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**Sent:** Tuesday, 28 August 2007 8:44 PM  
**To:** AASB Mailbox  
**Subject:** Reporting entity concept

I am a Chartered Accountant and Registered Company Auditor who has acted as an auditor of a wide range of companies. I am presently a director of a substantial family company group, a quality reviewer for the ICAA and also for the international office of BDO.

As an auditor I have always endeavoured to comply with those standards, which were logically based and where I could see a demonstrable benefit. My major difficulty arose during the Current Cost Accounting debate where I believed that academic arguments had prevailed over commercial common sense. Thankfully, after a relatively short period current cost accounting died out. I believe that there are currently some accounting standards that have a similar problem in that they require accounting entries that are artificial and in the fullness of time get reversed and bear no resemblance to the commercial reality, particularly in closely held companies like the one of which I am a director.

One of the concepts that I find hardest to accept is that of "users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs". The concept appears to suggest that there are people who check the published financial reports of companies that they wish to do business with to enable them to make that decision. I am not aware of any client in my 44 years of experience which relied on the published accounts for that purpose. With that background I then look at the great number of my clients which do not have the accounting resources or the money needed to hire consultants who are able to prepare general purpose accounts. Inevitably the job of preparing any financial reports tends to fall to the auditors where they exist as being the only people involved with the clients who have the relevant expertise. This has the potential of leading to the auditors falling foul of the independence standards, which to my mind makes little sense as professionals should exist to provide service to their clients and through them, to the wider community.

Where does this garbled narrative lead me? the concepts of 'reporting' and 'non-reporting' entities cannot be gauged by size alone as it has appeared to me is the approach of ASIC. This approach leads one to the conclusion that because a company is large everyone has a right to know all about the dealings of the company, even if they never have any dealings with them. It results in family owned and managed companies potentially having to publish personal financial information about individual family members finances just because of size, information that does not have to be disclosed about the regulators staff themselves.

Applying the reporting entity concept allows the tens of thousands incorporated bodies, small charities, sporting clubs and family owned companies to prepare accounts that are relevant to their shareholders and financiers at a reasonable cost.

If the AASB wants to do something that will assist some of the smallest companies that exist in our community, they should address the situation of Companies Limited By Guarantee which are classified a public compamnies, but which, in many cases are so small as to have financial difficulty in having to comply with compulsory audits, with the attendant additional cost of mandatory auditing standards, as well as general purpose accounts. I have struck a number of these over the years which are a throw back to an era when incorporation under the Companies Acts was the only option.

In an environment, when listed companies are working hard to convince shareholders that they do not need to receive a financial, which complies with the ever increasing list of standards and UIG's, we have a move to require unlisted companies to prepare financial reports which include detail that they do not want or need and which noone reads. A further

by-product is the cutting down of more trees to cope with the paper needed to print such documents.

**Please do not remove the reporting entity concept. I believe that it has served us well and can continue to do so in the future.**