

Kate O'Rourke
Principal Adviser
Corporations Policy Unit
Consumer and Corporations Division
The Treasury
Level 5, 100 Market Street
SYDNEY NSW 2000
Via email: reportingthresholds@treasury.gov.au

Dear Kate

RE: REDUCING THE FINANCIAL REPORTING BURDEN BY INCREASING THE THRESHOLDS FOR LARGE PROPRIETARY COMPANIES

At PKF, our Australian firms are members of the PKF International Limited ("PKFI") association of legally independent firms, previously known as Pannell Kerr Forster, whose origins date back to 1869. With almost 300 member firms and affiliates across 360 offices in around 150 countries, PKFI is the 12th largest global accountancy network. PKF is positioned in 13 locations around Australia, we are a leading player in the mid-tier audit market and are proudly a Top 10 firm delivering clarity to our clients offering them the expertise of more than 90 partners and 750 staff, across audit, taxation and specialist advisory services.

PKF supports the Government's proposal to double the thresholds for defining a large propriety company, which is required to prepare and lodge audited financials with the Australian Securities and Investments Commission ("ASIC").

PKF welcomes the changes to bring about cost savings on compliance for companies that otherwise have no other reporting obligations. PKF recognises that many companies have other reporting requirements, such as through finance providers, that encourages strong accounting processes in order to provide reliable information without the need for regulated requirements. Those companies that do not otherwise have other reporting obligations are generally not considered to be of economic significance as there are a small number of users requiring such financial information.

In addition to the above comments, PKF supports the proposal due to the following key issues:

- **Potential impact from introduction of AASB 16: *Leases***

Businesses who have entered into operating lease arrangements will need to capitalise the right of use asset associated with the agreement, which will increase the total gross assets of the company. In some instances, under the current thresholds, this change in accounting policy may have an impact of requiring a company to incur cost burdens of preparing and lodging audited financials with ASIC as well as complying with the new AASB16 requirements.

PKF believes that this is a cost burden that will be favourably avoided with the Governments proposal.

- **Potential impact from the Australian Accounting Standards Board's ("AASB") revised conceptual framework**

The AASB is working to introduce a revised conceptual framework which will impact existing businesses who are considered non-reporting entities. Under the updated conceptual framework, the non-reporting entity concept will no longer exist, and special purpose financial reports will not be able to be prepared for lodgement with ASIC.

We understand from consultation with our clients that most large companies currently considered themselves non-reporting entities and prepare special purpose financial reports for lodgement with ASIC. After the changes to the conceptual framework these companies will need to comply with all Australian Accounting Standards which may result in increased cost burdens.

PKF believes that this is a cost burden that will be favourably avoided with the Government's proposal for some companies.

PKF takes the opportunity to further raise the following points in relation to the Government's proposal:

- **Thresholds for Companies Limited by Guarantee**

The Government should consider revisiting the thresholds for Companies Limited by Guarantee in the same way the thresholds were raised for proprietary companies.

An increase to double the reporting thresholds for Companies Limited by Guarantee would be welcomed by PKF due to the general reduction of cost of compliance considering the potential impact of changes to accounting policies arising from the introduction of AASB 1058: *Income of Not-For-Profit Entities* which may significantly increase revenues.

We thank you for the opportunity to comment on the proposed changes and welcome any enquiries in relation to our comments.

On behalf of PKF,

Yours sincerely



HAYLEY KEAGAN

Director of Technical - Financial Reporting and Assurance