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Our ref PE_Submissions_ED148_PZ_0613

Contact Chris Hall - 02 9335 7108
Paul Zammit - 02 9335 8171

16 June 2006

Dear David

ED 148 Proposed Amendments to AASB 101 Presentation of Financial Statements: A Revised Presentation
KPMG comments

We are pleased to have the opportunity to comment on ED 148 Proposed Amendments to AASB 101 *Presentation of Financial Statements: A Revised Presentation* ("ED 148") issued by the Australian Accounting Standards Board.

This submission only addresses Australian specific issues as KPMG International will be responding to the IASB on the changes proposed to IAS 1.

Executive summary

Overall, KPMG supports the AASB's initiative to remove differences between AASB 101 and the international equivalent, IAS 1.

Under the Australian regulatory environment, the IASB's proposed change in the definition of general purpose financial statements ("GPFS") will have a significant impact. We encourage the AASB to reconsider the reporting entity concept in conjunction with the regulatory review of the small / large proprietary company test and the IASB's Small and Medium Enterprise ("SME") project. In general we do not think that AASB should be responsible for identifying who should prepare financial statements, we view this as a regulatory role. However, we think the AASB should determine the necessary disclosures for those entities having to prepare financial statements. In general we do not believe this should be any different to IASB requirements.

Our comments on the specific matters raised for comment and on other issues are set out below.

Changes proposed in sections A, B, C and D of the Preface to ED 148

KPMG supports the AASB's preliminary views documented in sections A, B, C and D of the Preface to ED 148. This is consistent with our position of supporting the AASB in removing differences between AASBs and their international equivalents.

Change in the definition of general purpose financial statements

We do not consider that Australia should have a different definition to the IASB for GPFS. However, we note that the IASB has not clarified the implications of identifying a GPFS. It appears that because of the IASB's SME project, the presumption is that a GPFS must comply with all accounting standards unless specifically exempted (eg interim financial reporting). However this is not explicitly stated anywhere in the IASB literature.

The proposed definition states that a GPFS includes those financial statements that are presented in a regulatory filing. The Australian Corporations Act 2001 requires all large proprietary companies and all public companies to lodge a financial report with the ASIC. This requirement results in a wider range of entities lodging financial statements with the Australian regulator compared to the legal environment in other jurisdictions that apply International Financial Reporting Standards. Under the existing Australian regulatory environment, the IASB's proposed change in the definition of GPFS will unnecessarily increase the cost of compliance for no added benefit.

The proposed change in definition also has significant implications for prospectuses, as one could argue that they are a GPFS.

We recommend that the AASB clarify with the IASB the purpose of identifying a GPFS is in the IFRS context.

With the proposed change in definition of GPFS, we are concerned that Australia continues to have the "reporting entity" concept. We consider identification of who has to prepare financial statements to be a regulatory role. In general we do not see that there should be any differences to the IASB requirements for financial statements. Accordingly, we strongly recommend the AASB reconsider the reporting entity concept as a priority. This review should take into account the regulatory review of the small / large proprietary company test and the IASB's SME project. This review of the reporting entity concept needs to be resolved before there is any change in the definition of GPFS.

We are concerned that if the proposed definition of GPFS is adopted and the reporting entity concept is not changed the requirements in Australia will affect a much wider range of entities than in other jurisdictions.

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*Australian Accounting Standards Board
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We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on 02 9335 7108 or Paul Zammit on 02 9335 8171.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Hall', written over a horizontal line.

Chris Hall
Partner