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DISCLOSURE | Reporting hurdles same for public and private

Open the company books

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PRIVATE companies will be forced to reveal how much directors' earn and meet complex reporting requirements under proposed amendments to accounting standards.

The changes are aimed at bringing Australia into line with international standards but are alarming small and medium businesses.

All privately owned and publicly listed companies lodging documents with the Australian Securities and Investments Commission would have to meet the same disclosure standards, Deloitte partner Jason Handel said.

"It is all around the disclosure," he said. "If a company reports to ASIC, it is seen as a reporting entity and would need to include full disclosures. But there are a lot of mum-and-dad businesses who report to ASIC now but have a minimal amount of disclosure.

"This will impose a significant impost and cost on private businesses for little benefit."

The changes have been proposed by the Australian Accounting Standards Board, the Commonwealth agency responsible for the standards that govern how companies report their activities.

Currently, a company is required to prepare financial statements where it meets at least two of these criteria:

TURNOVER above $10 million.

GROSS assets over $5 million.

MORE than 50 employees.

However, only reporting entities such as listed companies are required to have full disclosure in their statements.

Full disclosure is intended to inform investors and potential investors but was irrelevant to small business, Family Business Australia committee member and business owner Peter Ciliberto said.

"What they are doing is effectively imposing public company compliance requirements on to a private company," Mr Ciliberto said. "These might be not only necessary, but essential in public companies, but cannot be justified in private companies.

"To impose this sort of compliance on a family business is unnecessary. It would be complex, too extensive and expensive.

"Companies are private for a reason. I fail to see what benefit there would be to the community."

The proposed amendments will require companies reporting to ASIC to publicly disclose the break-up of large revenue and expense items, and the amount paid and rationale for remunerating key management personnel.

In a small company, this is likely to include the business owners.

"Anything that increases the regulatory burden on family business is to be viewed with caution," national chief executive of Family Business Australia Philippa Taylor said. "By definition, most in the family business sector are directors and managers,"

"Not only would this be another unproductive impost on the part of regulators, but it would enforce an unnecessary degree of disclosure on family businesses."

The Australian Accounting Standards Board – which will consider responses before the proposed amendments are finalised – would not comment until submissions close on Thursday.