

From: David Drake [mailto:david@drakemurphy.com.au]
Sent: Tuesday, 28 August 2007 9:58 AM
To: AASB Mailbox
Subject: Intended abolition of reporting entity concept

I strongly object to the AASB proposal (per ITC12) to abolish the *reporting entity* concept and instead deem 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 major change in the financial reporting requirements in Australia is contrary to the best interests of smaller enterprises within the Australian economy.

The current *reporting entity* requirements, **in my opinion**, result in a superior 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 will derive none of the benefits of harmonised international accounting standards that are intended for companies that have users who require 'general purpose' financial reports.

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

- (a) is contrary to the government's policy of reducing red tape;
- (b) is contrary to 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 applies only to reporting entities which are producing 'general purpose' financial reports for which the IFRS for SMEs Framework is designed.

Compliance with complex standards will be of dubious relevance to small business, and will add unnecessarily to the burden of regulation.

If the AASB is not prepared to retain the *reporting entity* concept so that non-reporting entities can continue to produce simplified financial reports, I request the Financial Reporting Council to issue a directive to the AASB for retention of the *reporting entity* concept.

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