THEORETICAL AND HISTORICAL CONTEXT OF ADOPTION OF SECTOR NEUTRAL IFRS IN AUSTRALIA – ISSUES AND CONSEQUENCES FOR THE PUBLIC SECTOR

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ABSTRACT

This paper focuses on issues and consequences for the public sector from the current policy decision to adopt sector-neutral International Financial Reporting Standards (IFRS) from reporting periods on or after 1 January 2005. It contends that an examination of the history of private and public sector involvement in the accounting standard setting process to date, and the explanations and applications of regulatory theory, will do much to contextualise and inform the decision process. We develop a theme that private interests have dominated the consciousness of the professional accounting standard setters at all important stages of standard setting in Australia, culminating in the merger of the Public Sector Accounting Standards Board (PSASB) with the Australian Accounting Standards Board (AASB), to form a new AASB, under the Financial Reporting Council strategic direction. We then argue that this new AASB was itself captured by a corporatist mix of private interests, government strategy, and international developments, to enable the decision to adopt sector-neutral IFRS standards to take place. After exploring the process that led to these decisions, we examine the consequences of it, particularly in relation to the public sector.

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