

## **Committee meets to approve standards**

Only seven members of the Australian Accounting Standards Board were present at the meeting held this fortnight to approve the 40 standards that companies are set to apply in their quest to meet the objectives of implementing international accounting standards.

The AASB has 11 members but only seven were present at the most critical point of the meeting when the board had to vote on the final suite of standards.

Board members in attendance at the historic gathering included chairman David Boymal, Professor Ken Leo, Telstra's Garth Campbell Cowan, the ANZ Bank's Judith Downes, Ernst & Young's Ruth Picker, Wesfarmer's former head of group accounting Bryce Denison and Brett Kaufmann from the Department of Finance and Administration.

E&Y's Picker had got off a plane that morning having been overseas attending professional practice department meetings of her firm. Until her arrival the board only had sufficient numbers to ensure a quorum of six.

One board member, Alice Williams, was absent as a result of having a baby recently. The others that were absent are Victoria auditor-general Wayne Cameron, Glen Appleyard and Southcorp's Steve McClintock.

The AASB requires seven members to make a standard, which is a super-majority voting requirement that was imposed when the board was first created under the changes to standard setting following the first tranche of Corporate Law Economic Reform Program legislation.

That voting margin for the approval of an accounting standard was put in place to ensure the marketplace got a firm message that the board had agreed unanimously on a particular standard.

It was a decision taken by the AASB following a suggestion from a member of the Financial Reporting Council that it may be an effective way of ensuring parliamentarians in the Federal Parliament were convinced the majority of the standards board had signed off on a document.

This followed the landmark disallowance of two paragraphs by the Senate in February 2000. That disallowance came about after the standard setter was faced with individual board members changing their views, three times in four months, on the standard dealing with the acquisition of assets.

The standard was then fingered for special treatment by Senator Stephen Conroy, the opposition's spokesman on corporate governance matters, because he believed the board's process had been subverted by actions of vested interests.

He also held concerns that the corporate regulator, the Australian Securities and Investments Commission, had warned about the undesirability of introducing a certain type of accounting for internal reconstructions. This warning was ignored by a board that had voted in favor of introducing book-value accounting for asset transfers between companies under common control.

The disallowance of the standard known as AASB 1015 was also the subject of a subsequent legal action between ASIC and MYOB Ltd. It was resolved in MYOB's favour and led to the corporate regulator calling for an alternative dispute resolution scheme for accounting issues.

The tight nature of the 15 July vote also points to vulnerabilities in the process. Ernst & Young's Ruth Picker highlighted the fact that IAS 39, which is the standard on financial instruments, did not — in her view — meet the criteria in the law for standards to be understandable and clear before she cast her vote to let it and the others into law.

The same is true for Judith Downes from the ANZ. Had either Picker or Downes — who could have rattled the sabres over the fact that Europe is yet to approve IAS 39 through its processes — chosen to exercise their vote against the standard or abstain from voting, the AASB could have had a delay on its hands in getting the standards into law and available for early adoption. The standards are now subject to parliamentary processes but are effectively law unless Federal politicians decide to rule them out.

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.