

THE MOVE TO INTERNATIONAL ACCOUNTING STANDARDS

A global set of accounting standards is one step closer to reality following the signing of a historic agreement between accounting authorities in the United States and the International Accounting Standards Board.

The US has been long regarded as a significant stumbling block to the achievement of a single set of accounting standards because of its stringent regulatory requirements for non-US companies seeking to list in the American market place.

A key plank of the memorandum is the elimination of differences between the two sets of accounting pronouncements that would create a lower compliance burden on Australian companies seeking to list in the US.

Companies such as News Corporation and BHP Billiton presently have to recalculate their reported numbers in order to reflect what their financial results would be under US accounting rules.

The ultimate goal of the convergence exercise between the US Financial Accounting Standards Board and the international standard setter is to eliminate that reconciliation requirement.

Australian accounting standards are slated to convert to IASB standards by January 2005. Any progress on eliminating differences between US and international accounting pronouncements will ease the regulatory compliance burden.

IASB member Warren McGregor said the decision by the FASB to enter into the Memorandum of Understanding with the international standard setter makes it likely that the Securities and Exchange Commission in the US will drop the reconciliation requirement.

“Key elements of the agreement are a commitment to undertake a ‘short-term’ project to rid both sets of standards of individual differences and the removal of other differences between US and IASB pronouncements that exist as at January 2005 by linking work programs together,” Mr McGregor said.

“I think there’s a good chance the SEC will seriously reconsider the existing requirements on issuers to reconcile to US GAAP from international standards if we are able to achieve our objectives with the FASB concerning the 2005 target.”

PricewaterhouseCoopers partner Jan McCahey said one of the early benefits of the convergence project between the US and the IASB will be the removal of some reconciling items that may then lead to the ultimate relaxing of the reconciliation requirements for companies seeking investors in the US capital market.

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.

