



January 2009

## National Executive

### CFO Roundtable

Tony Reeves, National President and Executive members participated in a roundtable discussion held by the Australian Financial Review at which the G100 priorities and issues affecting CFOs were discussed. A report on the discussions will be published in the AFR shortly.

Reform of the dividend rules was one of the issues addressed and it formed the basis of a separate article in the AFR on 2 February 2009.

### 'IFRS Experience in Australia' - Disclosure Principles

The National Executive has retained PwC to assist in developing a set of disclosure principles to be applied in determining the disclosure requirements of Accounting Standards. It is proposed to road test the principles developed before making a submission to the IASB in April/May 2009.

This project arises from the survey of members and a Workshop with the IASB Chairman held in August 2008 at which concerns about the detail, volume and complexity of disclosures were identified and discussed.

### Standards Advisory Council

Judith Downes, CFO of Alumina Limited, has been appointed to the IASB's Standards Advisory Council as a representative of the G100.

### 2009 Subscriptions

The 2009 subscription notices have been mailed to members. The National Executive is pleased to advise that the fee of \$3,000 plus GST has been maintained at this rate since 2000.

## Taxation

### Taxation of Financial Arrangements (TOFA)

Legislation requiring large businesses (\$20m turnover for financial institutions and \$100m turnover for others) to align accounting and tax treatment of complex financial transactions has been introduced in Federal Parliament. The changes, which will become mandatory from 1 July 2010, will mean that unrealised gains and losses on financial transactions will be included in the determination of taxable income.

## DIARY DATES

### Executive Meetings

28 January – Sydney  
23 March – Perth  
28 May – Canberra  
29 July – Melbourne  
29 September – Brisbane  
10 December – Sydney

### Member Activities (January-March)

~ 27 January Dinner in Sydney  
~ Carbon Trading roundtables in  
Melbourne and Sydney  
~ 23 March Lunch in Perth

Details will be advised separately

## Henry Tax Review

The principal matters raised in the G100 submission to the Henry Review include recommendations on:

- The need to ensure international competitiveness;
- The importance of simplicity and certainty of requirements and interpretation; and
- The importance of a robust governance and oversight regime for the ATO.

Consultation papers on 'Australia's future tax system' and 'Retirement Income' were issued on 10 December. The G100 will participate in the consultation process. Submissions are requested by 1 May 2009.

## Global Financial Crisis

### Amendments to Standards

The IASB (and AASB) have issued amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosure' relating to the reclassification of certain types of financial assets and issued two further Exposure Drafts in late December with short comment periods. At its January meeting the IASB decided not to proceed with proposals relating to additional disclosures for investments in debt securities.

### IASB/FASB Roundtables

The IASB and FASB held roundtables in London, New York and Tokyo on accounting issues emerging from the global financial crisis. These roundtables were, in part, a response to the G20 meeting on 15 November which discussed strengthening transparency and accountability and the need for urgent action by key global accounting standards' bodies to enhance guidance and valuation of securities particularly in times of stress.

The results of an FRC survey of Australian approved deposit taking institutions were presented at the Tokyo Roundtable on 3 December 2008. The FRC survey identified a high priority for changing the accounting rules for hedging, the need for changes in the measurement and reversal of impairment of available for sale securities and the need to review the differences between accounting and prudential models. (See [www.frc.gov.au](http://www.frc.gov.au))

### Market Liquidity

The G100 has written to Dr John Laker - Chairman APRA, indicating concerns about an unintended consequence of the government guarantee and related disclosures on the ability and willingness of foreign bank branches to provide financing and liquidity in the Australian market.

## Carbon Trading

### Consultation Paper – External Audit

The G100 submission on the Department of Climate Change Consultation Paper on the External Auditing and Assurance requirements of the Carbon Pollution Reduction Scheme is available on the website. ([www.group100.com.au](http://www.group100.com.au))

The basic thrust of our submission is that the assurance framework should ensure that the reporting requirements avoid imposing unnecessary costs, duplication of effort and additional regulatory burdens on both companies and auditors.

### Emissions Reporting

The Group of 100, in conjunction with KPMG, is developing a brief Guide for CFOs on emissions trading and reporting issues which will deal with the key features of the CPRS including the collection and verification of data and internal and external reporting and audit. The Guide is expected to be finalised in early March.

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## Carbon Strategy (Congress Presentation)

A very interesting and topical feature of the Congress program was the presentations and an open forum which addressed issues relating to developing a carbon strategy. There was unanimity among the presenters that the CFO has a crucial role to play in developing, implementing and monitoring the carbon strategy of a company because of the potential impact on a company's financial performance, financial position and risk exposures.

## Accounting Standards

### Presentation of Financial Statements

The IASB/FASB has issued a Discussion Paper "*Preliminary Views on Financial Statement Presentation*" with comments requested by 14 April 2009. The proposals would have far-reaching consequences for the way in which financial statements are presented. For example, the proposed format for presentation of financial statements is that the statement of financial position, statement of comprehensive income and statement of cash flows contain the following sections:

- Business (operations and investing)
- Financing
- Income taxes
- Discontinued operations
- Equity

The National Executive has formed a working group to develop a G100 submission. Members wishing to participate are requested to contact the Secretariat ([g100@group100.com.au](mailto:g100@group100.com.au)).

