



The Institute of  
Chartered Accountants  
in Australia



24 August 2007

The General Manager  
Corporations and Financial Services Division  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [UPCcomments@treasury.gov.au](mailto:UPCcomments@treasury.gov.au)

Dear Sir/Madam,

**Re: Financial Reporting by Unlisted Public Companies**

CPA Australia, The Institute of Chartered Accountants in Australia and the National Institute of Accountants (the professional bodies) welcome the opportunity to make a submission on the Discussion Paper: Financial Reporting by Unlisted Public Companies. The joint submission does not address unlisted public companies limited by shares.

The professional bodies support some form of differential reporting for companies limited by guarantee that fall below a turnover-related threshold or size test. However, this support does not extend to eliminating all reporting requirements for these entities. The professional bodies believe these entities have both sufficient numbers of members and a general accountability to the community, such that an exemption for these entities from lodging any form of report is inappropriate.

There are varying views amongst the memberships of the three bodies on what the appropriate reporting mechanisms should be. We wish to draw your attention to three possibilities that have been the subject of discussion:

- Some commentators argue the work being done by the International Accounting Standards Board (IASB) in relation to the development of a standard known as 'IFRS for SMEs' provides a suitable level of reporting for companies limited by guarantee that fall below a threshold;
- A further alternative being considered by some commentators is the development of modified accounting that is simpler than the one proposed in 'IFRS for SMEs'. Commentators adopting this position appear to favour a cash basis method;
- Another suggestion is the development of a governance or accountability report that contains the fundamental information relevant to understanding a company limited by guarantee such as the names and positions of those charged with the governance of the entity, financial information in the form of key financial data or abbreviated financial statements and some mandatory notes such as expanded expenses and revenue disclosure and a related parties statement.

These proposals are set out in more detail in the separate submissions of the three accounting bodies.

We would ask Federal Treasury to give further consideration to each of the proposals in the separate submissions. We would consider it sufficient that the report prepared by a company limited by guarantee against the differential reporting regime be able to be audited by a member of the three recognised professional accounting bodies holding a practicing certificate.

While this joint letter states those views that are commonly held across the bodies it is important to acknowledge the fact all three bodies have conducted a range of consultations with members in preparation for drafting submissions to Federal Treasury. All three bodies have run either focus groups or discussion forums with members across the country and have sought members' feedback, which has led to a general consensus on the issues above. An online survey was conducted by the Institute of Chartered Accountants. That online survey data is provided in an appendix to their letter.

We note that the Australian Accounting Standards Board (AASB) currently has its proposals for differential reporting out for public comment. This may have an impact on the alternative reporting models for unlisted public companies stated above.

The professional accounting bodies thank Federal Treasury in advance for its consideration of the issues and we look forward to discussing the various aspects of our collective work in this topic area in the near future.

Please feel free to contact the Mark Shying (CPA Australia) on 03 9606 3903, Bill Palmer (Institute of Chartered Accountants in Australia) on 02 9290 5613 or Tom Ravlic (National Institute of Accountants) on 03 8665 3143 should you wish to discuss any issues further.

Yours sincerely



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