

News Release

FOR IMMEDIATE RELEASE

Deloitte welcomes AASB's moves on business combination accounting

Professional services firm Deloitte, today welcomed news that the Australian Accounting Standards Board (AASB) was proposing key changes to the way in which certain transactions such as IPOs, floats and demergers are accounted for under Australian Equivalents to International Financial Reporting Standards (A-IFRS).

A-IFRS, the AASB's Australianised version of International Financial Reporting Standards will be applied by Australian entities from 1 January 2005. The proposed changes will reinsert exemptions for a critical range of so-called 'business combinations involving entities or businesses under common control' that is available internationally, but removed by the AASB when making the applicable local Australian standard.

According to Debbie Hankey, National Technical partner with Deloitte, "the standard was never written to cater for such transactions, and it has been a nightmare for accountants. It's been a bit like trying to fit a square peg into a round hole. Deloitte welcomes the proposed change as it will level the playing field for Australian entities in relation to these types of transactions, bringing them into line with their international counterparts – particularly in Europe".

Deloitte has been a long-term critic of the way in which the AASB originally amended the requirements as part of the harmonisation process.

"We have consistently held the view that Australia should fully converge with IFRS," Ms Hankey said.

Due to the changes made by the AASB, applying the existing standards to major transactions has been difficult and often arbitrary, creating unique Australian problems including identification of the acquirer and determination of fair values where there has been no external transaction on which to base measurement.

"This is not the outcome many expected from the convergence process," Ms Hankey continued.

Deloitte encourages entities to respond positively to the AASB proposals.

NB: See our news releases and research at www.deloitte.com.au

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