

Embargoed until 00.01am 27 May, 2009

Simplify or be damned: report in on financial reporting standards

Four years since introduction, Australia makes its views on IFRS clear

As companies and advisors gear up for another reporting season, new national research shows that feelings are still running strong on International Financial Reporting Standards (IFRS).

To be published in early June, the Grant Thornton Australia IFRS survey shows that **four in five** respondents (78%), including Australian Directors, Audit Chairs and professional advisors, believe that the current standards are far too complex and significant simplification is necessary.

Although 80% of respondents are now broadly supportive of the historic decision to adopt IFRS, the report profiles possible areas for improvement, and captures the extreme emotions provoked by the four-year old standards.

Andrew Archer, Director, Audit and Assurance Services, commented on the results:

“Despite concerns when the new regime was introduced in 2005, overall Australia is adapting to IFRS. We were one of the first markets to implement the new standards and following several reporting periods we’re in a better position to understand where adjustments are needed. This is the first real quantified study of Australian market attitudes to IFRS, and its message is clear: reform and simplify.”

Other findings include:

- **Ongoing debate around financial instruments accounting standards**, with 74% of those surveyed stating that unrealised gains and losses arising from the use of mark to market values should be clearly identified, to ensure that core trading results are not masked by market fluctuations.
- This fits in with a **call to include an underlying earnings result** that strips out volatile IFRS numbers to disclose traditional core trading earnings. Fifty two per cent supported this move.
- **Significant support for the re-introduction of a ‘true and fair view’ override in Australia**, to allow the inclusion of relevant background financial information which would otherwise be lost through the IFRS framework. In the absence of any other significant reform across the system, three quarters of respondents (72%)

favoured a return of the override, demonstrating their frustration with the current complexities of IFRS.

- **Mixed views on the impact that the mark to market model had on the global financial crisis and the Australian economy in general.** Almost half of respondents (43%) believe that the IFRS mark-to-market model has had a negative impact on the economy, and 22% went so far as to suggest it caused the global financial crisis itself*.

Reflecting on the initial survey data, Andrew Archer continued:

“Accounting rules have become a fundamental driver of market operations, and the jury’s still out on the inter-relationship between IFRS and the economy as a whole. However, in line with the current reviews underway**, our survey indicates that there are some immediate opportunities to improve current frameworks, particularly adding in flexibility to allow for disclosure of additional information. We’ll be sharing these findings with the Federal Government and relevant agencies and organisations shortly, to underscore the need to provide more support and guidance on disclosure.”

- Ends –

* While a significant minority (22%) argue that the additional information provided by IFRS contributed to the global financial crisis, more than half (55%) of respondents believe the economic meltdown was inevitable, and that in fact the new reporting standards had a positive effect by providing realistic information which enabled rational economic decisions.

** The IASB Financial Statements Presentation Discussion Paper is currently looking at carving out underlying earnings from unrealised fair values adjustments. See <http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Statement+Presentation/Financial+Statement+Presentation.htm> for more information.

In addition, the G20 has convinced the IASB and the US accounting standards authority (FASB) to produce a new, simplified and more understandable accounting standard on financial instruments within 6 months.

For further information or interviews with Andrew Archer, please contact:

Ivana Tranchini or Jenna Frost

Horizon Communication Group

Ph. 02 8572 5613 / 02 8572 5625

Mob. 0405 206 824

E. ivana@horizoncommunication.com.au / jenna@horizoncommunication.com.au

About the Grant Thornton IFRS Survey 2009

More than 200 individuals responded to the inaugural Grant Thornton Australia IFRS survey – from CFOs, Directors and Audit Chairs in ASX-listed companies, to not-for-profits, SMEs, advisors from accountancy firms and industry analysts/professional bodies. The survey was conducted online during January and February 2009 and was open to all those working in Australia with an interest in or role pertaining to IFRS compliance and financial reporting more broadly.

About Grant Thornton Australia

From market-leading services for the owners of private businesses, to audit, to insolvency and capital markets services for corporations, and to innovative taxation and wealth management services for individuals, Grant Thornton in Australia helps business owners achieve success and realise their ambitions.