



The Group of 100 Incorporated

Level 20, 28 Freshwater Place
Southbank VIC 3006 AUSTRALIA
www.group100.com.au

Telephone: (03) 9606 9661
Facsimile: (03) 9670 8901
Email: g100@group100.com.au
ABN: 83 398 391 246

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Mr K Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Dear Mr Stevenson

ED 192 Revised Differential Reporting Framework

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 is pleased to respond to the following items raised in ED 192.

- 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*

The G100 believes that the approach adopted to identify entities to which Tier 2 would apply is reasonable. However, it is suggested that government business enterprises should be included in those public sector entities required to apply Tier 1.

It is not clear from the proposals whether private equity entities would be Tier 1 or Tier 2 entities. The G100 believes that a competitive advantage may be conferred on such entities in the event that they are Tier 2 entities. The G100 feels strongly that private equity entities should be included in Tier 1. The concept of an 'equal playing field' should apply to ensure adequate disclosure by entities (whether listed or privately owned) is provided for all interested parties in addition to shareholders.

- 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 (eg 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?*

Yes. The G100 believes that relief from the disclosure load based on the disclosures required by the IFRS for SMEs standard is appropriate in the Australian environment rather than directly adopting the IASB standard.

The G100 strongly believes that all general purpose financial reports should be prepared in accordance with a common set of recognition and measurement requirements in order to maintain the integrity of financial reporting. We consider that it is important that measures of profit or loss, assets and liabilities and ratio measures based on them are made on a consistent basis. It is unacceptable for the profit or loss of an entity to be determined on a different basis depending on whether the entity is subject to Tier 1 or Tier 2.

- c. *The definition of public accountability and whether there are other categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in para 26.*

The G100 considers that the definition of public accountability developed by the AASB, while consistent with the principles on which the definition in 'IFRS for SMEs' is based, better captures entities in the Australian environment.

- 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 categorized as 'Tier 1' reporting entities and, if so, the basis for your view?*

Yes. The G100 believes that government business enterprises should be Tier 1 entities because of their commercial significance and their participation in markets in competition with private sector entities.

- e. *Whether you agree with the clarification provided on the meaning of GPFSs and modifying the way the reporting entity concept is used.*

The G100 believes that the meaning of GPFSs is clarified and agrees that a GPFS should only be described as such where it is prepared in accordance with the applicable accounting standards. The G100 also agrees with the modification of the reporting entity concept.

- f. *Whether 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;*

The G100 believes that the disclosures removed for Tier 2 entities are unlikely to impair the ability of users of the financial statements of these entities to make informed assessments about the entity.

We believe that many of the disclosures such as those relating to financial instruments, risk and liquidity and reconciliations such as those required for intangible assets and property, plant and equipment and share-based payment disclosures could also be removed for Tier 1 entities without adversely affecting the information content for users.

However, we suggest that the requirements of para 37 be discussed and given prominence in the Preface to the proposed Standard and the Basis for Conclusions.

- g. Whether there are 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

We note that the proposed RDR regime provides for a greater level of disclosure than that required by IFRS for SMEs and do not understand why disclosure relief for Australian entities is not as extensive as that in jurisdictions that have adopted IFRS for SMEs.

- h. Whether the transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers are adequate.*

The G100 supports the transitional requirements. However, in respect of those entities not currently preparing GPFs simplification of the disclosure requirements of AASB 1 may be necessary.

- i. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals.*

We are not aware of any impediments to adopting the proposals.

- j. Whether, overall, the proposals would result in reducing the costs of preparing GPFs that would remain useful to users.*

Yes. The G100 believes that the application of proposals would reduce the costs for TIER 2 entities and would not adversely affect the users of these financial statements.

- k. Whether the proposals are in the best interest of the Australian economy.*

Yes.

Yours sincerely
Group of 100 Inc



Peter Lewis
President