

The ASP Consortium is an international industry body (comprising some 90 companies that provide ASP-related services) whose primary goal is to foster the development of standard practices for ASPs. The Consortium's 'Best Practices Committee' is concerned with benchmark standards and criteria for effective application of the ASP delivery model. However, it is fair to say that an industry standard for service options and expectations, though discussed, has not been uniformly adopted.

### Conclusion

This paper has sought to give prospective customers for ASP services a better understanding of what this service entails and the levels of service that should be anticipated. By initially understanding some of the positive and negative aspects of an ASP service, customers will be able to come to a more fully informed decision regarding whether the ASP will indeed enhance the operations of their business.

The expectations that we have covered with respect to contracting for ASP services include the operation of software licensing, or more accurately, sub-licensing from ASP to customer. This form of sub-licensing importantly distinguishes ASP service from ordinary software purchasing and licensing. In this respect, ASPs provide a new alternative to businesses for procuring and accessing software applications over the Internet.



## More than 50 new economy companies must explain their financial reports

ASIC has written to 53 new economy companies requesting clarification of their financial reporting and disclosure.

ASIC's action follows the completion of a surveillance project in which the financial reports of 140 companies as at June 2000 and cash flow statements for March and June 2000 were reviewed. The companies operate in the hi-tech, dot com or related business sectors. A high proportion of them have listed on the ASX within the past three years.

In many cases it appeared that the acquisition of businesses involved the purchase of businesses with small or negative net assets, for large sums and, sometimes, from related parties. Often the disclosure in relation to these transactions was confusing and inadequate. For instance, it was often not possible to easily determine the fair value of assets purchased or the calculation of the resulting goodwill.

Intangible assets often make up the largest portion of the company's net worth. In a number of cases it was very difficult to understand what the amount disclosed as the value of

an intangible represented. Many did not seem to be amortised properly and in some cases it appeared doubtful as to whether their recoverable amount had been properly assessed.

Instances were found where the quarterly cash flow statements appeared inaccurate. Some statements did not tie up quarter to quarter and others did not correspond to the figures in the annual financial statements.

There were instances of the apparent premature recognition of revenue, lack of notes on revenue and inadequate disclosure.

'We have identified a variety of issues requiring additional explanation by more than one-third of the companies that were the subject of our recent surveillance', said Mr David Knott, the Chairman of ASIC.

'Typical areas of concern include the accounting for acquisition of businesses, the reporting and amortising of intangibles, the accuracy of quarterly cash flow statements and the recognition of revenue', he said.

ASIC foreshadowed its intention to carry out this surveillance following the market downturn in new economy stocks in April 2000 and against a background of increasing public concern about the standards of disclosure by this sector of the market. The project has been undertaken by ASIC's Office of Chief Accountant (Mr Ian Mackintosh) and has involved intensive review and analysis of the sector's financial reporting.

Commenting on ASIC's intended response to these findings, Mr Knott said 'We have written to each of the 53 companies identifying our concerns about their financial reporting and providing them with an opportunity to explain or otherwise address those concerns.

Replies were required from the companies by 2 February and will each be reviewed on a case by case basis. If satisfactory explanations or corrective actions are not forthcoming ASIC will initiate additional regulatory action, including enforcement where appropriate.

Mr Knott went on to say, 'ASIC expects that many of the companies will be able to clarify or adequately explain their reporting and accordingly we do not intend to publicly identify the companies until they have had the opportunity to respond to our enquiries.'



## News and Views