



New South Wales
TREASURY

Mr Paul Pacter
Director of Standards for SMEs
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Contact D. McHugh
Telephone: (02) 9228 5340
Our Reference:
Your Reference:

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Dear Mr Pacter

**Discussion Paper: Preliminary Views on Accounting Standards for
Small and Medium-sized Entities**

I refer to your Discussion Paper on Accounting Standards for Small and Medium-sized Entities (SMEs) and the request for comment. New South Wales Treasury develops and issues accounting policies for NSW public sector entities.

NSW Treasury agrees that 'public accountability' rather than 'size' is the more appropriate basis for distinguishing SMEs from other entities (Preliminary View 3.2). The 'public accountability' test is similar to the 'reporting entity' concept adopted in Australia and in the IASB *Framework*. In Australia, the application of each Accounting Standard is also linked to the 'reporting entity' concept. Relevant extracts from the Australian *Framework* and Accounting Standards are attached.

In Australia, most public sector government departments and statutory authorities, by their nature, are reporting entities subject to the full Accounting Standard requirements (Statement of Accounting Concepts SAC 1, para 24). Similarly, if the Preliminary Views were applied, public sector entities would satisfy the 'public accountability' principle and would be required to apply the full Accounting Standard requirements.

NSW Treasury strongly agrees that public sector entities should apply full Accounting Standards and not the SME standards. To reinforce this view, Treasury supports Preliminary View 3.4 and the requirement to have the assent of all owners before an entity can use the SME standards.

Notwithstanding this, it is unclear how the concept of 'public accountability' relates to, or is distinct from, the 'reporting entity' concept. For example, in Australia, the indicators for a 'reporting entity' (SAC 1, paras 20-22) are similar to the Preliminary View 3.3 'presumptive indicators of public accountability'. Therefore, there may be some overlap in these concepts that may cause difficulties, particularly in jurisdictions where the application of the full Accounting Standards is linked to the 'reporting entity' concept.

If you have any queries, please contact me on +612-9228-3019.

Yours faithfully

Robert Williams
for Acting Secretary