

**ED 200 sub 3**

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The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007

Dear Chairman

**ED 200B: Proposed Separate Disclosure Standards**

My detailed comments on ED 200B are attached. I am concerned that in several instances no argument has been presented for the proposed amendments, or the argument presented has no substance.

If you wish to discuss any of the issues raised in the submission, I can be contacted by email at [ian@company-accounting.com](mailto:ian@company-accounting.com).

Best wishes

Ian Langfield-Smith FCPA

**Specific Matters for Comment (questions incorrectly included in ED 200A)**

- (d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B/FRSB ED 122 should be required of entities applying differential reporting requirements, namely:
- (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
  - (ii) in New Zealand, qualifying entities. Please provide reasons for your response.

The nature of the proposed disclosures is such that they should be provided by all entities. The information is relevant to all users of financial reports.

**Questions Applicable to Specific Proposals (questions incorrectly included in ED 200A)**

- (a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?

The proposal is ill conceived. See my comments on the proposed paragraphs 1 and 5.

**Comments on the draft**

**The specific proposals on which I have made no comment are ones that I support.**

**Paragraph 1: Definitions**

The reasons in BC3 for deletion of the definition of entity are not compelling. The failure of the IASB to define entity is irrelevant to the question of whether the inclusion of the definition assists preparers in preparing financial reports and users in interpreting those financial reports. In my view, the IASB is misguided in its decision not to include definitions of key terms such as entity and reporting entity in both the conceptual framework and relevant accounting standards. The IASB provides no explanation of this decision in the Basis for Conclusions in the relevant exposure draft (ED/2010/2). The absence of supporting reasoning and analysis for the IASB's position means that it cannot be considered relevant in determining if the term 'entity' requires a definition in Australian accounting standards.

For the reasons given in my comments on paragraph 5, I do not support the deletion of the definition of 'related practice'.

**Paragraph 5: Audit fee disclosures**

The primary issue to be addressed is the extent of disclosure that is needed to meet the accountability obligation noted in BC2.

I am greatly surprised that the Board thinks that it is acceptable to remove a disclosure requirement on the basis that users are concerned that financial statements have become overly complex without establishing that the particular disclosure significantly contributes to that complexity.

The rationale for requiring full disclosure of all amounts paid to the benefit of the auditor is that it allows users of financial reports to determine if:

- (a) the amount paid in relation to audit services is sufficient to allow for a proper audit of the financial report; and
- (b) the payments made, for both audit and other services, are of such a nature or extent that it raises questions about the impact on auditor independence.

All of the amounts currently required to be disclosed, contribute to meeting this need. However, I would have no objection if the separate disclosure of amount paid to related practice were not required; that is no distinction is made in the disclosures of amounts paid for audit service and other services between amounts paid directly to the auditor and amounts paid to a related practices. This would not affect the total amount disclosed, merely its decomposition, thereby reducing complexity without reducing accountability.

While it is desirable for the same disclosures in both Australian and New Zealand, alignment must not be at the expense of reduced accountability. It is salutary to remember why the disclosure requirements were introduced in the first place. They were not introduced without extensive investigation and deliberation by the AASB, parliamentary committees and a royal commission. A failure to explain why these disclosures are no longer necessary, suggest that the Board has been unable to develop a comprehensive and reasoned basis for rejecting the conclusions made in earlier due process. If that is so, the proposal must be rejected.