### IASC Constitution

The IASC Trustees have issued proposals relating to its constitutional review and are seeking comment by 31 March 2009 ([www.iasb.org](http://www.iasb.org)). The proposals include:

- governance arrangements and effectiveness of oversight activities;
- the IASB's standard-setting procedures and due process including possible need for 'fast-tracking' due process;
- geographical mix of Trustees and funding arrangements; and
- whether the IASB should set standards for the not-for-profit and public sectors.

### Intangible Assets

The AASB has issued a Discussion Paper '*Initial Accounting for Internally Generated Intangible Assets*' ([www.aasb.org.au](http://www.aasb.org.au)). Comments are requested by 31 May 2009.

The basis of the approach in the DP is that internally developed intangible assets should be accounted for in the same way as intangible assets acquired in a business combination. This approach is similar to that included in the G100's Policy Statement on Intangible Assets ([www.group100.com.au/policies](http://www.group100.com.au/policies)).

The National Executive is forming a working group to develop a submission. Members interested in participating are requested to contact the Secretariat ([g100@group100.com.au](mailto:g100@group100.com.au)).

### Consolidations

The IASB has issued ED 10 "*Consolidated Financial Statements*". Comments are requested by 22 February 2009 by the AASB and by 20 March 2009 by the IASB. The proposals seek to address inconsistencies between IAS 27 and SIC-12 by replacing the definition of control (IAS 27) and indicators of control (SIC-12) with a single definition of control to apply to all entities and providing guidance (lacking in IAS 27 and SIC-12) on how to apply the definition in particular circumstances.

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## Revenue Recognition

The IASB and FASB have issued a Discussion Paper ‘*Preliminary Views on Revenue Recognition in Contracts with Customers*’ with comments requested by the AASB by 24 April and the IASB by 19 June 2009. The proposals seek to:

- enhance consistency and comparability by establishing a recognition principle that can be applied consistently to various transactions in numerous industries;
- provide more consistent and comprehensive guidance on when an entity should recognize revenue than presently provided in IFRSs.

The National Executive is forming a working group to develop a submission. Members interested in participating are requested to contact the Secretariat ([g100@group100.com.au](mailto:g100@group100.com.au)).

## Non-cash Distributions to Owners

IFRIC has issued Interpretation 17 ‘*Distributions of non-cash assets to owners*’ that requires the dividend payable to be measured at the fair value of the net assets to be distributed with the difference between the fair value and the carrying amount recognised in the profit or loss.

Note: Interpretation 17 which applies from 1 July 2009 is likely to have a significant impact on practice.

## Transfers of Assets from Customers

IFRIC has issued Interpretation 18 ‘*Transfers of Assets from Customers*’ which clarifies requirements relating to receipt of an item of property, plant and equipment from a customer for connection to a network and providing ongoing access to services (such as gas, electricity, telecommunications).

Note: IFRIC 18 applies prospectively from 1 July 2009.

## Submissions

Copies of the following recent submissions are available on the website ([www.group100.com.au](http://www.group100.com.au)):

- ED 166 ‘Simplifying Earnings Per Share’
- ED 167 ‘Discontinued Operations’
- ED 168 ‘First-time Adoption of IFRSs’
- ED 169 ‘Improving Disclosures about Financial Instruments’
- ‘Underlying Profit’ G100 submission to AICD/FINSIA
- ED 170 ‘Related Party Disclosures’
- ED 172 ‘Embedded Derivatives’
- ED 173 ‘Investments in Debt Instruments’.


## Standard Business Reporting

Implementation of SBR for financial reporting is scheduled for 2010 on a voluntary basis. SBR conducts regular workshops on project developments seeking feedback from entities streamlining forms etc. and will hold a conference in Sydney on 26-27 May 2009. Members are encouraged to visit the website ([www.sbr.gov.au](http://www.sbr.gov.au)) to keep abreast of developments in the project.

## Congress 2008

The G100 Congress held on 25/26 November attracted a good deal of media comment, particularly in respect of the presentations by Terry Davis – Managing Director and CEO – Coca Cola Amatil and Tony D’Aloisio – Chairman ASIC.

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Some significant points made by presenters included:

- The importance of the role of the CFO and engagement within companies in developing a carbon strategy
- Regulators are working towards agreeing an international framework on short selling, rating agencies and strengthening financial markets and investor protection.
- The activities and processes which are essential to building and maintaining brand recognition during a downturn.
- A major concern of audit committee chairs is the risk of not identifying a risk.

Richard Watson, Futurist, Congress dinner speaker, provided guests with significant trends over the next 20-30 years. These included:

- The global power shift eastwards and the increasing role of China and India
- The influence of global connectivity and resulting increased transparency and loss of privacy
- The increasing role of GRIN technologies (genetics, robotics, internet, nanotechnology)
- Ageing populations and growing importance of health care planning and medical tourism
- Environmental degradation and sustainability issues including impact of climate change.