

**From:** Robert Forbes [mailto:rforbes@bris.bentleys.com.au]  
**Sent:** Tuesday, 20 June 2006 9:16 AM  
**To:** AASB Mailbox  
**Subject:** ED 148

Dear Sirs

We strongly object to the proposed amendment as set out in paragraph 7 which states: "General purpose financial statements include those that are presented separately or within other public documents such as a regulatory filing or reporting to shareholders."

We believe that the existing application requirement of only 'reporting entities' needing to apply all of the AASB Standards, should remain applicable. The Reporting Entity Concept is a superior differential system that appropriately reflects the costs and benefits of financial reporting in Australia, and any change to the Reporting Entity Concept would not be in the best interests of the Australian economy.

Please also refer to the attached letter on the subject of differential reporting. This letter was sent, by coincidence, ten years ago today but it is still relevant to financial reporting in 2006 and in an IFRS environment.

Yours sincerely

Robert Forbes

**Robert Forbes**

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21 June 1996

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Dear Sir

**EXPOSURE DRAFT 72  
CHANGES TO THE APPLICATION OF AASB ACCOUNTING STANDARDS TO  
REFLECT THE FIRST CORPORATE LAW SIMPLIFICATION ACT 1995**

I refer to Exposure Draft 72 ("ED 72") on the above topic and which was issued for comment by the Australian Accounting Research Foundation ("AARF") in April 1996. As requested by ED 72, included in this letter are comments and observations by the National Audit Committee of Bentleys on the said exposure draft. Would you please note that the National Audit Committee consists of representatives of the Sydney, Melbourne, Adelaide, Perth, Canberra and Brisbane firms of Bentleys.

Over the past two years, the member firms of Bentleys have viewed with interest the debate surrounding the development of the First Corporate Law Simplification Act ("the Act") which effectively commenced on 9 December 1995. In particular, we noted the means by which "large" and "small" proprietary companies were to be defined under the Act and the reporting, or non-reporting, obligations of each type of company. Bentleys have consistently maintained that the reporting entity concept, as discussed in Statement of Accounting Concept 1 ("SAC 1"), to be a more reliable and commercially prudent means of adopting differential reporting than the size tests (revenue, gross assets and employees) set out in the Act. Unfortunately our opinion, mirrored by many accountants, was not reflected in the final, enacted legislation.

From a reading of ED 72, it would appear that the exposure draft is continuing the trend away from the reporting entity concept. Can I say that the reporting entity concept is well understood by our clients following a period of client education in 1991 and, for our corporate clients, 1992. Many of the clients of Bentleys are small to medium size businesses and the reporting entity concept has given us the ability to provide tailored and reader friendly financial reports to those clients.

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Brisbane Partners  
Peter N Thurecht  
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Michael M Sprenger

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I appreciate that the intent of ED 72 is for all accounting standards to only be applied by those companies which are to lodge annual financial statements with the Australian Securities Commission ("ASC"). Of concern to us is that there would be a number of large proprietary companies (as defined) and public companies which are clearly non-reporting entities (per SAC 1), but yet are now required to undergo the expense of applying these accounting standards. By the SAC 1 definition of a non-reporting entity, these companies have very restricted users of financial information. As an example, in the Brisbane firm of Bentleys we have a number of large proprietary company clients who are family owned businesses and are clearly non-reporting entities. Their respective sizes, however, render the companies to be "large". For these companies to incur the expense (both in measurement and disclosure terms) of applying all Australian accounting standards would be a waste of resources and a movement away from the qualitative characteristics of financial information as described in SAC 3.

It is noted by the National Audit Committee of Bentleys, that the proposals set out in ED 72 regarding the application of accounting standards to all companies lodging financial statements is clearly contrary to the statements of the Corporations Law Simplification Taskforce. The latter has stated in the exposure draft dealing with the second proposed bill that "the Bill does not determine the application of accounting standards to financial statements. This remains a matter for accounting standards and in particular AASB 1025 (Application of the Reporting Entity Concept and Other Amendments ..... A non-reporting entity will be required to prepare and lodge financial statements in the same way as it is required ..... at present".

It is our opinion that this Taskforce is in favour of retaining the reporting entity concept for the adoption (or non-adoption) of accounting standards. We are also aware that the position of the Taskforce is supported by public statements originating from the ASC. It does seem strange to us that the ASC is adopting a flexible approach in the exemption of large proprietary companies from the need for an audit whilst the AARF is attempting to increase the reporting requirements for these types of companies. The lodgement of unaudited financial statements, which have been prepared not necessarily by adopting *all* accounting standards, does not, to us, dilute the effectiveness of the financial statement reporting process.

In summary therefore, we view with concern the statements contained in ED 72. Whilst the First Corporate Law Simplification Act reduced the reporting obligations for most small proprietary companies, ED 72 is increasing this reporting for those large proprietary companies and public companies that are clearly non-reporting entities. This is not in the best interest for economy, effectiveness and efficiency in the financial information process.

Yours faithfully  
Bentleys

R J Forbes

cc Mr K F Reilly  
Director Technical Standards - The Institute of Chartered Accountants in Australia

Mr C W Parker  
Director Accounting & Audit - Australian Society of Certified Practising Accountants