

From: Gerard Wilkes [mailto:gerard@wilkes.com.au]
Sent: Saturday, 17 June 2006 3:03 PM
To: AASB Mailbox
Subject: Reporting Entity Concept

Dear Sir/Madam

I refer to the Reporting Entity Concept which I am advised by the ICAA is under threat

The main points that I want to make are as follows:

1. Most entities in Australia do not require reports that give more information than is currently provided;
2. The cost of providing information to most entities outweighs the benefits to the members or other users of financial statements;
3. The cost of preparing financial statements can be significant and in the case of small companies can be more than the cost of an audit;
4. Detailed financial statements can be prepared for all the users of financial statements so that they can use for their purposes.

Let me give a simple example of a tennis club in the back of beyond which is an unlisted public company and which has to lodge its financial statements with ASIC:

Membership Fees are	\$ 5,000
Operating Expenses are	5,500
Operating Loss (Before Accounting fees for compliance with the new proposed standards) is	500
Other Non Operating Income (Sale of 15 Birros)	5
Net Loss for the year (Before Accounting fees for compliance with the new proposed standards)	(495)
Cost of preparing Financial Statements in accordance with the new proposed standards	5,000
Net Loss for the year	(5,495)

Six months later the Outback Tennis Club is wound up by creditors because it cannot pay the cost of the accounting fees.

I cannot emphasise too much that the cost of compliance is draining the resources of business and if the proposal is made mandatory then I think that it is an indictment of the stupidity of theorists who probably should be doing more for Australia like planting trees or picking up plastic bags on the streets of our cities and towns.

Yours faithfully

Gerard Wilkes
Chartered Accountant

Gerard Wilkes & Associates
Level 1
20 Welch Street
P O Box 1932
Southport Qld 4215
Phone 07 5532 1733
Facsimile 07 5532 1209
Email gerard@wilkes.com.au