THE 'BIG BANG' OF POTENTIAL PROBLEMS

Accounting experts from major advisory firms are warning of potential problems with plans for a 'big bang' implementation of international accounting standards in 2005.

The Australian Accounting Standards Board has indicated that implementation of the entire suite of accounting standards produced by the International Accounting Standards Board would need to occur to avoid having inconsistencies between the two frameworks.

AASB chairman Keith Alfredson told an audience at a business conference last week that implementing all of the accounting standards at once was a likely scenario because the AASB was dependent on the international standard setter meeting its promises to issue standards within a forecast timetable over the next two years.

KPMG technical partner Chris Hall said the approach flagged by the AASB chairman meant companies would be faced with a steep learning curve and a hefty compliance burden within a short time frame.

He said the better answer for implementation would have been a gradual or staggered implementation of any new pronouncements so companies and their advisers have a chance to implement pronouncements.

"The implementation issues are not small and businesses are just becoming aware of the issues. Having to do everything at once will be problematic for many preparers of financial statements," said Mr Hall, a member of the interpretation body, the Urgent Issues Group.

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."

Stockford Limited's head of accounting policy, Colin Parker, said there was a need for clearer articulation of the timetable and deliverables, a need to alter the Corporations Act to accommodate reporting in accordance with international accounting standards before 2005 and a later implementation date such as January 2005 should apply for entities other than those listed on exchanges.

"It should be remembered that meeting the January 2005 is likely to be a genuine challenge for the IASB, the AASB, the EU and all of the other letters of the alphabet," said Mr Parker.

"We must also monitor the progress of the IASB in order to determine whether 2005 will ultimately be achievable for the AASB because they are dependent on the international process."

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.