



Corporate Reporting: Standard-setting and Work Programme



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To be covered

- Accounting standards and who applies them
- Design objectives behind standards
- The GAAP Hierarchy
- The law for corporations
- The due process
- Live projects

The Structure

■ Globally

- International Accounting Standards Board (IASB)

■ Domestically

- Australian Accounting Standards Board





Who are the reporting entities?

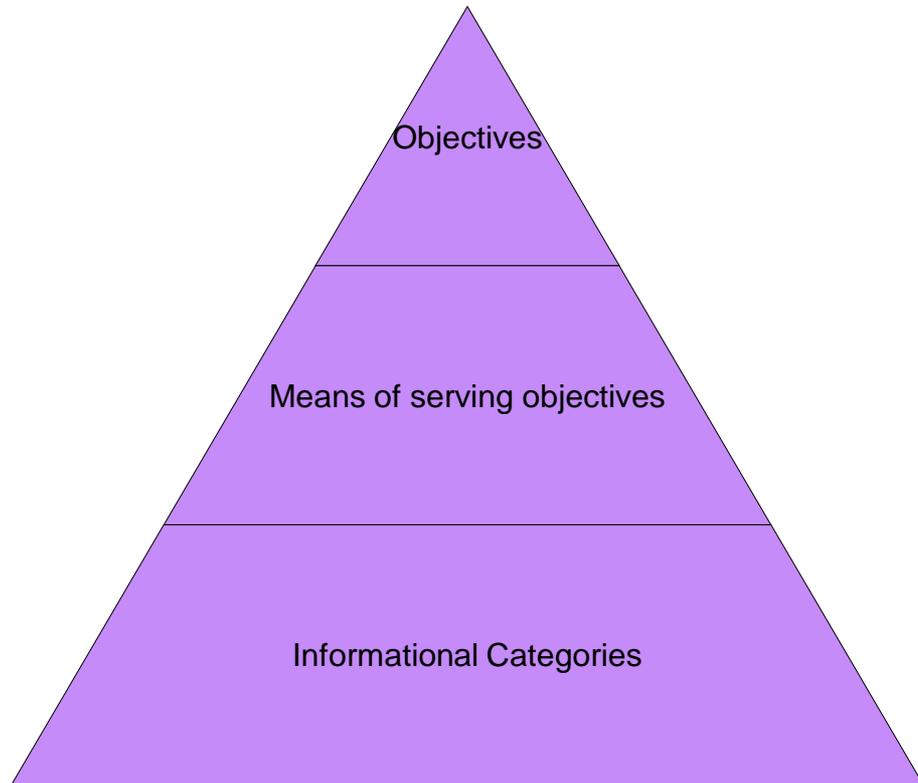
- For-profit
- Not-for-profit
- Private sector
- Public sector
- Listed
- Unlisted
- Corporate
- Non-corporate

What vehicle?

- General purpose financial reports
 - Full audited financial statements
- Special purpose financial reports
 - Limited financial statements with limited assurance



Conceptual Framework



Designing Financial reporting Requirements

- What is financial reporting (borders of discipline)?
- Who do we report upon (reporting entity)?
- Why are we reporting (objectives of financial reporting)?
- What qualities would information have if it is to be useful (qualitative characteristics)?
- What should we report and when? (elements and recognition)?
- How should we measure elements?
- What information should we present?



Financial position

- Wealth
- Solvency
- Liquidity
- Financial flexibility
- Financial sustainability



Performance

- Changes in financial position
 - All aspects not just profit or loss
 - Components of each
 - Risks and how managed
 - Judgements and how exercised
- Components of profit
 - Operational
 - Predictive
 - Irregular or “presumptuous”
 - Financing
 - Predictive
 - Irregular or “Presumptuous”





Financing and investing?

- Sources of funds?
- Future needs for funds?
- How were raised funds invested?
- Matching of funds with needs
- Sustainable?
- Flexible?
- Stress resistance?



GAAP Hierarchy

- Accounting standards
 - Specific (level 1)
 - Analogous (level 2)
- Interpretations
 - How to apply standards (level 1)
- Conceptual framework
 - Broad principles (level 2)
- Generally accepted practices and standards of others (level 3)

Corporations

- Reporting entities required to lodge financial statements that comply with accounting standards
- Directors and Auditors opine as to whether financial report is presented fairly in accordance with standards
- Criminal and civil sanctions apply to non-compliance.
- Continuous reporting requirements (re matters significant to the market) also apply to the listed entities and so GPFERS should really not contain big shocks



How do we build a standard, globally or domestically?

