MOORE STEPHENS
ACCOUNTANTS & ADVISORS

22nd April 2010

The Chairman
Australian Accounting Standards Board

Sent via email: standard@aasb.com.au

Dear Chairman

Re: Submission on Exposure Draft ED 192: Revised Differential Reporting Framework

Moore Stephens welcomes the opportunity to respond to Exposure Draft ED 192 : *Revised Differential Reporting Framework* ('ED 192'). We advise that we are supportive of the AASB's proposals with respect to the proposed differential reporting framework and reduced disclosure regime, and we would favour these proposals over those published by the IASB in the form of IFRS for SME's.

We have been an active participant in various meetings and debates on this topic and continue to believe that the AASB's Reduced Disclosure Regime differential reporting model will demonstrate Australia's commitment to quality financial reporting and will set a global benchmark.

We have commented upon the specific matters identified in ED 192 in the attached document. We would be pleased to provide any further explanation or comment should you require. Please contact Mr Rob Mackay of this office on (03) 9614 4444 in this regard.

Yours faithfully

Robert Mackay

Rob Mackay
Head of Technical Accounting Services
MOORE STEPHENS

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ACCOUNTANTS & ADVISORS

ED 192 "Revised Differential Reporting Framework" Submission to the Australian Accounting Standards Board

22nd April 2010

(a) Whether you agree with the introduction of a second tier of reporting requirements for preparing general purpose financial statements (GPFSs) for:

- ***(i) for-profit private sector entities that do not have public accountability;***
- ***(ii) not-for-profit private sector entities; and***
- ***(iii) public sector entities other than those required by the AASB to apply Tier 1?***

If not, and you support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?

Response

Moore Stephens is of the belief that whilst the reporting entity concept has represented a reasonable basis for establishing a differential framework for Australia over the past years, it is open to some manipulation by entities by virtue of the fact that it places the decision upon an entity's management to determine whether there are users, or potential users of the financial statements in existence that are unable to obtain specific information for decision making purposes. With such a model, there will be many instances whereby entities will elect to consider that they are non-reporting entities whether by way of an absence of acknowledgement of the existence of potential users for their financial statements and/or as a cost cutting measure.

Having regard to the deficiencies in the reporting entity model, and the AASB's position that all financial statements lodged on a public database should be considered to be general purpose financial statements to be prepared in accordance with Australian accounting standards, we are of the opinion that a second tier reporting model that provides for reduced disclosures is in the interests of non-publicly accountable entities.

(b) Whether you agree that entities within the second tier should be able to apply the proposed reduced disclosure regime, which retains the recognition and measurement requirements of full IFRSs or would you prefer another approach (e.g. IFRS for SMEs)? If you prefer the IFRS for SMEs, what do you consider to be the specific advantages of the individual differences of recognition and measurement requirements in the IFRS for SMEs compared with full IFRSs?

Moore Stephens is of the opinion that the AASB's RDR model which incorporates full recognition and measurement of AASBs is appropriate for non-publicly accountable entities.

We do not support the IFRS for SMEs alternative differential reporting model for the following reasons:-

(i) We do not support a framework of accounting that would allow alternative accounting outcomes to be reported than what would be reported under the full IFRS framework. Therefore, we believe that comparability amongst entities will be diminished where different entities undertake similar transactions yet are essentially permitted to report different outcomes of those transactions depending upon the framework adopted.

The IFRS for SME framework will produce alternative accounting outcomes from that of full IFRS for the following reasons:

a. Recognition and measurement differences contained on various topics within the IFRS for SMEs model

b. The limited guidance and simplification of the IFRS for SME framework will lead to instances whereby entities will rely upon application of the IFRS for SMEs 'concepts and pervasive principles' framework to deduce an appropriate accounting outcome. We believe this will inevitably lead to inconsistencies in accounting treatment given the imprecise nature of applying a simplified conceptual accounting framework to resolving accounting issues that may feature various elements of complexity and require significant accounting judgement to be exercised.

We believe that the integrity of financial information being reported may be eroded where two accounting frameworks are allowed to exist unconstrained within a single jurisdiction.

