

To breach or not to breach

Two of Australia's top accounting experts are slamming suggestions that companies should be allowed to breach accounting standards in certain circumstances.

A task force of the Institute of Chartered Accountants in Australia recommended in a report released earlier this week that the ICAA lobby the Financial Reporting Council and the Australian Accounting Standards Board to reintroduce a 'true and fair' override in the law.

The three-man task force said it would prefer companies to comply with a general obligation for accounts to be true and fair and to outline the consequence of breaching the standards in the notes that follow the main financial statements dealing with financial position and profit and loss.

"The Task Force would prefer to see financial statements required to present a true and fair view with notes to explain the impact of any departure from accounting standards," the report states. "Other than in exceptional circumstances, however, we remain unconvinced that there is an irreconcilable ability to meet both tests simultaneously."

Such an override existed in the 1980s and was removed by the Federal Parliament in the 1990s because high-profile companies used it to avoid the provisions of accounting standards they disliked.

AMCOR general manager – finance, Peter Day, told *The Age* yesterday that the use of an override would create confusion in the marketplace and make it extremely difficult for a corporate regulator to police compliance with accounting pronouncements.

He said the abuses of the 1980s could return if people were given a legal imprimatur to flout accounting standards at will.

Mr Day, a former AASB chairman, said the current law provided investors with some certainty about information and if companies dislike the effect of a particular accounting they could detail their concerns in notes to the accounts, the chairman's report or the annual general meeting.

"Companies can also lobby accounting standard setters to change accounting standards over a period of time," said Mr Day the current Australian representative on the consultative group to the International Accounting Standards Board.

"From a personal standpoint I would be reluctant to invest in any company that did not follow the accounting standards."

Wayne Lonergan, the managing director of consultants Lonergan Edwards, said a return to a true and fair override would be a retrograde step.

“The override was as so thoroughly abused that it had to be removed from the marketplace. There are simply no grounds for reintroducing it and thus facilitating another round of abuse,” said Mr Lonergan, who also served on the AASB for most of the 1990s.