

ASIC rule companies to change

Six listed companies have been named as having changed their accounting treatments in annual reports following discussions with the corporate regulator, the Australian Securities and Investments Commission.

The ASIC released one part of its surveillance results for the June-July 2003 period. Chief accountant Greg Pound says no systematic decline in the quality of financial reporting is evident, but that the commission did identify various cases that needed further attention.

About 400 company annual reports were surveyed. Of those, there were 30 companies from which the commission sought to obtain further information in order to determine whether a breach of accounting standards had occurred.

These were companies the commission initially believed merited further inquiry following an initial examination of the accounts.

Three of those 30 had come to the attention of the office of the chief accountant via the activities of other parts of the commission, while the remaining 27 were cases that became apparent as a result of the surveillance process itself.

Thirteen companies out of the 30 from which the commission sought further details may be the subject of an order to prevent them from using lower content prospectuses to raise capital if the commission believes their concerns about the company's financial reporting practices justify it.

Two companies may be in the commission's firing line for further enforcement action and with the other nine companies the commission's concerns were unjustified.

The six companies and the accounting issues as outlined by the commission in its media release are:

Kaz Group Limited agreed to amend the accounting treatment that incorrectly recognised revenue on the acquisition of the remaining interest in a subsidiary company. The company made an adjustment in the financial statements for the half-year ended 31 December 2003 and reported it as a 'fundamental error'. This matter was disclosed in the company's ASX announcement of 24 February 2004.

China West International Holdings Limited agreed to amend its financial reporting to reflect that it did not control an entity that was consolidated in its 30 June 2003 financial statements. The Company made an ASX announcement to this effect on 25 February 2004, indicating that the necessary adjustments would be reported as fundamental errors in its 31 December 2003 half-year report.

OPSM Group Limited announced on 30 January 2004 that the reason for the previously announced change in its method of revenue recognition was to comply with accounting

standards. On 5 March 2004 it reported its half-year results to 31 December 2003, indicating that the impact of this change had been reported as a fundamental error in those accounts.

Pacifica Group Limited agreed to review their deferred expenditure and, consequently, wrote off some items of deferred expenditure, and reported the write off as a 'significant item' in its 31 December 2003 financial report.

Newhaven Park Stud Limited, in an ASX announcement of 12 March 2004, indicated that it would reissue its financial report for the year ended 30 June 2003 and half-year ended 31 December 2003. The company had incorrectly changed its policy at 30 June 2003 to record broodmares at cost rather than market value. This correction results in the reported net profit at 30 June 2003 becoming a net loss and an increase in the 31 December 2003 net profit.

Child Care Centres Australia Limited, in an ASX announcement of 3 April 2004, reissued its half-year financial report to 31 December 2003. The company has expensed previously capitalised costs relating to the formation of a strategic alliance and consequent company restructure. This amendment resulted in the company reporting a loss at 31 December 2003.

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.