

ASIC focuses attention on 30 June 2011 financial reports

ASIC has highlighted a number of focus areas for directors in 30 June 2011 financial reports after recently releasing the results of its reviews of financial reports for the year ended 31 December 2010.

Segment reporting, consolidation of controlled entities and asset impairment are some of the continuing areas of focus following the review of 130 listed entities' annual financial reports and related disclosures.

ASIC Commissioner Michael Dwyer said: 'It is important to provide investors and other users of financial reports with meaningful financial information that assists them in making decisions.'

ASIC's reviews centred on areas including:

- segment reporting
- consolidation of controlled entities
- use of the going concern assumption
- asset impairment
- fair value of financial assets
- financial instrument disclosures
- disclosures of estimates and accounting policy judgements
- accounting for business combinations
- related party disclosures
- operating and financial review, and
- alternative profits

'These aspects of financial reporting must remain key areas of focus for directors in reporting at 30 June 2011,' Mr Dwyer said.

'Segment information is vital information for investors and other users of financial information in understanding the performance of an entity's business activities.'

'Material disclosures necessary for investors to understand the financial position and performance of a company should be included in financial reports. This includes key assumptions supporting asset values, sources of estimation uncertainty and information on difficult accounting policy choices.'

'Financial reports should also disclose key components of statutory profit in accordance with accounting standards to assist investors to understand the result.'

Directors should ensure that the operating and financial review for listed companies provides meaningful information and any alternative profits are not reported in a misleading manner.

A summary of ASIC's findings from reviews of 31 December 2010 financial reports and areas of focus for the upcoming reporting period are available at the below link.

ASIC will review the financial reports of a significant number of listed entities and of unlisted entities with larger numbers of users of their financial reports for the year ended 30 June 2011.

**Please do not hesitate to contact us if we can be of assistance to you
or you wish to discuss the aforementioned.**

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