

Academic fears IASB may lose credibility

The International Accounting Standards Board is endangering its credibility by inserting options into its standards, according to a prominent accounting academic and former standard setter.

Professor Graham Peirson of Monash University, a former member of the Australian Accounting Standards Board, has told the current AASB that the international standard setter has provided no valid reason for the inclusion of a third method of accounting for assets or liabilities arising from defined-benefit superannuation plans.

Members of the IASB proposed the inclusion of a third way of accounting for defined-benefit superannuation plans on the basis that the United Kingdom accounted for the plans in a manner not already provided for in the accounting standard.

In a letter sent to the AASB in response to a request for public comment, Professor Peirson said it was wrong for the IASB to increase the options available to companies in the area of accounting for superannuation assets and liabilities.

‘The IASB’s proposal doesn’t fill one with confidence about the work of the IASB. So far, it seems little better than the old Board of the [International Accounting Standards Committee], and if you needed any evidence for that view, the proposal to add another option to IAS 19 is all you need,’ said Professor Peirson.

‘If the IASB hasn’t been told about the damage such a proposal does to its credibility, it needs to be.’

The Australian standard that will apply to companies from January next year forces companies to take any increases or decreases in actuarial figures related to defined-benefit super funds directly to the profit-and-loss statement. It does not permit companies to choose an optional treatment as the IASB standard does.

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.