

Australia must comply with IFRS

Australia's accounting regulators have confirmed companies will have to comply with international accounting standards for financial years beginning on or after 1 January 2005.

The Financial Reporting Council — the body responsible for overseeing the Australian accounting standard setting — decided last week that no real obstacles existed for companies to adopt international accounting standards if there was certainty about what standards needed to be implemented for the 2005 deadline.

Reaffirmation of the 2005 deadline follows intense lobbying from corporate lobby groups such as the Group of 100 and the Australian Bankers Association that were arguing for a deferral of at least a year because the International Accounting Standards Board was still amending certain standards such as the contentious financial instruments standard known as IAS 39.

That standard has been the subject of some political horse trading in Europe but the intensity of European opposition appears to be subsiding following a declaration by the European Central Bank that it is pleased with progress on the standard.

Both groups argued that parts of IAS 39, which forces derivatives on balance sheet and restricts the use of off balance sheet securitisation vehicles, and that it made sense to delay implementation until the IASB amended those standards.

The FRC decided to ignore the remaining European opposition to aspects of IAS 39 and decree that all of the accounting standards finalised by the IASB by March 31 would apply in Australia.

This includes the March 31 version of IAS 39.

The FRC said that the Australian Accounting Standards Board would decide the appropriate time at which future amendments to those standards would be made law in Australia.

Professor David Boymal, the chairman of the Australian Accounting Standards Board, said a line had been drawn in order to provide certainty to the community. "The principle concern was the uncertainty surrounding the adoption of standards by 2005 given doubts about the IASB's completion of the 2005 project," Professor Boymal said.

"Companies and business groups were not indicating they were unable to meet the timetable and the council sought alternative ways to end the uncertainty that existed."

Deloitte partner Bruce Porter said corporate Australia has invested a lot of time, effort and resources into this project and any deferral would not have been in Australia's best

interests. “Its now incumbent on the AASB to get the job finished as soon as possible,” said Mr Porter.

PricewaterhouseCoopers partner Jan McCahey told *The Age* the FRC’s decision has brought clarity to the business community, which is particularly critical given that companies need to undergo significant preparation to transition to the new standards.

She said the country could benefit from placing itself in a position where it would be able to provide constructive feedback regarding implementation of standards to international standard setters, which gives it the opportunity to lead the debate.

“This decision means that Australia will be in the position to be at the forefront of taking the visions of global accounting standards significantly closer to reality,” said Ms McCahey.

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.