005, the chairman of the Australian Accounting Standards Board warned yesterday.

The AASB's oversight body, the Financial Reporting Council, decided last June that 1 January 2005 should be the target date for convergence and AASB chairman Keith Alfredson told a corporate governance conference in Sydney that it was likely a whole suite of accounting standards would become effective for financial years beginning on or after that date.

He said the AASB could find it difficult to implement standards in a transitional manner over the next few years because of the manner in which the standards issued by the International Accounting Standards Board (IASB) make references to each other.

This means that the introduction of the IASB's suite of accounting standards – to be known in the future as International Financial Reporting Standards – in Australia could be delayed for up to two years.

"Most IFRSs do not operate in isolation because of their frequent cross-references to other IFRSs," said Mr Alfredson.

"For this reason, and given the wide-ranging planned amendments to existing standards over the next two years to 2005, while further study is required by the AASB, it is far more likely the AASB will be forced to make most IFRSs operative for financial years commencing on or after 1 January 2005 in a 'big bang' rather than what is somewhat hopefully envisaged in CLERP 9 through a transition process."

PricewaterhouseCoopers partner Jan McCahey said adopting a 'big bang' approach for the introduction of IASB accounting standards has a disadvantage of delaying the introduction of accounting standards prior to the chosen target date that would boost the quality of reporting in the country.

"It makes it difficult for the board to meet its stated objective of giving priority to areas not covered by Australian accounting standards," said Ms McCahey.

"It could also make it difficult for companies to switch to the IASB framework earlier if they believe that is appropriate circumstances. One example is some companies may want to adopt the revised business combinations standard when that is issued by the IASB in 2003."

This article was supplied by Tom Ravlic. Tom is a financial journalist who has spent the past seven years covering the accounting profession, accounting and audit standard setting and corporate governance. His work has appeared in various publications including *Business Review Weekly*, *Personal Investment* (now *Personal Investor*), *The Age*, *CFO Magazine*, the *Australian CPA*, the *Company Director Journal* and the newsletters of the internationally renowned Lafferty Group. In addition to his freelance commitment to a wide range of publications, Tom has recently accepted an appointment to be editor of *Chartac Accountancy News*, published by Melbourne-based publisher Crown Content.