(ii) With the potential inconsistencies between entities reporting upon similar transactions under IFRS for SMEs (as just discussed), and where different accounting frameworks are allowed to prevail, we believe that it is possible that the scope of what represents 'true and fair' in the context of the financial reporting requirements of the Corporations Act may be stretched beyond an acceptable scope. In this regard, policing of 'true and fair' financial statements by the regulator will become an increasingly difficult exercise.

(iii) Given the absence of specific guidance provided in the IFRS for SME standard, we suspect that auditors will view with scepticism an accounting outcome derived under the IFRS for SMEs 'concepts and pervasive principles' framework that they know to be a different result to what is required under full IFRS. In this regard, as a risk mitigation strategy, auditors may, in practice, continue to refer to the full IFRS model for guidance.

(iv) With the rapid changing IFRS environment we are currently experiencing, and the proposed IFRS for SME strategy to allow updates to that standard generally every 3 years, it seems likely that future revisions to the IFRS for SMEs standard will represent an onerous accounting task for SME entities which will have to process and analyse large scale accounting policy changes that have occurred in the preceding 3 years in the full IFRS framework. The IFRS for SME standard will not be able to benefit from any favourable developments occurring under full IFRS until an 'update year' is reached.

(v) We do not believe that the marketing of the IFRS for SMEs standard as a user friendly and simpler version of accounting will necessarily assist the preparers of SME financial statements. We would suspect that in practice, the accounting functions within SMEs will not consider themselves any more capable than before the existence of the IFRS for SME standard and will continue to seek the assistance of their external accountants in fulfilling their financial reporting obligations.

(vi) It is evident that the AASB proposals encapsulate not-for-profit and public sector entities through the continuity of application of AASB accounting standards. The IFRS for SME alternative is a for-profit based standard that does not consider other sectors.

(c) The definition of public accountability (which is used to identify those for-profit entities that must apply Tier 1) and whether there are categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in paragraph 26;

Response

We note the following definitions and guidance published:-

- A 'publicly accountable entity' is one that has accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.

- A for-profit private sector entity has public accountability if:

  (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

  (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

In addition, we note the additional guidance provided by the AASB in relation to an Australian context for determining the existence of a publicly accountable entity. The following are given as examples:-

(a) disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market;
(b) cooperatives that issue debentures;
(c) registered managed investment schemes;
(d) superannuation plans registered with the Australian Prudential Regulation Authority; and
(e) Authorised Deposit-taking Institutions.

We wish to raise the issue as to whether there should be a power available that would allow members to resolve that an entity should report as a Tier 1 entity. This power may be similar to that available to the shareholders of small proprietary companies under section 293 of the Corporations Act that give shareholders with at least 5% voting power the ability to require the entity to prepare financial statements.

Whilst this power may only be exercised rarely, it is believe that members should have the ability to move an entity from Tier 2 to Tier 1. This may also be seen as a safeguarding mechanism of capturing entities that may fall outside of the direct guidance provided by the AASB and where a Tier 1 classification might be more appropriate.

(d) Whether you would require any other classes of public sector entities, such as Government Departments, Government Business Enterprises or Statutory Authorities, to be always categorised as 'Tier 1' reporting entities and, if so, the basis for your view;

Response

Moore Stephens is not of the present opinion that there are other classes of public sector entity that should be automatically designated as Tier 1. Should such entities be proven to exist, it is presumed that they would be designated as Tier 1 by their respective governing body or regulator as is envisaged under the RDR framework proposals.

(e) the clarification of the meaning of GPFSs and modifying the way the reporting entity concept is used;

Response

We note the definition of 'general purpose financial statements' (GPFS's) as contained in ED 192 as follows:

> *General purpose financial statements (referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs. [AASB 101, unamended]*

To clarify the appropriate identification of GPFS's, the AASB has also suggested that GPFS's will be those that satisfy the following two conditions:

(i) they are publicly available, whether under a legal mandate or voluntarily and

(ii) they are either:

(a) prepared in accordance with Australian Accounting Standards under a legal mandate or held out to be so prepared; or

(b) required to be GPFSs under a legal mandate or held out to be GPFSs.

