



Australian Government
Department of Finance and Administration

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Contact: Branch Manager Peter Gibson
Telephone: 02 6215 3511
e-mail: peter.gibson@finance.gov.au

Professor David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Dear ~~Professor Boymal~~ ^{David}

Small and Medium Enterprises (SME)

I am writing with respect to *Invitation to Comment 1: Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of a Proposed IFRS for Small and Medium Sized Entities*.

The Commonwealth has contributed to the response of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC), and broadly agrees with the matters considered in that response.

However, there is an additional point that Finance would particularly like to make with regard to the proposed threshold for not-for-profit public sector entities.

Finance considers that the proposed threshold of \$25 million revenue/\$12.5 million assets is an inappropriate level for the Commonwealth.

We believe that the intent of the International Accounting Standards Board (IASB) and the AASB is that only a small minority of private sector entities would apply the full suite of International Financial Reporting Standards (IFRS), or their Australian equivalent (AEIFRS). The balance of current reporting entities would apply IFRS for SME or, the largest majority, would be exempt from preparing general purpose financial reports.

It has been argued that most public sector organisations should prepare full AEIFRS reports because of the need for public accountability, and this justifies a very low threshold. Finance agrees that there is a strong need for accountability for all public sector


organisations. However, the nature of the accountability information demanded by users of public sector financial reports is not necessarily that contained in an AEIFRS financial report. Much of the additional accountability information we observe being requested of public sector entities is either disaggregation of information by program (both financial and non-financial information), and transaction level information. Neither of these are currently required under AEIFRS.

Consequently, Finance would argue that use of IFRS for SME does not result in a significant reduction in accountability for public sector entities, and accordingly, a more appropriate level for the threshold would be \$100 million revenue/\$50 million assets, where both administered and controlled balances and transactions are included in the calculation.

I have reviewed the list of Commonwealth entities and consider that entities above this level are those for which the size and nature of the financial risks involved warrant more comprehensive accounting and disclosure. I note that these amounts are less than 1% of the consolidated Commonwealth revenue and assets respectively.

Please contact Tim Youngberry on (02) 6215-2660 if you require any additional information or explanations.

Yours sincerely



Kathryn Campbell
Deputy Secretary
General Manager, Financial Management Group

27 September 2007