

FROM: Trevor Beckingham FCPA
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SUBJECT: IFRS for Small and Medium-sized Entities

COMMENTS:

My background is that I am an Fellow of CPA Australia and my working background is in a small (by Australian Bureau of Statistics definition) Queensland based 3rd generation family motor parts wholesaling business for 30 odd years. Recognising that my scope and exposure in this environment was limited I have also for the past 25 years sought experience through involvement in community organisations being state Secretary/Treasurer of one sporting body for 17 years and Director/Treasurer of 2 sport lead agencies for 18years as well as being a governor of 2 sports foundations and other not for profit organisations. Further to this in a professional basis I am currently a member of the Queensland Divisional Council of CPA, a member of the Qld SME Committee of CPA, a member of the Queensland Small Business Advisory Council under 3 Ministers and represent the Queensland Minister for State Development on the Australian Bankers Assn – Small Business Forum. Previously I have served as a member and chair of the Board Industry and Commerce Committee and latterly a member of the Board SME Committee of CPA Australia. I also act as honorary auditor for a number of community, not for profit organisations. You might say I have a little more than a passing interest and experience in SME's.

I have watched for a period of time the implementation of IFRS in the upper end of the business community in Australia for the past couple of years and the difficulty with which our largest corporations have wrestled with the complexity of the requirements but have been content with the fact that if they wished to be a reporting entity and therefore a player in the global financial markets then this was the price that was to be paid for such involvement. I was then perplexed to note the release by the IASB the Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities and further perplexed to see that the AASB was even contemplating their adoption. It concerns me even further that the composition of the AASB, and I am referring now to the stated background of the members of the Board, many of whom are my learned colleagues from CPA Australia, many of whom I served under on various committees during their presidency of CPA, NOT one of the members cites any experience OR involvement in the SME area. Yet these same people are prepared to sit in isolation and dictate the future reporting requirements of this substantial sector of the Australian economy (95 % of ALL businesses in Queensland by Dept of State Development figures), TOTALLY oblivious to the practical needs, requirements or expectations of the people they are about to regulate. Compounding this is a statement emanating from CPA Australia that research shows that SME's welcome the adoption of IFRS for SME's (research, I am reliably informed, was a Singapore University study that contacted some 500 SME's and asked their opinion of IFRS for SME's. Hardly, conclusive or extensive research). It further intrigues and concerns me that in my 9 years on Board CPA Committees not once were we asked for comment on the subject, yet we were supposed to be there to advise the Board on issues facing the sector and any time we raised such issues they were quashed out of hand as being dealt with by other parties. The tragedy is that the regulators will blindly adopt the AASB recommendation. Yes, I printed it out all 500 odd pages of it, but you know I don't have the time to try and wade through the diatribe to try and discern what exactly is being said, the few pages I read, even with my background I found difficult, but also because I am out there in the real world trying to run a small business and trying to cope with the current regulatory burden.

To my mind there is absolutely NO justification in imposing a reporting regime on people for which there is absolutely NO relevance, NO benefit and NO logical reason. The target audience operate in their own backyard for their own benefit and require special purpose general reports that are tailored to provide the information that is relevant to them to successfully operate their business. My very first accounting lecturer in my very first accounting subject told me that the purpose of accounting was to provide timely information in a timely manner to make timely decisions to operate the business. This person went on to be State an National President of the ICAA. It is the basis on which I have based my entire working life. The people who the regime will be imposed on don't need or want any fancy paperwork that they cannot understand and for many if it all becomes too difficult then they

have the ability to just pull the pin and just walk away, taking their business with them and with an ageing population and many of the business owners in late pre-retirement it is a very viable option, we saw it in 2000 with the adoption of GST. If they wish to play in the big game the that is a decision they can make and they will assess what are the things that they need to do to achieve that, just a blanket application for no perceived benefit or gain is wrong both morally and economically.

In my position(s) I get to talk to a great number of people from varying backgrounds and every time there is a tightening of the regulatory framework many comment to /accuse me that it is accountants just creating work for themselves so that they can have a steady income, especially as computers now do much of the work they once did for their clients. The problem I have is that I tend to agree with them, especially when you look at the composition of the standard setter, the AASB. It is the big firms that benefit the most because they are the only ones with the resources to unravel the complexities of the regulation and they not only advise their clients , for a tidy sum, but sell their expertise to the next tier accounting firms so that they can benefit also. Is it any wonder the public and other members of the profession (bearing in mind they make up 80% of the accounting profession) have become cynical.

It is time that some common sense prevailed and there was proper consultation, not the high level consultants who wouldn't know an SME if they fell over it. Some objectivity brought back into the discussion, why is the AASB so afraid of having someone actually from SME in their midst, are they so elitist that they think they are the font of all wisdom. And why is the discussion so closeted, in order to find out anything about any of this one really has to dig and really know what you are looking for then after all that you have to wade through countless amounts of academic diatribe and legalistic writhing that any pit of vipers would be proud of. Relevance and benefit have NOT been demonstrated and as for economic importance the only impact will be to destroy a thriving sector that is not in the slightest bit interested in the accounting relevance of some academic standard set in London by an even more removed and remote group of boffins.

Yes I am outraged, yes I am upset and yes I have been more emotive than I would have possibly cared to have been and yes the SME sector is very resilient and adapts to every new challenge, but there is a limit to the resilience and this could very well be it and finally NO I do not believe IFRS for Small and Medium-sized Entities is acceptable in ANY shape, size, manner or form

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