



Australian Government
**Australian Accounting
Standards Board**

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Mr Paul Pacter
Member of the IASB and
Chairman of SME Implementation Group
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: The possible impact of SMEIG guidance on full IFRS adopters

Dear Paul

As you are aware, Australia has in place two Tiers of reporting requirements for preparing general purpose financial statements. The first Tier comprises full IFRSs while the second Tier applies the same recognition, measurement and presentation requirements as for the first Tier, but with substantially reduced disclosures (based on the *IFRS for SMEs* disclosure principles). In the for-profit sector, reporting entities that have public accountability (as defined by the IASB) should apply Tier 1 requirements and reporting entities that do not have public accountability apply Tier 2 requirements (unless they choose to apply those of Tier 1).

We have been monitoring draft Q & As published by the SMEIG in the past few months. We support the idea behind issuing Q & As as we think such guidance would benefit the preparers, auditors and others with an interest in financial statements prepared under the *IFRS for SMEs*. However, we are concerned that guidance in relation to terminology or issues common to both full IFRSs and the *IFRS for SMEs*, may impact full IFRS adopters in a way that may have not been intended.

As an example, in the draft Q & A on 'Issue 3' titled Interpretation of 'traded in a public market', 'public market' is a term that is also used in full IFRSs. Any guidance on this issue equally affects parties interested in financial statements prepared under full IFRSs. In fact, this would be true about the interpretation of many terms referred to in the definition of public accountability.

Although approved Q & As would be intended to have the status of informal guidance and not mandatory standards, a full IFRS adopter may well rely on them in preparing financial statements. The AASB is concerned that another level of interpretation is effectively being introduced. We would, therefore, suggest that the IFRS Interpretation Committee should be the body to consider the issues affecting IFRS adopters and that its full due process be applied. We are not opposed to the Q and As continuing to exist for matters confined to the *IFRS for SMEs*.

Yours sincerely

K.M. Stevenson
Chairman and CEO

cc: Sir David Tweedie, Chairman, International Accounting Standards Board
Robert Garnett, Chairman, IFRS Interpretations Committee