

Democrats back adoption of IFRS

Senator Andrew Murray has promised to deliver the vote of the Australian Democrats in favour of the adoption of international financial reporting standards, which effectively cuts out the possibility of disallowance in the Senate.

Senator Murray told a parliamentary committee hearing he had met with Sir David Tweedie, the chairman of the International Accounting Standards Board, when Sir David visited Australian shores recently and that he had indicated the parliament would not be an obstacle to the 2005 deadline being met.

That promise to the IASB chairman is a blow to prominent lobby groups such as the Group of 100 and the Australian Institute of Company Directors that have begun to lobby the government on the issue of the adoption deadline as agreed by the Financial Reporting Council on 31 March.

FRC members reaffirmed the deadline set in June 2002, on the condition the Australian standard setter report back to the council at a meeting on 23 April that all that it needs to make the new accounting standards in Australia will be ready.

This would include any consequential amendments the international standard setter has to provide so the final suite of accounting standards that will apply in Australia will be the final version in existence as at 31 March.

It includes the version of the financial instruments standard known as IAS 39 that is causing a great furore in parts of Europe, particularly France, because the standard would require various assets and liabilities to be accounted for at fair value — rather than historic cost — for the first time.

The FRC decision to continue with the adoption of international accounting standards has been unsurprisingly backed by the Big Four accounting firms. All the firms have issued publications in support of the adoption objective, particularly encouraging clients to ensure they are ready to adopt international financial reporting standards.

PricewaterhouseCoopers' head of assurance and business advisory services, Mark Johnson, said in a PwC client newsletter that Australia had to make a move to international accounting standards to be seen as a global leader.

"If Australia is to be seen in the forefront of the global reform movement, Australian standards must be upgraded to adequately address a wide range of issues and to reach recognised best practice," Mr Johnson said.

"Presently there is a risk that companies may comply with Australian GAAP without their reports reflecting their true financial position. In such areas as pensions, financial instruments, intangible assets, robust asset impairment testing and investment properties, international standards provide the solution."

Support for the FRC's 31 March decision has also come from the IASB's board of trustees. Paul Volcker, the trustee board chairman, said the move gave Australia the chance to take a leadership position in accounting.

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.