



**CHARTERED SECRETARIES  
AUSTRALIA**

*Leaders in governance*

20 July 2010

The Honourable Chris Bowen MP  
Minister for Financial Services, Superannuation and Corporate Law  
Room M124  
Parliament House  
Canberra ACT 2600

By email: [ashley.midalia@treasury.gov.au](mailto:ashley.midalia@treasury.gov.au)

Dear Minister Bowen

**Corporations Amendment (Corporate  
Reporting Reform) Act 2010**

Chartered Secretaries Australia (CSA) is the independent leader in governance and risk management. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, it is focused on improving organisational performance and transparency. Our members are all involved in governance, corporate administration and compliance with the *Corporations Act 2001* (C'th) (the Act). Our members work in both public listed and public unlisted companies, and many serve as officers of not-for-profit organisations, or manage the affairs of subsidiary companies of public listed companies, which are frequently public unlisted companies.

We are writing to express our concerns with the late amendment to the Corporations Amendment (Corporate Reporting Reform) Bill 2010, that saw the insertion of a provision that ties the calculation of 'assets' and 'liabilities' to the International Financial Reporting Standards (IFRS) in relation to the reform of the test for the payment of dividends. This provision was not subject to public consultation as it was added once consultation on the Exposure Draft had closed.

CSA supported, and remains supportive of, the repeal of the 'profits test' and its replacement with a more flexible requirement allowing a company to pay dividends if the company's assets exceed its liabilities and the excess is sufficient for the payment of the dividend; it is fair and reasonable to the company's shareholders as a whole; and it does not materially prejudice the company's ability to pay its creditors. CSA commends the government for introducing this reform.

However, by tying the calculation of assets and liabilities to IFRS, the Act now requires companies that are not currently obliged to prepare their financial statements in accordance with IFRS to consider and apply IFRS before paying a dividend.

This creates a new and unreasonable compliance and cost burden for a great many companies (many of which are small businesses), which defeats the policy objective of the Act to reduce the regulatory burden on companies. In CSA's submission, such cost impost would be of

overwhelming economic detriment to a great many small proprietary companies and of no legitimate probative value to the spirit and intent of the bill.

We strongly urge the government to delete the new provision tying the calculation of assets and liabilities to IFRS in the spring sitting of parliament, to ensure that the increase in the regulatory burden placed on small companies is removed as soon as possible.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tim Sheehy". The signature is fluid and cursive, with the first name "Tim" and last name "Sheehy" clearly distinguishable.

Tim Sheehy  
CHIEF EXECUTIVE

cc Mark Sewell, Manager Corporate Reporting and Accountability Unit, Treasury