

Notes for ACCT6001

Week1- Australian Financial Reporting Environment

1. The present accounting standard setting arrangements
 - The Financial Reporting Council (FRC) is a statutory body under the Australian Securities and Investments Commission Act 2001.
 - The FRC has an oversight function of the AASB and Auditing and Assurance Standards Board (AUASB)
 - AASB has direct responsibility for developing and approving interpretations
 - The Australian Securities and Investments Commission Act expressly limits the FRC's ability to become involved in the technical deliberations of the AASB
2. How the institutional arrangement for international accounting standard setting have evolved
 - The International Accounting Standards Committee (IASC) was established in 1973 to achieve the harmonisation of accounting standards and international financial reporting practices
 - In March 2001, the International Accounting Standards Board (IASB), successor to the IASC, replaced the IASC as the international accounting standard setter and started taking a leading role in the development of International Financial Reporting Standards (IFRSs).
3. The development of international financial report standard
 - (1) Early in the development of an accounting standard, the IASB may establish an advisory committee to provide advice on the technical issues in the project. The IASB consults with the advisory committee and the IFRS Advisory Council throughout the project.
 - (2) The IASB may develop and publish a discussion paper for public comment. A discussion paper usually includes a comprehensive overview of the issue, possible approaches to addressing the issue, the preliminary views of the IASB and an invitation to comment.
 - (3) If such a document is issued, the IASB would consider the comments received, and then develop and publish an exposure draft of the proposed accounting standard for public comment. The exposure draft is the main way in which the IASB obtains feedback on a proposed accounting standard.
 - (4) Following consideration of comments received, the IASB will either issue a second exposure draft or, more generally, issue an International Financial Reporting Standard. Exposure drafts and accounting standards are approved by a 'supermajority' vote (10 out of 16) of IASB members, while interpretations are approved when no more than four of 14 members of the Interpretations Committee object in a public meeting, and interpretations are ratified by a supermajority of the IASB.
4. The main resources of regulation of financial reporting
 - (1) Government regulation- Corporation Act 2001
 - (2) ASX listing rules- only applies to entities whose securities are listed on the ASX
 - > In addition to the listing rules, which are mandatory, on 30 June 2010 the ASX Corporate Governance Council released the document *Corporate Governance Principles and Recommendations with 2010 Amendments*, which are not mandatory.
 - (3) Accounting standards and interpretations prepared by the AASB- concerned with both accounting measurement and disclosure
 - > Authority is provided by the *Corporations Act*.
 - > In addition to accounting standards and interpretations, the AASB also develops the conceptual framework for GPFS. The conceptual framework is used by the AASB in the development (and revision) of accounting standards and interpretations. It is also used by preparers, auditors and regulators of financial statements to assist them in resolving financial reporting problems that are not covered by an accounting standard.