

Disallowance threat in play

The Federal Opposition has warned it is prepared to use the floor of the Senate to strike out provisions of international accounting standards it believes are inferior and fail to provide information of good quality to Australian shareholders.

Senator Stephen Conroy, the opposition's spokesperson on corporate governance, told a Senate estimates committee hearing that a standard on foreign currency is a likely target for disallowance.

The reason for this is Senator Conroy believes companies should be required to report in Australian dollars to their Australian shareholders.

His disallowance threat was delivered directly to David Boymal, the chairman of the Australian Accounting Standards Board (AASB), during a regular estimates committee update on accounting standard setting.

Senator Conroy has in the past objected to the discretion exercised by the Australian Securities and Investments Commission (ASIC) in the case of BHP Billiton, which means the company reports in American dollars to its shareholders.

While the AASB has sought to limit the opportunity for companies to abuse the freedom of currency choice by incorporating a requirement to disclose the reasons for choosing an alternative presentation currency, assurances the board had taken care of the matter were not enough for Senator Conroy.

'I think it would be fair to say that the comply or explain regime, which is similar to what the ASX [Australian Stock Exchange] introduced for some of the corporate governance rules, is not one that excites the opposition, so I am not sure we are going to be excited by the option you are offering. I have not met an Australian shareholder yet who has asked to have reporting in anything other than Australian dollars,' the Senator says.

'While I appreciate that you may receive many requests or ASIC may have met a few managements of companies, this opens up an approach of essentially self-regulation, which the opposition is not excited about at all. I would probably foreshadow that this may be debated on the floor of the parliament. It is possible that Labor will move to disallow that portion that allows the option to report in other than the home currency.'

Senator Conroy says the opposition is aware it cannot stop companies from producing a US currency figure for reporting in the press or include the US currency translation in other parts of its report.

'They could choose to report in pesos and include it in their report if they wanted. But the issue is whether or not Australian shareholders get to read a report in Australian dollars. I would envisage that this will be discussed on the floor of parliament.'

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.