

## **Out with the old AASB, in with the new IASB**

Accountants are being forced to shed various accounting regulations learned over several decades in preparation for a move to an internationally accepted set of accounting standards.

The changes to how a company reports its performance in numbers must be completed within the next two years in order to meet a deadline for the adoption of what are known as International Financial Reporting Standards.

While the first set of numbers that are fully compliant with international standards will not be prepared by most companies until the 30 June 2006 financial year-end, company directors, auditors and company accountants need to begin readying themselves for what is in some cases an unprecedented cultural change.

Melissa Perry, a technical director at Deloitte, says there are many differences – some of them subtle – between what companies will be required to do in the future and what they do now.

Most companies are moving too slowly, Ms Perry notes, to grasp the significance of the changes that will dominate the Australian reporting landscape and her major efforts are presently directed at encouraging companies via presentations and client publications to speed their own processes up.

‘I’m involved in part of that push to get clients educated and get them moving on their conversion projects, because in some cases they have been slow,’ she says.

Ms Perry is in a very privileged position among her peers. The knowledge of how international standards are applied remains for some people a rather distant reality, but Melissa Perry has experienced the way the differences between international accounting pronouncements and Australian standards work first hand when she spent just over a year-and-a-half in France.

The accounting firm sent her to work in the firm’s Paris headquarters. This involved spending time at one of the firm’s specialist centres to develop a hands-on understanding of what the Australian accounting profession will be facing over the next few years.

It was an experience that further developed her knowledge of the accounting framework, enabled the creation of a global network of contacts and ensured Ms Perry was sufficiently prepared for her current role in leading the firm’s efforts in thought leadership and training on the transition to international accounting standards.

‘When I was in Paris I worked with international accounting standards every day. It was an opportunity to develop a good understanding of international accounting standards in an environment where people were actually applying the accounting standards. It was not a hypothetical-type scenario,’ says Ms Perry, who won an award in 1998 for being the

top student in Victoria in the Institute of Chartered Accountants professional year program.

‘From a firm perspective it allowed me to create an international network. I am still in contact with our people in Paris and our other centres of excellence such as London and Hong Kong. I’ve now got that relationship that allows me to ring them up or send them an e-mail. It’s making it easier to tap into our global firm and use their resources when we need them in Australia.’

The change from one set of accounting pronouncements to another poses several challenges for companies and practitioners, Ms Perry says. There are various changes in the way people need to think about accounting that are departures from the principles taught by lecturers at university.

She explains the firm’s training is designed to firstly get the partners and staff of Deloitte in a mindset that will permit them to adequately tackle the questions that inevitably come from clients trying to work out what picture their company will be sending out to the marketplace.

A change that has been challenging for some people to come to terms with is the ‘We run major training sessions twice a year but in between we are providing e-learning to people. You just don’t tell them once and expect it to sink in,’ Ms Perry explains ‘Some of the concepts are really different. You can’t just say “This is how you conceptually do it” because the concepts that drive what you are doing have changed.’

Companies are also in need of a shake-up in the knowledge department, Ms Perry asserts, because there are planning decisions that must be made now in order to decide the best way forward in choosing accounting treatments, for example, in circumstances where companies will have other options available to them.

She warns against companies and individuals falling into the trap of analysing the more dramatic changes out of the broader context because that could lead to a misunderstanding of the total impact of adoption.

‘They need to get their knowledge to a level where they can sensibly talk about the issues and ensure they are not focusing on one little thing that is completely different. You’ve got to look at the big package,’ Ms Perry explains.