

# NEVER VOLUNTEER

That's sage advice when the DTI says, "hands up who wants to use IAS".

**IF YOU'RE ONE** of those finance directors (he says, trying not to sound like Dennis Norden) who think international accounting standards (IAS) are a pain in the backside, you have my sympathy. Those of you who think you can ignore all the IAS shenanigans also have my sympathy - because you should be aware that you could be sadly mistaken in thinking you've escaped.

First the good news: Sir David Tweedie says the International Accounting Standards Board (IASB) will publish all mandatory standards for year-end in 2005 by the end of the first quarter 2004. (Standards published after that time will have a later implementation date.) So in theory, by the end of this month, you should know what standards you're actually going to be using this time next year.

The reason you might think you've got away with IAS is the EU is demanding that the change applies to all companies listed on recognised stockmarkets (which includes sub-markets such as AIM).

But there's some bad - or at least confusing - news: it's not just those of you in listed companies who have to come to terms with IAS. FDs of subsidiaries of quoted companies (at least here in the UK) are likely to get caught up. In fact, any private company in the UK can *volunteer* to compile accounts under IAS. And many small and medium-sized enterprises will do so in order to offer better comparison with quoted peers, in readiness for flotation or for other valid reasons.

The DTI's announcement last summer that all UK companies would be able to use IAS as an alternative to UK GAAP may have made



**"THE GOOD NEWS? SIR DAVID TWEEDIE SAYS THE IASB WILL PUBLISH ALL STANDARDS FOR 2005 BY THIS QUARTER. BUT IT'S NOT THAT SIMPLE..."**

sense to politicians, civil servants and standard-setters. But to anyone looking across the EU as a whole, it looks odd. In France, the Netherlands, Spain and several other countries, non-quoted companies *wont* have the option to change. (That's going to fun for those of you with a French subsidiary, say, which could be the only part of the business *not* reporting up to group level using IAS.) Even without those complications, the DTI's decision raises a whole host of questions that it needs to clarify, and soon.

For instance, under what circumstances can companies switch over to IAS? Can the FD decide to move over on his tod? Or is it a decision the board has to take? Maybe it should be put to shareholders at a general meeting? Presumably the switch over to IAS is an irrevocable step. Although the DTI hasn't said so yet, I can't imagine companies

being allowed to change their minds if they decide they don't fancy it after the first year-end.

The situation becomes even messier if you start to think of the implications at a group level. It would seem logical that members of a group switch over *en masse* from UK GAAP to IAS. But group structures change - and not always conveniently at the year-end. For example, if the switch-over is indeed a one-way option and operated on a group-wide basis, what would happen if a subsidiary in an IAS reporting group was sold to another group that followed UK GAAP? Would that then be the trigger for the companies within the UK GAAP group to move over to IAS? I would not be surprised if the introduction of IAS dampens M&A activity over the next 18 months as a result.

While the situation may be confusing but manageable for those

groups which are based in one country, those enterprises who have limited companies scattered across the EU really are going to have fun and games finding out what is going on and what they have to do. If you're FD of a company that is growing rapidly (especially expanding internationally), if you're thinking of floating or even upgrading your accounting system, you'll also have IAS issues.

It is clear that European governments have not realised quite how complicated this financial reporting malarkey actually is.

The DTI has promised a consultation setting out more details on its approach to IAS and the non-listed sector at about the time this edition of *Real Finance* is out. How well it'll answer all of these questions remains to be seen. But those close to the DTI emphasised it was a consultation not a definitive guide.

All this is distant politicking to most of you. Anyone who doesn't have to adopt IAS now would be well advised to leave well alone. First, because the picture is so confused, especially if you are part of a group. And second, because there is a great deal of grunt work in first-time adoption. The ASB is converging to a great extent with the IASB in the next few years anyway. So your choice is to volunteer for IAS by the front door or slip in via the ASB back door. I go with the latter. See how the quoted deal with it first. There are likely to be mistakes aplenty and you can learn from them.

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