



Australian Government
**Australian Accounting
Standards Board**

AASB 20-21 February 2013
Agenda paper 3.7 (M129)

Level 7, 600 Bourke Street
MELBOURNE VIC 3000
Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

23 January 2013

Ms Robyn Donnelly
Project Officer
Registry of Co-operatives and Associations
NSW Office of Fair Trading
PO Box 22
Bathurst NSW 2795
Email: cooperatives_national_law@services.nsw.gov.au

Dear Robyn

Draft Co-operatives National Regulations

The staff of the Australian Accounting Standards Board (AASB) would be grateful if you could consider the following comments on the Draft Regulations, even though the timeline for comment is 7 January 2013.

AASB 1053 *Application of Tiers of Financial Reporting* deals with the application of Tier 1 Australian Accounting Standards and Tier 2 Reduced Disclosure Requirements to entities preparing general purpose financial statements.

AASB 1053 requires for-profit entities with ‘public accountability’ [defined in AASB 1053, Appendix A]) to apply Tier 1 requirements in preparing general purpose financial statements. AASB 1053 goes on to explain that (for-profit) co-operatives that issue debentures would have public accountability and, accordingly, would apply Tier 1. [paragraph B2]

Co-operatives that do not have public accountability could apply either Tier 1 or Tier 2 requirements in preparing general purpose financial statements. However, AASB 1053 goes on to note that “... regulators might exercise a power to require the application of Tier 1 reporting requirements.” [paragraph 15]

It might be useful to consider whether the thresholds used to identify small co-operatives should differ from relevant thresholds for small proprietary entities in the *Corporations Act 2001*, where co-operatives are for-profit. Similarly, it might be useful to consider the Australian Charities and Not-for-profit Commission’s (ACNC) proposed thresholds for small registered entities in relation to not-for-profit co-operatives.

Where relevant, there may also be benefits in adopting established definitions of terms used in Australian Accounting Standards and other regulations such as those being promulgated by the ACNC.

The AASB plans to publish a report based on research into accounting by entities lodging financial statements on the public record. That report will include policy recommendations on lodging financial statements and may be relevant to those with an interest in financial reporting by co-operatives. In particular, the AASB is expected to address the issue of how to deal with the significant incidence of special purpose financial statements lodged on public registers, in coordination with other corporate and non-corporate regulators. This is a matter of serious concern to a number of our Board members.

Yours sincerely

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a large, sweeping initial "K" and "M".

Kevin M Stevenson
Chairman and CEO

Ref: 10/46445

Mr K M Stevenson
Chairman and CEO
Australian Accounting Standards Board
PO Box 204
Collins Street West, VIC 8007

Dear Mr Stevenson,

Draft Co-operatives National Regulations

Thank you for your letter of 23 January 2013 in respect of the exposure draft for the Co-operatives National Regulations.

The State and Territory scheme for a uniform national Co-operatives Law is an important measure to develop the co-operatives sector in Australia. The development of the scheme including the draft Co-operatives National Regulations has been a lengthy exercise in balancing the policy in respect of existing corporate and financial markets, changes in the regulation of the charitable not for profit sector and the international co-operative principles integral to the sector.

Initial public consultation on the draft Co-operatives National Law (CNL) reflected the sector's view of the co-operative as serving members' interests by providing services rather than dividends on shares. Clause 270(3) of the CNL encapsulates sector demands for a financial reporting regime that reduces unnecessary cost but serves the democratic member focus of these entities.

In December 2011 your office provided clarifying comment in respect of the Discussion Paper on Financial Reporting for Small Co-operatives, but made no observations regarding the appropriate thresholds for small co-operatives.

Your letter of 23 January 2013 questions the thresholds proposed in the Draft Co-operatives National Regulation, suggesting that existing thresholds for not for profits and small proprietary companies are perhaps more appropriate. Existing thresholds have been major considerations in the drafting of the Co-operatives National Regulations, however, the innate differences in the purpose and activities of the co-operatives sector as well as the need to reduce regulatory duplication for not for profit charities have led to the current proposed thresholds.

As noted above, this is a major national reform process for the co-operative sector and a matter of the highest priority for the national working party of officials charged with developing the regulatory scheme. The assistance of the AASB on settling these questions would be highly valued, particularly in the context of the AASB's desire to address the significant incidence of special purpose financial reports lodged on public registers. It would therefore be very useful to engage in discussion of these matters with either yourself or relevant staff, by way of teleconference, to ensure that the views of the AASB as an important stakeholder in this process are adequately addressed.

The finalisation of the draft Co-operatives National Regulations for approval by the Consumer Affairs Forum is subject to a tight time frame with jurisdictions wishing to commence legislation in June or July of this year. Work on finalising the draft is already underway.

With this in mind, it is suggested that these discussions take place in the week commencing 29 January 2013. Fair Trading's Robyn Donnelly will make contact with your Executive Assistant Ms Cloutter to arrange the teleconference shortly. Ms Donnelly may be contacted directly on (02) 6333 1430.

Yours sincerely,



Christine Gowland
General Manager
Registry of Co-operatives & Associations

24 January 2013