

**From:** Philip Treweek [mailto:treweekco@bigpond.com]  
**Sent:** Monday, 27 August 2007 6:02 PM  
**To:** AASB Mailbox  
**Subject:** Invitation to Comment (ITC 12)-IFRS for SMEs Exposure Draft (ED)

**TO :** standard@asb.com.au

**FROM:** Philip Treweek FCA , Registered Company Auditor

**SUBJECT:** Invitation to Comment (ITC 12)-IFRS for SMEs Exposure Draft (ED)

I am a sole practitioner in public practice and the Auditor of many small companies required to prepare accounts by some blanket government regulation, not for profit, Sporting Clubs, Service Clubs and other associations which do not seek to raise capital from other than members of like mind.

The executive's of these types of organisations have little accounting skills, no internal accounting and reporting divisions and little money.

They wish a simple annual report and the prospect of an independent person to do a review of their operations, they have no interest that the Statement of Income and the Balance Sheet are consistent with IFRS and cannot attract a firm of "capital city based, beauty pageant auditors" to undertake their Audit for little money or for free.

They equally cannot understand why the reporting process should cost them more than the balance of their Bank account. They cannot argue the merits of preparing General purpose or Special purpose financial statements but they hope that some commonsense will prevail. Unless I say something on behalf of all of them it seems that commonsense may not prevail.

We therefore strongly object to the ITC proposal that abolishes the Reporting Concept and instead deems any Entity (whether public, private or not-for-profit) that is required to lodge a Financial Report on a public register (e.g. ASIC, Associations Act) as preparing 'general purpose financial reports'. This is a major change in the financial reporting requirements in Australia that has applied since 1991 and is contrary to the best interests of the Australian economy for smaller enterprises.

Contrary to the view expressed by the Australian Accounting Standards Board (AASB) in the ITC, we believe that the current Reporting Entity requirements result in a proven superior and effective differential reporting system that appropriately reflects the balance between the costs and benefits of financial reporting in Australia.

A significant number of smaller entities are SMEs that are required to prepare Corporations Act financial reports either as Large Proprietary Companies (Revenues \$25M+/Assets \$12.5M+/50+ Employees), or other entity structures, and derive none of the benefits of harmonised international accounting standards that are intended for companies that have Users who require general purpose financial reports.

It particular the AASB's proposed application of the IFRS for SMEs Framework:

- (a) is contrary to the Government's policy of reducing Red Tape (Simpler Regulatory legislation);
- (b) is contrary to the 96% of the record 184 Submissions made to the AASB on ED 148 concerning the Reporting Entity Concept; and
- (c) is inconsistent with the IASB's application of the IFRS for SMEs ED that only applies to Reporting Entities which are producing 'general purpose financial reports' for which the IFRS for SMEs Framework is designed for.

What small business sees are the ongoing red tape costs of compliance with complex standards that are of dubious relevance to them, and which adds unnecessarily to the burden of regulation.

If the AASB is not prepared to retain the Reporting Entity Concept so that those Non-Reporting Entities can continue to produce simplified financial reports, we request the Financial Reporting Council to issue a Directive to the AASB for retention of the reporting entity concept.

Yours faithfully

Philip Treweek

Philip J Treweek FCA  
**TREWEEK & CO**  
Chartered Accountants, Advisors and Auditors

Reply to [TreweekCo@bigpond.com](mailto:TreweekCo@bigpond.com)