



**The Institute of
Chartered Accountants
in Australia**

3 April 2009

Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO BOX 204
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Email: standard@asb.gov.au

Dear Bruce

ITC 19 Request for Comment on IASB Discussion Paper *Preliminary Views on Financial Statement Presentation*

Thank you for the opportunity to comment on the IASB Discussion Paper *Preliminary Views on Financial Statement Presentation* (DP). The Institute of Chartered Accountants has consulted with our membership and our comments follow.

The Institute represents over 50,000 chartered accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally. In our discussion with members, we encouraged some re-working of previous financial statements into the new format, in order to provide some practical comments and recommendations.

A copy of our letter submitted to the International Accounting Standards Board is attached which highlights our detailed concerns with the DP. Further, we have provided in the attached Appendix comments in respect of the AASB questions in ITC 19. Overall, the Institute considers that the proposals will require significant improvement before they will achieve the goal of improving the decision-usefulness of financial statements.

If you require further information on any of our views, please contact Kerry Hicks, Head of Reporting at the Institute via email kerry.hicks@charteredaccountants.com.au.

Yours sincerely

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Detailed questions posed by the AASB

The AASB would particularly value comments on whether:

- (a) there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - (i) not-for-profit entities, in light of the IASB's focus on for-profit entities. Do you think that the proposals are suitable for not-for-profit entities? If not, please explain why not and give your ideas for an alternative approach; and
 - (ii) public sector entities, including implications for GAAP/GFS harmonisation;
- (b) overall, the proposals would result in financial statements that would be useful to users; and
- (c) the proposals are in the best interests of the Australian economy.

- (a) In the case of not for profit and public sector entities, these proposals may meet the needs of large entities (refer to separate IASB comment letter), but further work needs to be done to ensure that the needs of smaller entities are not overlooked. Field testing would be required to determine whether the quality and usefulness of the information in the eyes of users warrants the extra expense and effort involved in producing it. The application of these proposals needs to be evaluated once the issue of differential reporting in Australia has been determined upon the review by the AASB of the final standard issued by the IASB on IFRS for Non-Publicly Accountable Entities.

Our members have expressed mixed views as to whether the proposals are suitable for not-for-profit entities. Some consider that the users of not-for-profit entity accounts are different and therefore would support a much simplified form of presentation or retaining the status quo. Others consider that the users are fundamentally the same and therefore not-for-profit financial statements should not look different to their corporate counterparts. The Institute acknowledges that not-for-profit entities could have a different user profile however we advocate an approach to the presentation of not-for-profit financial statements which is fundamentally consistent with that for corporate entities. We consider that the objectives of financial reporting for all entities are similar, albeit different emphasis may be put on different criteria. Therefore we do not support fundamental differences in the structure of financial reports as essentially they are all trying to achieve the same purpose.

- (i) Larger not-for-profits with complex operations may find that the information they provide to users fits well into this approach, but small not for profits are likely to find the proposals onerous.
- (ii) We understand from our public sector members that these proposals do not sit well with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and that applying them to the public sector would be very onerous. Furthermore, our public sector members view the three objectives of the Discussion Paper as too narrowly focussed. As we have mentioned in previous submissions, the wider range of users for public sector financial reports requires a broader view of the needs of users and the objective of financial reporting than the IASB is willing to describe at this stage.
- (b) For larger entities, the proposals may result in financial statements that would be useful to users, but this assertion should be field tested. As noted in our IASB cover letter, many members in business feel that analysts already get all the information they ask for through other reports and presentations. Additionally, some users have indicated that the level of disaggregation proposed in the DP is in excess of what they would require. The proposals would result in this additional information moving to the financial statements and hence being subjected to audit. However, it is not clear to the Institute if users are asking for this extent of disaggregation. As we stated above we would not support any solution that would lead to financial statements looking significantly different for large and small entities or for different sectors.
- (c) If the proposals are adopted overseas, they should be adopted locally as, like the conversion to IFRS generally, harmonisation, for publicly accountable entities, is in the best interests of the Australian economy. We suggest that further work needs to be done on these proposals to make them suitable for non-publicly accountable entities, however, for the reasons given in our introduction.