

-----Original Message-----

From: Stephanie Kemp On Behalf Of techsubmissions
Sent: Wednesday, 5 December 2007 12:38 PM
To: AASB Mailbox
Subject: FW: FRANKED DIVIDEND INCOME [SEC=AUTO-UNCLASSIFIED]

-----Original Message-----

From: Ms Jennifer Burchard
Sent: Tuesday, 4 December 2007 11:18 AM
To: techsubmissions
Subject: FRANKED DIVIDEND INCOME

The principle of accounting for dividend income on a net basis totally confounds me. How is it that the principles of basic common sense are so often ignored. True it is that bringing the tax credits to account is a time consuming and often complex task and there are instances where there is no entitlement to the imputation credits.

That it should be considered that common practice is divergent from common sense astounds me. Yields are quoted on a net basis and this is a source of mis-information. Franking or imputation credits at the maximum 30% rate are certainly material. Understating dividend and trust distribution income by up to 42.85% certainly produces a false perception of return on investment. The tax provision is consequently overstated and provides a false report on the true income tax cost. Providing information in notes eg in the income tax reconciliation only reduces the readability of reports. By netting off, there is a lack of disclosure and an inappropriate application of the principles of double entry accounting.

On the practicalities of implementing accounting policies, there are developments in the investment industry in the marketing and management of funds under management which have led to deceptive practices and the use of misleading points of differentiation. Allowing a less than correct accounting for assets, liabilities, income and expenses in an increasingly complex investment environment is in my view extremely dangerous. The nature of transactions for existing and evolving investment products needs close scrutiny and wider understanding.

Surely the ICAA and its members are in many ways the watchdogs of propriety and accountability. Funds under management and investment by all entities is increasingly a major part of our economy. How we process transactions for increasingly complex entities and in an increasingly international environment needs standardisation and procedure to provide reliable reporting on a timely basis.

In my opinion, this issue and associated matters should not be allowed to be not correctly resolved at this crucial time. I do not support rejecting the agenda item for dividend imputation.

Regards

Jennifer Burchard