

BOWRA & O'DEA

FUNERAL DIRECTORS

Submission to the Australian Accounting Standards Board (AASB)

Re ED 297 (Removal of Special Purpose Financial Statements (SPFS) for Certain For – Profit Private Sector entities)

Prepared for and by: Bowra & O'Dea Pty Ltd

Background

Bowra & O'Dea Pty Ltd is a West Australian Funeral Director that has been in business for 131 years. The company is family owned having 6 shareholders who are all family members. The company may be a little unusual in that it is audited and exempt from lodging accounts with the Australian Securities and Investment Commission (ASIC) by virtue of satisfying the “grandfathering” criteria and being exempted under S319(4)-(6) of the Corporations Act (as preserved through the transition provisions (s1408(7) of the table) of that Act).

The company has no borrowings, or external financing of any kind. Financial support (if ever required) is provided by the family shareholders. This is by virtue of having grown in a disciplined fashion over 131 years.

The company prepares Special Purpose Financial Statements (SPFS) which are audited for the benefit of our shareholders as the only users. The SPFS have served their purposes extremely well over a long period of time.

ED 297 Observations

1/The ED notes the proposals do not apply to a range of “for profit” entities. These exceptions do NOT include “for profit” entities not required to lodge Financial Statements with ASIC by virtue of the exemption under S319 (4) – (6) of the Corporations Act. (Heading: “For Profit entities not affected” page 11 of the ED). This is notwithstanding the ED generally speaks of the issue it is seeking to address, in terms of the SPFS that are lodged with ASIC.

BC 61 (page 38 of the ED) notes the scope of ED 297 is “For profit private sector entities lodging financial statements under Corporations Act 2001”. This would indicate that “for profit” entities exempt as we are from lodging financial statements are not included in the scope of the ED.

2/The main objective of the proposed changes is to achieve “comparability, transparency, comprehensibility and consistency” for users of Financial Statements. This is intended to be achieved by removing the ability of some “for profit” entities to self assess for SPFS. This is an admirable objective and we fully support these values.

We additionally value fairness, relevance and a notion of “fit for purpose”. It is a notion built around maximizing the effectiveness of resources to achieve a desired outcome. It is also intuitively a notion that recognizes one size does not fit all.

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MEMBER OF THE AUSTRALIAN FUNERAL DIRECTORS' ASSOCIATION ABN: 38 008 682 326

Submission

Bowra & O'Dea Pty Ltd is the antithesis of what a reporting entity should be. We have a tight knit group of shareholders who are the O'Dea family. We have no external borrowings / financing and our Financial Statements go to no one other than shareholders (most who are also directors). We have been for many years internally funded and this will continue indefinitely. In other words we will not need to share our Financial Statements with anyone in the future.

We would respectfully request two things:

1/ The scope of the proposed changes specifically exclude entities such as ours, that are exempted from lodging financial statements with ASIC by virtue of the grandfathering provisions in S 319 of the Corporations Act. This would seem to be the intent from the drafting of ED297, however explicitly stating this would be desirable for the sake of certainty.

2/ We may be an outlier in terms of the majority of other "for profit" entities, but legislative processes should be fair enough, and sophisticated enough to cope with this. There is absolutely no benefit to anyone in forcing an entity like Bowra & O'Dea Pty Ltd into the effort and cost of preparing General Purpose Financial Statements. Such statements would be seen by no one other than family, and these comparatively technical and cumbersome documents will serve to confuse rather than enlighten. We do not believe they would be fit for purpose. Our request is that "fit for purpose" be a fundamental objective of any changes to the reporting regime. The two tiered approach discussed in ED 297 is insufficient to address outliers like ourselves and a minority of others. There should be further flexibility so we are not disadvantaged.

We hope you look upon these requests supportively.

Yours sincerely



14/4/19

Loris A Toniato

Financial Controller