- Agenda selection
- Research
- Discussion paper
- Exposure draft
- Public meetings
- Regulatory impact statements
- Formal voting
- Laws “made”
- Parliament could repeal





Broad policies in Australia

- Adopt International Financial Reporting Standards after due process – for-profit private sector
- Develop and issue standards for Public sector and NFP private sector
- Transaction neutrality
 - Same economic concepts used to solve issues irrespective of sector

Responding to the Global Financial Crisis

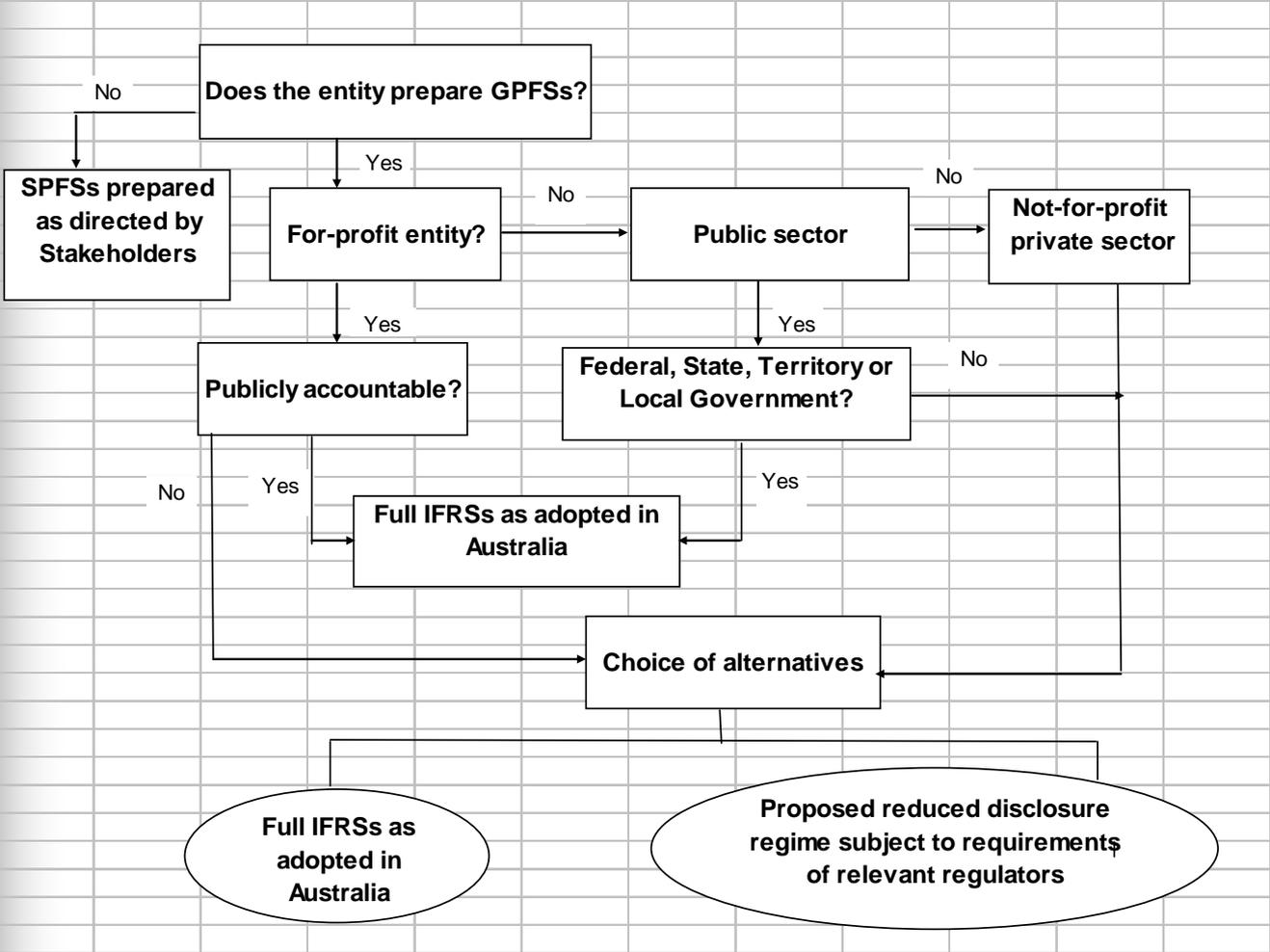
**Financial instruments:
IAS 39 replacement
project**

Phase 1: Classification
and measurement

Phase 2: Impairment

Phase 3: Hedging

Differential Reporting – New Framework





Other Major Projects

- Leases
- Consolidation
- Revenue Recognition
- Fair Value Measurement
- Insurance
- Liability Measurement
- Presentation of Financial Statements
- Conceptual Framework



Other Changes Coming

- Tax effect accounting (revision only)
- Pensions and pension plans (2011?)
- Foreign currency translation (working group looking at – longer term)
- Intangibles (survey under way re bus combs)
- Share-based payments (review underway)
- Extractive activities (DP current)
- Joint ventures (new std soon)
- Rate regulated industries (?? 2011)
- Emissions trading (ED 2011)

Concluding comments

- Challenging to capture the economics of complex transactions, events and entities
- Young and rapidly changing information science – what to require?
- Change management on the large scale – “hearts and minds” – how to require?





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