

AASB to issue ED on fair value

The Australian Accounting Standards Board is gearing up to issue an exposure draft on the topic of the fair value option in the financial instruments literature and how the fair value option should be applied in practice.

This is to mirror the work of the International Accounting Standards Board on the topic, which has bowed to pressure from the various banking regulators in Europe to limit the capacity for companies to use fair values when accounting for financial instruments.

Regulators fear that companies will make use of the fair value option to manipulate the way their results appear over time.

The AASB is delaying discussion of the fair value option issue until the international standard setter is ready to issue an exposure draft. Once that is done, the AASB will issue one in Australia.

The 31 March version of the financial instruments standard features amendments related to portfolio hedging. The IASB made those amendments and it is now up to the domestic standard setter to incorporate them in the version that presently sits on its website.

Another result of the recent AASB meeting was the approval of a series of pending standards. Among them was the business combinations suite consisting of the business combinations standard, the impairment standard and the standard on accounting for intangible assets. Pending standards on consolidations and interim financial statements were also pushed through the door.

Not all of the agenda items were discussed during the April meeting of the AASB, however, because the standard setter spent more than two hours in private session discussing the FRC's decision to go ahead with the January 2005 deadline. This has resulted in some of the material having to be deferred until the May meeting of the Board.

The Australian Accounting Standards Board is rushing to complete the work on adopting international accounting standards. Two meetings have been scheduled for May. The usual two-day meeting will take place on 12-13 May and a separate meeting day will take place on 27 May. The Board is expected to place on its agenda for those three days the following issues: discontinued operations, extractive industries, first-time adoption (guidance), financial instruments, framework, revenue and grants, GAAP/GFS convergence, government departments, income tax, insurance, interpretation and application of standards, materiality, provisions (guidance), related party disclosures, and UIG abstracts equivalent to IASB interpretations.

Audit reform issues are to be the subject of yet another hearing of the Joint Parliamentary Committee on Corporations and Financial Services. The Australian Securities and Investments Commission and the Financial Reporting Council will appear before the

committee. A hearing held in the past fortnight featured Keith Alfredson, the former chairman of the Australian Accounting Standards Board, and shareholder activist, Stephen Mayne. The former chairman startled Senator Stephen Conroy when he dropped a bombshell that there was no formal proposal on the decision to move to international accounting standards by January 2005 tabled at the fateful 28 June meeting of the Financial Reporting Council in 2002. Alfredson also reinforced his opposition to the FRC assuming any responsibility for monitoring auditor independence. He believes the ASIC should have that role, as it is one he regards as a compliance task rather than a rule-making task.

The Australian Institute of Company Directors has attacked the recent letter to directors from the Australian Tax Office as a sign of the tax office seeking to place greater obligations on company directors. The ATO has — as you would expect — a different view. It's not the first time in the past six months company directors have been given their marching orders on particular matters. The ASIC and the FRC issued a joint letter encouraging companies to get their act together and move to adopt international accounting standards.

This article was supplied by Tom Ravlic. Tom Ravlic 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.