

**From:** David Osborne [mailto:Osborne@shepard.com.au]  
**Sent:** Monday, 27 August 2007 6:46 PM  
**To:** AASB Mailbox  
**Subject:** Invitation to Comment (ITC 12) - IFRS for SMEs Exposure Draft (ED)

To whom it may concern,

This firm strongly objects to the ITC proposal that abolishes the Reporting Concept and instead deems any Entity (whether public, private or not-for-profit) that is required to lodge a Financial Report on a public register (e.g. ASIC, Associations Act) as preparing 'general purpose financial reports'. This is a major change in the financial reporting requirements in Australia that has applied since 1991 and is contrary to the best interests of the Australian economy for smaller enterprises.

Contrary to the view expressed by the Australian Accounting Standards Board (AASB) in the ITC, we believe that the current Reporting Entity requirements result in a proven superior and effective differential reporting system that appropriately reflects the balance between the costs and benefits of financial reporting in Australia.

A significant number of smaller entities are SMEs that are required to prepare Corporations Act financial reports either as Large Proprietary Companies (Revenues \$25M+/Assets \$12.5M+/50+ Employees), or other entity structures, and derive none of the benefits of harmonised international accounting standards that are intended for companies that have Users who require general purpose financial reports.

It particular the AASB's proposed application of the IFRS for SMEs Framework:

- (a) is contrary to the Government's policy of reducing Red Tape (Simpler Regulatory legislation);
- (b) is contrary to the 96% of the record 184 Submissions made to the AASB on ED 148 concerning the Reporting Entity Concept; and
- (c) is inconsistent with the IASB's application of the IFRS for SMEs ED that only applies to Reporting Entities which are producing 'general purpose financial reports' for which the IFRS for SMEs Framework is designed for.

What small business sees are the ongoing red tape costs of compliance with complex standards that are of dubious relevance to them, and which adds unnecessarily to the burden of regulation.

If the AASB is not prepared to retain the Reporting Entity Concept so that those Non-Reporting Entities can continue to produce simplified financial reports, we request the Financial Reporting Council to issue a Directive to the AASB for retention of the reporting entity concept.

Yours faithfully,

David Osborne  
Senior Partner  
4 Partner practice catering to small and medium enterprises

David Osborne  
Shepard Webster & O'Neill Pty Ltd  
Level 1  
434 Nepean Highway  
FRANKSTON VIC 3199  
Telephone 03 9781 2633  
Fax 03 9781 3073  
Email: [osborne@shepard.com.au](mailto:osborne@shepard.com.au)