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Professor David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

By facsimile: (03) 9617 7608

Dear Professor Boymal,

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

I am writing on behalf of the Australian Institute of Company Directors (AICD) to express our views on AASB Exposure Draft 148.

AICD is the peak organisation representing the interests of company directors in Australia. Current membership consists of over 20,000 individuals drawn from large and small organisations, across all industries, and from private, public and the not-for-profit sectors. AICD has had a standing policy committee focusing on financial and other reporting issues for over twenty years.

The specific aspect of ED 148 that AICD would like to comment on is the proposal to expand the existing definition of “general purpose financial statements” in line with a proposed amendment by the International Accounting Standards Board (IASB) to IAS 1. This is an important issue because International Financial Reporting Standards (IFRS) already apply to a considerably wider range of companies in Australia than in overseas jurisdictions. In this regard, it is our understanding that for overseas jurisdictions that have adopted IFRS as their accounting framework, the requirement to prepare financial statements in accordance with IFRS applies chiefly to main board listed companies. Australia adopts a different approach, in part through the linkage of compliance with the Australian equivalents of IFRS (AIFRS) to the IASB definition of “general purpose financial statements”. The result is that many Australian small and medium sized entities (SMEs) are required to comply with AIFRS.

The SMEs sector is a key contributor to economic growth in Australia and the imposition of an additional reporting burden (vis-à-vis overseas counterparts) will have flow-on effects to the economy as a whole. AICD continues to be concerned about the imposition of AIFRS on many SMEs, on the basis that the costs to these companies far outweigh benefits to the companies and report users. Furthermore, we believe Australian SMEs should not be put at a competitive disadvantage to their overseas counterparts.

We note that even if the application of AIFRS was restricted to companies listed on ASX (which we would regard as a material improvement), many of the 1800 plus companies listed on ASX are equivalent to companies listed on second boards of overseas exchanges. In this regard, ASX closed its second board in 1992, and many of the companies listed on it transferred to the main board. At that time ASX main board entry requirements were lowered to cater for small enterprises.

In addition to the arguments above, AICD believes imposing AIFRS on more SMEs runs counter to the Australian Government's stated objective to, where possible, reduce "red tape". This is also likely to be in conflict with the IASB project on SMEs, where the IASB is working on a project to develop accounting standards suitable for entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. We understand that an IASB ED is expected for public comment in mid-2006, and final standards for SMEs by mid-2007.

AICD notes that it has made a separate submission to the Corporate and Financial Services Regulation Review (the Pearce Review) where it has put forward that the existing thresholds for "large proprietary companies" in the Corporations Act should be lifted substantially. This submission is available via the following webpage –

<http://www.companydirectors.com.au/Policy/Submissions/2006/>

We trust the foregoing comments are of assistance. If you have any questions in connection with this letter please contact me or Mark Blair.

Yours sincerely,



Ralph Evans
Chief Executive Officer