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AASB under fire with handling move to IFRS

The Australian Accounting Standards Board came under fire from professional accounting bodies and business lobby groups for the manner in which it is dealing with the move to international financial reporting standards during its first consultative forum in more than 12 months.

AASB chairman David Boymal told the 40-member consultative group the AASB did not feel such a meeting was necessary over the past 12-month period because the objective was clear: the completion of the adoption of international accounting standards in Australia.

It was that very process, however, that was the subject of severe criticism from key members of the consultative group.

The Institute of Chartered Accountants in Australia questioned the chairman of the AASB, David Boymal, about the board's policy to delete options from accounting standards originating with the IASB. Keith Reilly, the ICAA's technical consultant, told Boymal the board should be replicating the standards verbatim because those standards are the accounting rules the standard setting board should be adopting as its own.

Reilly said the board's standards were effectively those issued by the IASB and the board should be careful it did not place itself in the position where the international board chooses an option in an existing accounting standard that the AASB has previously rejected, which would mean Australian companies would be out of step with the international scene.

CPA Australia's policy adviser on accounting matters, Patricia McBride, told the AASB it was in danger of breaching its commitment to comparability by rejecting the notion that comparability also had to be secured on a global level.

Boymal told consultative group members the AASB believed it had an obligation under law to ensure there was comparability within Australia despite the fact that removing an option meant the financial reports of foreign companies may not be easily compared with those entities operating in and reporting to Australia regulators and stakeholders.

Members of the AASB also heard from several stakeholder groups on the thorny issue of interpretations of international standards.

KPMG partner Michael Coleman, who was representing the Australian Institute of Company Directors at the meeting, said the board needed to find some way of having a sensible place for interpretations of accounting standards to be decided. He said there was some concern about the fact the Australian Securities and Investments Commission, the corporate regulator, determines interpretations of accounting standards outside a due process that would allow others an opportunity to participate. John Lee, a senior executive from Orica Corporation, represented the Group of 100, a lobby group for senior accounting and finance executives, at the meeting and he said it was important to achieve clarity on how interpretations were to be derived.

The meeting also saw a clash between the AASB's Boymal and Warren McGregor, a member of the International Accounting Standards Board, over whether the IASB was serious about engaging with domestic standard setters other than the US Financial Accounting Standards Board. Boymal told the meeting that the IASB was very good at the rhetoric of partnership with domestic standard setters but the rhetoric has not been matched by action.

McGregor disagreed and he told the consultative group the IASB was trying to come up with a way of having meaningful contact with domestic standard setters. He said a paper presented during a recent world standard setters' meeting would form the basis for a memorandum of understanding between national standard setters and the IASB, spelling out objectives for which all sides should strive.