

## Current Affairs Noticeboard

### **Australian companies must remain relevant**

Greater involvement from companies and accounting firms in evaluating proposed international accounting rules is needed to prevent Australia from becoming irrelevant on the global scene, according to one of Australia's leading accountants.

PricewaterhouseCoopers partner Jan McCahey this week told an audience of finance and accounting executives that more is needed to be done in order for Australia to be seen as an adder of value to the process of setting international standards rather than just reacting to other people's ideas.

McCahey said the International Accounting Standards Board and the US accounting authority, the Financial Accounting Standards Board, were working more closely together and had a greater range of resources than Australia could ever hope to assemble. She said this alliance between two strong accounting authorities meant Australia must work out a way of using its limited resources in a more effective way to influence the outcomes of global standards rather than just providing comment letters to the international board.

One suggestion, McCahey said, was to have companies, accounting firms and standard setters work together to field test new ideas before they are too far advanced in the standard setting process.

She said this could also be extended to post-implementation reviews so the international board can be given real-life data about where the standards issues by the international board may fall short.

'It would feel best for us if we had a sense the IASB views us as a key constituent to deal with in developing standards – not because Warren McGregor is an IASB member or because Australia was once identified as a key liaison standard setter but because of the value that we add to the reporting solutions that they are developing,' McCahey said.

AMCOR's chief financial officer Peter Day said he supported McCahey's proposal for influencing the international standard setter. He said there was currently no arrangement or program that would result in the systematic provision of feedback to the London-based accounting authority as a result of proactive field testing.

McCahey also spent time during her presentation warning companies that there was much to learn about the way international standards need to be applied, which would inevitably lead to some entities receiving delayed advice on accounting matters. She said the major firms had their London-based teams dealing with international financial reporting standards and those teams needed to be consulted.

Earlier this year during an interview with Chartac's editor, Tom Ravlic, McCahey indicated that Australian accountants needed to be careful they did not assume they understood the intended meaning of all international accounting standards and other people may be confronting similar situations overseas.

In recent months the power of the major firm desks has become extremely obvious in the case of the Urgent Issues Group's abstract dealing with construction contracts and whether those building office blocks and apartments are actually in the contract business or whether they are selling goods.

The domestic ruling of the UIG assumes an amount as revenue can be recognised on percentage of completion but the international desks have argued that the amount to be recognised in the bottom line relates to the sale of a good and the only time you can book it is when you sell the property outright to a prospective owner.

During a meeting in Melbourne over the past fortnight the UIG delayed making any further decisions on this topic until it hears formally from the International Accounting Standards Board on whether the Big Four interpretation is the correct interpretation of the standard.