In addition, we note paragraph 9.2 of the consultation paper accompanying ED 192 which states as follows:

> *"Financial statements held out as having been prepared in accordance with Australian Accounting Standards or held out as being GPFSs to any party are GPFSs. This is because there is an expectation that financial statements held out as GPFSs would be relied upon by users to make economic decisions and should, therefore, faithfully report what is expected to be reported in GPFSs."*

It is also noted that in the consultation paper that the standards promulgated by the AASB are designed to satisfy the objective of general purpose financial reporting which is "to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions".

There is therefore an obvious alignment between the principle of general purpose financial reporting and that of public policy underlying the lodgement of financial statements with ASIC. This is exemplified by the inclusion in ASIC RG 43 of the following statement:

> *"Requiring entities to prepare financial reports that comply with the requirements of Ch 2M and lodge those reports with ASIC is designed to make available information that is useful to a wide range of users to help them make economic decisions. The legislative policy underlying these requirements indicates an expectation that there are 'users' of financial reports."*

As noted in the consultation paper, a similar view is included in the Regulation Impact Statement (RIS) relating to *Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007* as that RIS relates to the public policy underlying the reasoning why certain proprietary companies should be required to lodge their financial statements. That RIS noted that lodgement was in the public interest for the following reasons:

- *the collapse of an economically significant company could have an impact on the community in general, particularly in regional areas;*
- *smaller trade creditors are not in a position to demand financial information before doing business with a company; and*

- *employees and representative groups are not in a position to demand financial information from a company.*

The AASB has logically determined therefore that the preparation of SPFSs by entities that are required by law to prepare financial statements in accordance with accounting standards and be lodged on a public register contradicts the legislation's objective of providing information to a wide range of users who are not in a position to command specific information to satisfy their needs.

Moore Stephens agrees that this is conceptually logical conclusion to make, and, in formulating the reporting requirements of entities in Australia, it is important to acknowledge this statutory link between public policy and the nature of general purpose financial statements.

We would like to raise the following points however in relation to this issue:

(a) ASIC has allowed the lodgement of special purpose financial reports on its database over many years and has rarely challenged their legality. The AASB proposed framework of introducing a 'reduced' disclosure regime presupposes that all entities lodging special purpose financial statements were in error. The apparent failure of ASIC to address this issue would appear however tantamount to acceptance that SPFR's was a legally appropriate form of reporting in accordance with the Corporations Act.

Whilst we view the AASB's efforts relating to ED 192 as a logical realignment of public policy with the principle of general purpose financial reporting, it is not surprising that we have witnessed a degree of backlash from certain quarters of the profession and commerce in relation to the increased reporting burden that the RDR model this will impose in practice on numerous entities, notwithstanding that under the AASB's view, this burden should already have been present, and the RDR model reduces this burden.

Having regard to the likely burden to be imposed on such entities, Moore Stephens is of the view that there may be a need for further transitional relief, over and above that allowable under AASB 1. We would also support a delay in the mandatory application date by 12 months to 1 January 2013.

(b) We agree that the realignment of public policy and general purpose financial reporting is logical. We would however like to raise the issue as to whether the public policy has first been subject to questioning by the AASB and whether Treasury may wish to reconsider the existence of a range of users that are dependent upon general purpose financial reports.

In this regard, during our participation in various meetings on the AASBs differential reporting proposals, we have noted two contradictory messages that have surfaced and which may challenge the existence of the range of users to which Treasury purports to exist.

(i) ASIC appears to be of the view that there is no significant evidence to suggest that entities are not already adopting the recognition and measurement criteria of Australian accounting standards. This view appears to be formed on the basis that there is an absence of parties making complaints with ASIC with respect to the contents of financial statements; and

(ii) It is generally accepted amongst many of the participants of RDR meetings that entities preparing special purpose financial statements for lodgement often do not comply with the recognition and measurement criteria of all Australian accounting standards.

On the basis that there is an absence of persons querying the content of financial statements lodged as well as the practice of entities being selective in their application of recognition and measurement accounting policies, this may be suggestive of a scenario whereby there may not be users in existence that are reliant upon general purpose financial statements of an entity for many of the non-publicly accountable entities lodging their financial statements with ASIC.

