

Mr Bruce Brook
Chairman
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: les.pascoe@treasury.gov.au

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Grant Thornton Australia Limited
ABN 41 127 556 389

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Dear Mr Brook

GRANT THORNTON SUBMISSION- FRC REDUCING COMPLEXITY IN FINANCIAL REPORTING TASK FORCE

Thank you for your 30 June 2011 letter that seeks Grant Thornton Australia Limited's (Grant Thornton) views on 'Complexity in Financial Reporting'. Our responses to the particular issues raised by your FRC Taskforce are set out below.

1. The views of your firm on financial reporting-related issues for preparers of financial reports;

Grant Thornton believes that many preparers of financial reports struggle with the complexities of International Financial Reporting Standards (IFRS) which are re-badged by the Australian Accounting Standards Board (AASB) as Australian Accounting Standards. Whilst Grant Thornton has supported the June 2010 initiative of the AASB in allowing non-publicly accountable entities to adopt a Reduced Disclosure Regime (RDR) which contains less disclosures than full IFRS, the take up has been lower than Grant Thornton had expected.

However disclosures are only part of the simplification issue and that is why the International Accounting Standards Board (IASB) that has the responsibility for issuing IFRS, in 2009 issued a less complex version of IFRS titled IFRS for SMEs based on full IFRS recognition, measurement and disclosures, but much simplified so that non-publicly accountable entities (i.e. generally non-listeds) had a more realistic set of accounting standards that significantly reduce the complexity in financial reporting. Grant Thornton remains disappointed that the AASB rejected allowing Australian entities the choice of adopting IFRS for SMEs, the RDR or stay with full IFRS, particularly given the strong support that remains today from the major Accounting Bodies (CPAA and ICAA), and the Australian Institute of Company Directors, and other interested constituents.

To date the IASB has stated that 73 (January 2011) major countries are considering or have adopted IFRS for SMEs for non-publicly accountable entities, with most recently the United Kingdom announcing that IFRS for SMEs would apply in 2014. In other major countries such as Canada and it appears the United States, a simplified measurement, recognition and disclosure framework has or is being suggested for non-publicly accountable entities with the framework being similar to IFRS for SMEs. Australia remains one of the few countries that require reporting entities to adopt full IFRS recognition and measurement rules.

2. The views of your firm on the information needs of informed investors;

Grant Thornton believes that informed investors need financial information that is credible and hence our support for IFRS for publicly accountable entities and IFRS for SMEs for non-publicly accountable entities.

3. Advice whether your firm has undertaken surveys of preparer issues and user needs on its own account and whether the findings of these surveys either are publicly available or could be shared with the taskforce;

Grant Thornton undertook a Survey in 2009 on IFRS and our findings area available on our website at http://www.grantthornton.com.au/files/gt_ifrs_survey_0509-final.pdf

This Survey found that 80% of respondents supported simplification of IFRS and 83% supported allowing IFRS for SMEs as an option for Financial Reporting in Australia. Grant Thornton is just finalising a 2011 Survey conducted on the Corporate Law Reform simplifications and the AASB's RDR simplifications that were both issued in June 2010. Grant Thornton expects the results of this 2011 Survey will be available by the end of September 2011 and a copy will be sent to you as soon as it is finalised.

4. Any views you may have about the drivers of complexity in financial reporting and steps that could be taken to overcome complexity, either generally or in respect of particular aspects of reporting;

The Australian Government has accepted that Australia should follow the financial reporting framework of the IASB and to the extent that simplifications are able to be made for publicly accountable entities - that remains the IASB's mandate. Grant Thornton encourages research that can be made available on simplification and the recent Scottish and New Zealand Institutes of Chartered Accountants Report on Simplification is useful www.nzica.com/reducingdisclosures.

However for non-publicly accountable entities there is an easy and immediate solution for Australia and that is to adopt IFRS for SMEs which is much more simplified than full IFRS or the AASB's RDR model. The IASB by issuing IFRS for SMEs has acknowledged that full IFRS or even RDR which the IASB rejected when it was

considering reducing complexity in financial reporting, is not generally suitable to non-publicly accountable entities.

If you require anything further on what Grant Thornton believes is the most pressing financial reporting issue in Australia at this time, please feel free to contact me

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED

Keith Reilly

National Head of Professional Standards

cc Lynn Wood, Chairman - FRC

Les Pascoe & Michael Lim - Treasury