

Big Four may move to block IAS

Four global accounting firms could hamper the operations of Australia's interpretation body if they vote as a bloc on how a rule should be applied, according to concerns expressed last week by the chairman of the Australian Accounting Standards Board.

AASB chairman, David Boymal, who also chairs the interpretation body known as the Urgent Issues Group, told the group last week the operations of the group could be stifled if the Big Four firms — which are Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers — voted as a bloc to reject a proposed ruling.

Professor Boymal told the UIG meeting that his concerns arose because the major firms are subject to decisions on accounting matters that are made offshore by their expert divisions on international financial reporting standards located either in the United Kingdom or the United States.

The general global push for one set of accounting standards has meant all of the firms are issuing global directives on how the standards issued by the International Accounting Standards Board should be interpreted and applied by their individual country offices.

All of the firms have a seat around the UIG table, which has 15 members drawn from various sectors of the business community including the Australian Shareholders Association, Australian Institute of Company Directors, the Investment and Financial Services Association and the Securities Institute of Australia.

The group must have a minimum of 11 votes in support of an interpretation but, if there are more than three votes against a proposal, the UIG is unable to issue a document.

Professor Boymal's concerns about the ability of the major accounting firms to move as a bloc to refuse passage to a UIG interpretation is the second time within a week that the chief of accounting standards has expressed concerns about the potential for proposed standards or interpretations to be defeated.

Only seven members of the 11-member Australian Accounting Standards Board were present at the board's meeting on 15 July held to approve Australian equivalents of international standards that will apply to companies reporting here from January next year.

The AASB requires seven members of the board to support a standard before it can be issued. Professor Boymal asked the board whether it wanted to defer approval of the standards when one board member, Ernst & Young partner Ruth Picker, said that she held concerns that the board was not complying with its legislative duty to ensure that the standards it issued, particularly those on financial instruments, were understandable and clear.

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.