In other words, we are of the view that Treasury's presumption that there are a range of users of an entity's financial statements present that cannot otherwise obtain financial information for decision making purposes other than from a public database should be reconsidered and retested if it has not already been. This may involve ascertaining the degree to which members of the public have been shown to access ASIC's database for financial information of entities that would be classified as non-publicly accountable.

In making any presumption about the utilisation of financial statements by users, and in the absence of evidence to the contrary, we believe that it is also important to consider that the absence of users taking an active stance against the contents of financial statements (as suggested by ASIC) should not be seen as prima facie evidence to suggest that either such users do not exist, or that where users do exist, that this represents their unmitigated, and fully informed acceptance that the contents of those financial statements is appropriate or non-contestable.

Many users (e.g. small creditors) of special purpose financial statements would accept financial statements lodged with ASIC at face value and would not appreciate the alternative financial performance and financial positions that could be derived should alternative accounting policies have been adopted. Furthermore, any users that may question the content of financial statements may not have the resources or understanding of the mechanisms that might be available to them for the purpose of challenging financial statements.

It could therefore be viewed that it is appropriate that public policy should act as a safeguard against all persons reliant upon those financial statements. It might be a more convincing argument to support the AASB's RDR model however if constituents could be provided with tangible evidence around 'user' accessibility which might assist in their understanding of the link between public policy and general purpose financial statements.

We believe that the current reporting entity concept that currently drives the content of financial statements allows excessive flexibility in allowing entities to place restrictions upon the financial information that is allowed to be disclosed publicly. We are therefore supportive of the AASB's proposals to effectively disengage this concept and instead use it as an umbrella concept that sits over the substituted content driver, viz, general purpose financial statements.

(f) the extent and nature of the proposed disclosures under the RDR (Tier 2), including whether the RDR would be effective in reducing sufficiently the disclosure burden on entities in preparing their GPFSs;

Response

As previously noted, it is likely that moving into a Tier 2 reporting framework will increase the reporting burden on all entities that have previously reported as 'non-reporting entities'.

We are cognisant of the vast nature of entities that may be reporting under Tier 2. For example, a small foreign controlled proprietary company or entity that just meets the large proprietary thresholds would report on the same basis as a privatised multinational with billion dollar turnover (e.g. the 'almost privatised Qantas' scenario). Given the breadth of such entities, a balance must be struck between being over-burdensome for smaller entities, whilst providing sufficient and appropriate information for the entities towards the larger end of the scale.

We also acknowledge that the AASB has relied upon the analysis conducted by the IASB in concluding that the IFRS for SME disclosures should be seen to represent the minimum disclosures required for the RDR model so as to continue to satisfy the objective of general purpose financial reporting. Based upon this principle of formulation of disclosures, and on the presumption that the IASB has arrived at their disclosure model using a technique that would suitably be capable of transposition to users of non-publicly accountable entities in an Australian context, we do not see grounds for any significant departure from the IFRS for SME disclosure model.

Nonetheless we have canvassed some possible simplifications to disclosure under item (g) below. In particular situations where there is significant departure from disclosures required under full IFRS, Moore Stephens is of the view however that further emphasis should be placed upon the disclosure obligations or principles that would require entities to disclosure information not specifically required by the draft ED but which would be considered relevant to an understanding by users of the financial statements. In this regard, we note the guidance and application of AASB 101.17(c) and AASB 101.112(c)[1] (the latter as included in ED 192), however, are of the opinion that these principles need to be further operationalised (or emphasised) in the context of the large entities applying the RDR model.

(g) Any particular disclosure requirements that:

(i) have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion;

(ii) have been excluded from the RDR that you consider should be retained, and your reasons for retention;

Response

We understand that the disclosure requirements contained in ED 192 are largely consistent with those of the IFRS for SMEs standard on the basis that it was considered that the IFRS for SMEs disclosure represent the minimum disclosures required to satisfy to continue to achieve the objective of general purpose financial reporting.

Notwithstanding this, we have reviewed the proposed disclosures in ED 192, and where there was seen to be possibility for further simplification, we would recommend reconsideration of the following disclosures as examples of possible omissions.

