

INTERNATIONAL FINANCIAL REPORTING STANDARDS REGIONAL POLICY FORUM AUSTRALIA 2005

Communiqué

Australia and New Zealand co-hosted an Asia-Oceania Regional Forum in Sydney, Australia on Monday 24 October 2005 on International Financial Reporting Standards (IFRS). The participating jurisdictions comprised China, Hong Kong SAR, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand and the two host countries. The delegates included senior representatives of accounting standard setting and oversight bodies, professional accounting bodies, central banks and government officials.

This forum has been held at an important time. A revised Constitution governing the operation of the International Accounting Standards Board (IASB) came into effect on 1 July 2005. The new Constitution has increased the number of Asia-Oceania trustee positions from four to six, reflecting the increased influence that the region will have in determining the strategic direction for international accounting standards setting. With many jurisdictions in the Asia-Oceania region relatively advanced in adopting IFRS or harmonising their standards with IFRS, there is significant scope to enhance regional cooperation and coordination with the aim of delivering positive outcomes for the region and participating jurisdictions.

The forum also follows a period of increased globalisation of capital markets and increased trans-national investment. Adoption or harmonisation of IFRS within the region provides further impetus to the globalisation process by reducing the risks associated with cross-border investment, and reducing the cost of preparing financial statements for companies that operate in more than one jurisdiction.

Forum Sessions

Delegates participated in sessions which considered:

- the state of play of financial reporting in the region;
- the advantages of adopting IFRS and issues arising in their implementation; and
- the role of the region in influencing the standard setting debate.

These sessions highlighted the importance of having a set of high-quality accounting standards that result in the disclosure of transparent and comparable financial information. They also demonstrated that there are obstacles both large and small to the smooth implementation of IFRS.

In the presence of IASB board member Mr Tatsumi Yamada, delegates compared the experiences of their organisations in co-operating with the IASB in the development of IFRS, and examined options for the region to further develop this relationship.

Issues also discussed at the forum were:

- the benefits of further dialogue in the Asia-Oceania region;

- the differences between adoption, convergence and harmonisation with IFRS and the benefits and disadvantages of each;
- the importance, and implications, of the IASB's Small and Medium-sized Entities project for the region. In this context it was noted that in some jurisdictions a very large number of small and medium entities are required to comply with IFRS;
- the delays in implementing the standards arising from translation of the international standards into local languages and/or the incorporation of the international standards into domestic legal frameworks;
 - This raised some issues regarding when the domestic systems and related financial reports can be regarded as 'IFRS compliant'.
- interaction between IFRS and prudential and tax frameworks.

Outcomes

1. The regional forum dealing with financial reporting standards issues in the region was attended by professionals involved in financial reporting, oversight and standard setting, representatives from central banks and officials responsible for financial reporting policy. Delegates appreciated the opportunity to exchange views on the adoption of, or convergence with, IFRS within the region.
2. Delegates agreed that there are benefits to, and greater scope for, coordinating regional views on issues of common concern on IFRS-related matters. One way of achieving this is to hold a forum of this type on a regular basis, to allow jurisdictions to share experiences and raise issues of interest.
 - Delegates noted that a meeting of regional standard setters had been convened by the Australian Accounting Standards Board to take place on the day after the forum to further explore ongoing dialogue at that level.
3. Delegates discussed possible timing and location for a further regional forum. Delegates also considered whether the range of invitees for future forums should be widened (for example, to include other countries in the region and/or additional regulators) or narrowed (for example, to include only financial reporting oversight and accounting standard setting bodies).
 - The Hong Kong authorities have agreed to explore the possibility of hosting an IFRS policy forum in 2006.
4. Delegates agreed that there was scope for jurisdictions in the region, particularly those where the adoption of, or convergence with, IFRS was relatively advanced, to provide technical support to assist in the adoption and implementation of IFRS to other jurisdictions in the region.
5. Delegates agreed that this communiqué be forwarded to Sir David Tweedie, Chairman of the IASB, by the hosts of the Forum.