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**Sent:** Thursday, 7 June 2007 3:58 PM

**To:** AASB Mailbox

**Subject:** Differential Reporting Regime - Submission

Good Sir

I wish to make a submission regarding the **Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities**. My comments relate particularly to not-for-profit organisations.

1. I welcome the intention of the project - improvement to governance and accountability is important where significant resources are involved.

2. People act together as incorporated associations to further the activities they share a passion for. Some of these passions are weird and wonderful hobbies that a few amateur enthusiasts pursue together. This is a part of the cultural richness of our world and should not be discouraged by administrative impediments or weighty governance.

Legislators such as the AASB need to balance encouraging endeavour with the burden of accountability. The two-tiering system envisaged is an impending disaster for small associations as it does not go far enough to restrict the administrative expectations placed on the bottom tiers ie small associations with few (mainly cash) assets.

I am in the process of forming an association which currently has six members who have each paid a membership of \$20 to pursue a quirky common interest. Weighty reports over and above an income and expenditure statement and bank balance are completely inappropriate for our organisation. In your deliberations can you please hold a picture of our organisation in your mind as one representing probably thousands of similar associations throughout Australia.

3. I have been for many years, honorary auditor for several small incorporated associations. Some of these associations go through patches where their administration is incomplete, and governance inept or inexperienced. In spite of these patches of poor administration, these organisations bind their members together in a common cause and do great good for their stakeholders. They are also forums for leadership and organisational skills to develop, and for people to contribute their particular skills.

The AASB needs to take great care that proposed standards does not deter these organisations, which will make Australia a poorer place to live in.

4. The proposed standard could specifically allow a small association in general meeting to resolve in advance to accept "Special Purpose Accounts consisting of Balance Sheet and Income and Expenditure Statement" or such other additional information as it requires.

Alternatively I propose a lower tier of organisation with assets below \$100,000 to \$200,000 inflation index linked who by default are allowed to resolve as above or whose constitution can preclude accounts other than Balance Sheet and Income and Expenditure Statement. They may opt in to more complex accounts if they so resolve.

5. Many smaller associations find it hard to find honorary auditors. Often this role is filled by retired accountants, bankers, public servants etc. Such honorary auditors have no up-to-date knowledge of Accounting Standards which are extraordinarily complex and which change constantly with pronouncements from bodies such as yourselves and the "Urgent Issues Group". Such honorary auditors are definitely not in a position to sign their name to an assertion that the accounts would provide a true and fair view complying with accounting standards. However they may be well qualified to assert whether or not Income and Expenditure has been properly dealt with and whether such assets as cash at year end is correctly stated. There is a role for amateur honorary auditors contributing to small incorporated associations; please ensure you do not shun them.

Mohandes Ghandi was a pathologically shy young man, but his first sally into public life was as a founding member and secretary of the Bayswater Vegetarian Society (which failed after 6 months due to lack of members). I suspect that had he been "regulated" under your lower tier reporting regime he would never have got started, and that's not what we want for future Australians.

Yours sincerely

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