Reference	Explanation
AASB 5.33(c) The net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).	We would consider that this disclosure could be omitted on the same basis that the disclosure of AASB 5.33(b) was omitted. However, consideration should be given to including a disclosure on the net cash effect to the entity of the disposal.
AASB 5.34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.	The requirement for restatement of comparatives we would consider to be onerous.
AASB 7.27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses	We are of the opinion that disclosure of fair values for financial instruments carried at amortised cost is of little value since it is intended that such instruments are intended to be generally held until

[1] AASB 101.17(c) "A fair presentation also requires an entity...to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
AASB 101.112(c) "The notes shall...provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them".

Reference	Explanation
information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.	maturity and the principle and interest realised. Valuation information should only be relevant for those instruments carried at fair value.
AASB 110.17 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.	The date of authorisation is the date that management signs off their reporting obligations as evident on the director's declaration or other committee report. The identity of the authorising party can also be presumed. We do not see this disclosure as adding significant value.
AASB 111.42 An entity shall present: (a) the gross amount due from customers for contract work as an asset; and (b) the gross amount due to customers for contract work as a liability. *AASB 111.43* The gross amount due from customers for contract work is the net amount of: (a) costs incurred plus recognised profits; less (b) the sum of recognised losses and progress billings; for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. AASB 111.44 The gross amount due to customers for contract work is the net amount of: (a) costs incurred plus recognised profits; less (b) the sum of recognised losses and progress billings; for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).	We do not necessarily see value in specifically differentiating these receivables and payables from others. If this disclosure is significant to an understanding of the financial statements, this disclosure could be made under AASB 101.112(c)
AASB 112.80 Components of tax expense (income) may include: (b) any adjustments recognised in the period for current tax of prior periods; (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes; (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense; (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense; (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with AASB 108, because they cannot be accounted for retrospectively.	We believe that the tax expense note can be condensed for the RDR model into the following: Current tax expense (income); Deferred tax expense (income) We do not believe adjustments relating to prior periods or tax rate changes are overly important (unless significantly material in which case AASB 101.112(c) may be considered) We would recommend that a reconciliation of unrecognised tax losses be included which would show benefits subsequently recognised.

Reference	Explanation
AASB 116.73(e) A reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions; (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals; (iii) acquisitions through business combinations; (iv) increases or decreases resulting from revaluations under paragraphs 31, 39, Aus39.1, 40, Aus40.1 and Aus40.2 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136; (v) impairment losses recognised in profit or loss in accordance with *AASB 136;* (vi) impairment losses reversed in profit or loss in accordance with AASB 136; (vii) depreciation; (viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and (ix) other changes.	We believe that the reconciliation elements relating to property, plant and equipment could be replaced with a requirement to disclose details of significant movements during the period.
AASB 127.41(c) The end of the reporting period of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a date or for a period that is different from that of the parent's financial statements, and the reason for using a different date or period;	We do not believe this adds any significant value to the users of the accounts.
AASB 133.70 An entity shall disclose the following: (a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share; (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share; (c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented; and (d) a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that occur after the end of the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.	We believe that in situations where non-publicly accountable entities elect to disclose EPS information, these disclosures could be omitted on the basis of cost – benefit factors
AASB 136.134	We agree with the omission of the disclosure however would like to see the inclusion of commentary based around the need to disclose significant valuation assumptions around, for example cash flow projections, growth rates and

