

From: Richard Goddard [mailto:richardg@arcs.net.au]
Sent: Tuesday, 28 August 2007 10:55 AM
To: AASB Mailbox
Subject: Invitation to Comment (ITC 12) - IFRS for SMEs Exposure Draft (ED)

Good Morning,

As a Chartered Accountant in public practice for over 30 years, and having a client base that is exclusively Small to Medium Enterprises, I object most strongly to the concept of requiring full or partial compliance with IFRS. Reports prepared on this basis would be unnecessarily expensive and meaningless to my clients.

I 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.

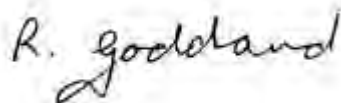
It particular the AASB's proposed application of the IFRS for SMEs Framework:

- (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



Richard Goddard FCA
Chartered Accountant
Registered Company Auditor
Business Advisor

Ph 8130 5432
Mob 0419 830 393
holistic@chariot.net.au

P O Box 1202
BLACKWOOD S A 5051

312-314 Portrush Rd
KENSINGTON S A 5068