



CHARTERED SECRETARIES  
AUSTRALIA

*Leaders in governance*

23 April 2010

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 24  
Collins Street  
WEST VICTORIA 8007

By email to: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Mr Stevenson

***Exposure Draft Revised Differential Reporting Framework (ED 192) and Consultation Paper: Differential Financial Reporting — Reducing Disclosure Requirements (CP)***

Chartered Secretaries Australia (CSA) is the independent leader in governance, risk and compliance. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, we are focused on improving organisational performance and transparency. Members of CSA deal on a day-to-day basis with company reporting and have a thorough working knowledge of the operations of the financial markets and the needs of investors.

CSA welcomes the opportunity to provide comments on comments on the Australian Accounting Standards Board's (AASB's) Differential Reporting documents. CSA Members support relief for non-publicly accountable entities (that is, generally other than listed companies) from full IFRS and therefore supports the principle of an IFRS for SME standard.

Our comments stem from our concern that the AASB is denying Australian non-publicly accountable reporting entities the option to adopt the IFRS for SMEs accounting standard issued by the International Accounting Standard Board (IASB). This would provide Australian non-publicly accountable reporting entities with a simpler method of accounting which will be less costly for them to use and would be more relevant to the readers of those financial statements. It was for this purpose that the IFRS for SMEs was introduced as an alternative to the full IFRS by the IASB.

We do not support the AASB's proposals to 'clarify' that non-reporting Corporations Act entities be deemed as reporting entities who would be required to produce general purpose financial reports. We reject the assertion that this is a 'clarification'. The reporting entity concept was introduced by the former AASB in 1991 (AASB 1025) as a way of relieving smaller entities from what was then seen as increasingly complex accounting requirements that were designed for listed companies. Over 90 per cent of the submission to the AASB on ITC 12 in 2007 supported the retention of the reporting entity for Corporations Act entities that prepare and lodge financial restatements with regulators such as ASIC.

When Australia first debated the adoption of IFRS in the 1990s it was never intended that IFRS would apply to non-listed entities, and when Australia adopted IFRS in 2005 the AASB accounting standards set non-publicly accountable reporting entities apart in the disclosure accounting standards.

The IASB has acknowledged that full IFRS is only intended for generally listed companies (publicly accountable) and has therefore issued the IFRS for SMEs accounting standard as a more suitable accounting standard for non-publicly accountable reporting entities.

We recommend that IFRS for SMEs be *an option* for non-publicly accountable reporting entities, but not be mandated. A review could be instituted two years after implementation to consider whether changes should be made to the financial statements requirements of these reporting entities. Providing such choice would bring with it a significantly reduced reporting requirement and consequential potential for savings for many Australian companies, including not-for-profit organisations, many of whom are reporting entities. This would fulfil the policy objective of reducing the regulatory burden on non-publicly accountable reporting entities, whether they are private or public sector, by simplifying the accounting standards requirements that currently apply to them. It would also accord with the recommendations of the Productivity Commission that confirmed the urgent need to reduce the regulatory burden on not-for-profit organisations.

### **Conclusion**

**CSA recommends that:**

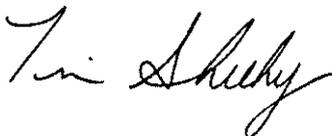
- the adoption of IFRS for SMEs as an option would lead to the reduction of costs for reporting entities, given the simplified recognition and measurement requirements, and IFRS for SMEs-only disclosures
- the AASB's proposal to reclassify non-reporting entities as reporting entities not proceed, as the IASB has recognised that full IFRS is not suitable for such entities.

Our reasons for these recommendations are that:

- Australia should be consistent in adopting IFRS for SMEs given that we have adopted IFRS for public listed companies
- Australia should not take a path that is separate from that being taken internationally, and
- no reform should be undertaken that adds to the regulatory burden for not-for-profit organisations.

In preparing this submission, CSA has drawn in particular on the experiences of its national policy committee, the Corporate and Legal Issues Committee.

Yours sincerely



Tim Sheehy  
CHIEF EXECUTIVE