Reference	Explanation
	discount rates pursuant to AASB 101.125 where considered material.
AASB 137.84 (c) amounts used (that is, incurred and charged against the provision) during the period; (d) unused amounts reversed during the period; *RDR84.1* Entities applying the Reduced Disclosure Regime (RDR) should disclose additional provisions made in the period, including increases to existing provisions and adjustments that result from changes in measuring the discounted amount. Entities applying the RDR need not provide comparative information.	We believe that the reconciliation elements relating to provisions could be replaced with a requirement to disclose details of significant movements during the period only.
AASB 136.124(b) The amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders;	We do not believe that the disclosing the intangible nature of the surplus is a relevant consideration for users.
AASDB 136.126 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.	We do not believe that the nature of this expenditure necessarily warrants separate disclosure unless management considers it material in which case its separate disclosure would be captured by AASB 101.85
AASB 138.118 (e) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations; (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals; (iii) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 (if any); (iv) impairment losses recognised in profit or loss during the period in accordance with AASB 136 (if any); (vi) any amortisation recognised during the period; (viii) other changes in the carrying amount during the period.	We believe that the reconciliation elements relating to provisions could be replaced with a requirement to disclose details of significant movements during the period only.
AASB 140.76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33-55 shall disclose a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following: (a) additions, (b) additions resulting from acquisitions through business combinations; (c) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals; (d) net gains or losses from fair value adjustments; (f) transfers to and from inventories and owner-occupied property; and (g) other changes.	We believe that the reconciliation elements relating to provisions could be replaced with a requirement to disclose details of significant movements during the period only

Reference	Explanation
AASB 140.79 (d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following: (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset; (ii) additions resulting from acquisitions through business combinations; (iii) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals; (iv) depreciation; (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with AASB 136; (viii) other changes;	We believe that the reconciliation elements relating to provisions could be replaced with a requirement to disclose details of significant movements during the period only

We would like to comment upon the exclusion of the following disclosures proposed in ED 192:-

Reference	Explanation
AASB 3.B64(g) For contingent consideration arrangements and indemnification assets: (i) the amount recognised as of the acquisition date; (ii) a description of the arrangement and the basis for determining the amount of the payment; and (iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.	We would consider that contingent consideration arrangements are prevalent and that details of such arrangements, and their future possible effect on the results of the entity would be important information that should be disclosed.
AASB 3.B64(p) In a business combination achieved in stages: (i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and (ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42) and the line item in the statement of comprehensive income in which that gain or loss is recognised.	We consider that this information would add relevant information in explaining the effect on financial performance for a year of a business combination.
AASB 7.36 An entity shall disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132); (b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;	We believe that where financial assets are exposed to obvious credit risk, this fact should be disclosed together with the extent of any credit enhancements that might be relevant to those assets.
AASB 7.31-.42 Financial instrument risk section	We would recommend that the AASB consider including some commentary on whether the entity may have included significant assumptions or judgements around aspects of valuation and/or measurement, and that the disclosure requirements of AASB

Reference	Explanation
	101.122 and .101.125 should be considered.
AASB 9	The comments made in respect to AASB 7 are equally applicable for AASB 9.
AASB 101.54; AASB 101.81	We query why key disclosures dealing with the Statement of Financial Position and Statement of Comprehensive Income have been omitted from the ED.
AASB 101.Aus138.3 An entity shall disclose for each class of shares included in equity, where either dividends payable were first recognised as a liability during the reporting period or dividends were paid during the reporting period without previously being recognised as a liability: (a) the amount, in aggregate and per share, of those dividends that have been or will be franked and the tax rate at which those dividends have been or will be franked; and (b) the amount, in aggregate and per share, of those dividends that have not been or will not be franked. *AASB 101.Aus138.4* An entity shall disclose the amount of franking credits available for subsequent reporting periods to the equity holders in the entity if it is not a group or the parent in a group, by disclosing the balance of the franking account as at the reporting date, adjusted for: (a) franking credits that will arise from the payment of the amount of the provision for income tax; (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date. *AASB 101.Aus138.5* An entity shall disclose the impact on the franking account of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period.	We believe that there should be some level of disclosure relating to the movement in, and the year-end balance of the franking account. Such information may be considered relevant for current and potential ownership interests.
AASB 101.Aus138.6 An entity shall disclose the nature and amount of each individual and each class of capital commitments and of other expenditure commitments contracted for as at the reporting date, other than commitments for the supply of inventories, which have not been recognised as liabilities. The disclosures shall be made in the following time bands, according to the time that is expected to elapse from the reporting date to their expected date of settlement: (a) within twelve months; (b) twelve months or longer and not longer than five years; and (c) longer than five years.	We would consider that capital commitments are relevant to determining the future demands upon liquidity of the entity.
AASB 108.30 When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose: (a) this fact; and (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.	We believe that if the effect of a future accounting standard that has yet to be applied can be quantified, this would constitute disclosure as a non-adjusting post balance date event. We would recommend that this type of disclosure be considered in the disclosure guidance for AASB 110.

