

Protocol for co-operation between the Australian Accounting Standards Board and Financial Reporting Standards Board



# **PROTOCOL FOR CO-OPERATION BETWEEN THE AUSTRALIAN ACCOUNTING STANDARDS BOARD AND FINANCIAL REPORTING STANDARDS BOARD**

## **BACKGROUND**

In January 2004, the governments of Australia and New Zealand announced their commitment to explore a long-term vision for a seamless trans-Tasman business environment of a Single Economic Market.

Under the Single Economic Market concept, the Australian and New Zealand governments are intensifying efforts to remove regulatory barriers to trans-Tasman trade and firms operating in both markets. One key element of this concept is the adoption of harmonised standards.

The move towards global convergence of accounting standards through the adoption of International Financial Reporting Standards by both Australia and New Zealand provides a unique opportunity for the accounting standards setting boards of both countries to work together to achieve common goals.

The importance of a global approach to business law issues has been acknowledged under the Memorandum of Understanding signed in August 2000 between the governments of Australia and New Zealand as an extension of the Closer Economic Relations agreement. An enhanced trans-Tasman commercial environment will allow New Zealand and Australia to share a common outward focus in commercial activities within the greater global market.

The Australian Accounting Standards Board (AASB) and the New Zealand Financial Reporting Standards Board (FRSB) (hereinafter referred to jointly as the "Participants") note that:

- (a) the Participants share the view that co-operation and co-ordination in setting accounting standards will result in furthering the development of a single set of accounting standards with appropriate regard to international developments;

- (b) the Participants share the view that co-operation and co-ordination is mutually beneficial in terms of:
  - (i) reducing transaction costs for Participants in the Australian / New Zealand markets through having to understand and apply only one set of standards, and
  - (ii) contributing to the development of and thus influencing international standards;
- (c) the Participants share a commitment to the policy of international convergence and international harmonisation of financial reporting standards; and
- (d) the Participants share the view that it is important to take into account legitimate differences arising out of different legal systems and unique local conditions.

To this end, the Participants have reached the following understandings and agree to the following.

#### **I. PURPOSE**

The purpose of this agreement is to:

- (a) minimise the differences between accounting standards issued in Australia and New Zealand;
- (b) ensure that the Participants present similar positions at international forums;
- (c) share staff resources to the extent practicable and possible; and
- (d) maximise the contribution and thus the influence of the Participants upon the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB).

The Participants acknowledge that so long as there are legal and structural differences in the standard-setting processes in each of their respective countries, the accounting standards cannot be identical.

## II. NOTIFICATION

Each Participant will keep the other Participant informed on a timely basis of its accounting standards-setting activities which may affect the other Participant's activities.

Each Participant will advise the other of any proposal to issue a standard, in sufficient time for the other Participant to consider the consequences and to provide input into the development of that standard.

## III. CROSS APPOINTMENTS

Members of the AASB (other than the Chairman) are appointed by the Financial Reporting Council. Members of the FRSB are appointed by the New Zealand Institute of Chartered Accountants. Each of the Financial Reporting Council and the New Zealand Institute of Chartered Accountants have agreed that the Chair of the AASB and the FRSB respectively, shall be appointed to the other Board

## IV. JOINT WORK PROGRAMME

The Participants will produce a joint work programme annually in order to plan for the sharing of staff resources on significant projects that are common to both Participants, to the extent that such resource-sharing is practicable, and in order to schedule the performance of such projects on similar time-frames.

## V. EXCHANGE OF INFORMATION

The Participants will freely exchange information including business plans, policy decisions, meeting agenda papers and minutes of meetings, in order to facilitate the production of similar standards and to facilitate consistent approaches.

## VI. MEETINGS

In addition to the reciprocal attendance at Board Meetings (see **III. Cross Appointments**) the Participants will meet at least annually at a joint Board meeting, subject to any resource constraints.

## **VII. COMMUNICATIONS UNDER THIS ARRANGEMENT**

1 Communications under this Arrangement will be carried out by direct communication among the Participants. Each Participant will designate a communications authority, changes to which will be notified in writing to the other Participants.

2 The communications authorities are:

The Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West  
VIC 8007  
Melbourne  
Australia

The Chair  
Financial Reporting Standards Board  
c/o NZICA  
PO BOX 11342  
Wellington 6034  
New Zealand

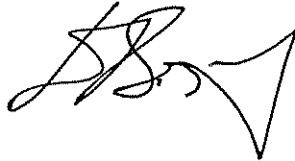
## **VIII. ENTRY INTO EFFECT AND TERMINATION**

- 1 This Arrangement will come into effect when signed by both Participants.
- 2 This Arrangement will remain in effect until terminated by one or both of the Participants.
- 3 Any Participant may terminate the Arrangement by providing 60 days written notice to the other Participant.
- 4 The Participants will endeavour to periodically review the operation of this Arrangement with a view to assessing ways in which it could be improved.
- 5 This Arrangement may be amended by a written arrangement between both Participants.

FOR THE AUSTRALIAN ACCOUNTING STANDARDS BOARD

SIGNED at *Auckland*, on the *3<sup>rd</sup>* day of *May*, 2006.

DAVID BOYMAL  
CHAIR



FOR THE NEW ZEALAND FINANCIAL REPORTING STANDARDS BOARD

SIGNED at *Auckland*, on the *3<sup>rd</sup>* day of *May*, 2006.

*Joanna Perry*  
JOANNA PERRY  
CHAIR