Reference	Explanation
AASB 127.41(b) The reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control;	We believe that non consolidation of entities where control would prima facie be presumed to exist represents a key disclosure and could expose the entity to off-balance sheet risks that users should be aware of.
AASB 127.41(f) If control of a subsidiary is lost, the parent shall disclose the gain or loss, if any, recognised in accordance with paragraph 34, and: (i) the portion of that gain or loss attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost; and	We would consider that specific identification of the gain or loss on the measurement to fair value of a remaining equity interest is relevant information that results from a significant accounting event.
AASB 127.42(b) A list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held;	We believe that the identity of key investments such as subsidiaries and jointly controlled entities is relevant information that should be disclosed in separate financial statements where no consolidated accounts are prepared.
AASB 136.130(e) Whether the recoverable amount of the asset (cash generating unit) is its fair value less costs to sell or its value in use;	We believe this information will assist users in understanding the basis for the write down as well as indicate the intended means by which the asset value may be realised.
Disclosures pursuant to all Interpretations	We consider that the Interpretations address particular issues that, if material to the entity, would result in disclosures that would be relevant to a users understanding of the activities of the entity. We would suggest that all disclosures remain as suitable for an RDR model.

(h) Transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers;

Response

Given the possible burdens upon entities moving from a SPFR set of financial statements to a Tier 2 (or Tier 1) set of financial statements, we are not in favour of excessive retrospective application of changes to accounting policies. We believe that further relief (over that provided by AASB 1) ought to be considered under the RDR transitional provisions.

(i) Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals;

Response

The requirement for all non-publicly accountable entities adopting general purpose financial statements will place increased demands for accountants with IFRS expertise. We expect that there may be issues for the profession to supply suitably qualified persons to meet this demand.

Without providing appropriate exemptions from the requirement to retrospectively adjust account balances, there may be significant cost involved in restating financial statements for prior periods. Groups of entities that have not previously prepared consolidated financial statements may not have sufficient historical information to be able to appropriately account for consolidation entries.

(j) Whether, overall, the proposals would result in reducing the costs of preparing GPFSs that would remain useful to users;

Response

We believe that there will be some reduction in the costs of preparing GPFSs under the RDR model when compared to the preparation of GPFSs under the full IFRS model. As indicated in this submission, we believe that there could be further scope to reduce specific disclosures in favour of a more principles based approach to the delivery of material information to users (e.g. further operationalisation and emphasis of AASB 101.17(c) and AASB 101.112(c) principles).

There will be an increase in costs however for entities that are currently preparing SPFS's moving to a GPFS format.

Moore Stephens undertook the field testing for the draft IFRS for SME standard in December 2007. During that engagement, we transitioned the special purpose financial statements of 2 entities into the IFRS for SME framework. On the basis that the IFRS for SME disclosures are similar to the RDR model, the following information is relevant in determining the increase in financial reporting effort required:

- Entity 1- Special purpose financial statements comprised 12 pages. IFRS for SME financial statements comprised 18 pages plus 5 pages of transitional notes.
- Entity 2 - Special purpose financial statements comprised 17 pages. IFRS for SME financial statements comprised 20 pages plus 5 pages of transitional notes. Entity had to prepare consolidated financial statements for first time.

In both instances, there would be an increase in preparation and audit costs. Particular incremental cost was noted in the necessity to consolidate entities that had not previously been consolidated.

(k) Whether the proposals are in the best interest of the Australian economy

Response

Moore Stephens is of the opinion that the AASB's proposals are in the best interests of financial reporting in Australia.

Whilst it is evident that various other jurisdictions around the world appear to have adopted, or intend to adopt IFRS for SME accounting, the RDR framework would appear to be a more robust and conceptually consistent framework. Whilst Australia may differ in their treatment of SMEs from other global economies, we believe that the financial reporting framework is less exposed to interpretational risk in its application of measurement and recognition standards, and sets Australia apart in terms of setting a financial reporting benchmark.