



SUBMISSION

Prepared by
New Zealand Retailers Association

For the
Ministry of Economic Development

On the
**Statutory Framework for Financial Reporting
Discussion Document**

January 2010

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Introduction

These submissions are presented by the New Zealand Retailers Association (NZRA)

The Association is the largest trade association involved in the retail industry in New Zealand. We represent an industry that has annual sales of \$66billion and which employs 325,000 people (approx 20% of the New Zealand workforce) in more than 49,000 outlets throughout New Zealand.

Our national membership includes general merchandise chains, specialised chains, traditional department stores, grocery stores, supermarkets and thousands of owner operators spread throughout the country. The membership also includes a number of specialised trade groups representing manufacturers, distributors and retailers in the plumbing materials, metal fastener, pet, equestrian, jewellery, bicycle and sporting goods sectors.

Submission

The Association notes the main purposes of the MED Statutory Framework for Financial Reporting document are to propose changes to the standards-setting infrastructure and discuss which entities should have financial reporting obligations. The main objective is to create a financial reporting framework that is coherent, complete and consistent. We also note that there is a need to balance the benefits of financial reporting against the compliance costs, to have a system that is as simple and clear as practicable and promote New Zealand-Australia financial reporting convergence.

The Association is a member of Business New Zealand's Associated Industry Group, and we have provided feedback on, and are supportive of the submissions made by Business New Zealand on the MED discussion document, namely that:

- If an establishment of an XRB is supported by the majority of submitters, the next step by MED is to outline costs and fee settings that are open to wide public consultation in terms of the level(s) set;
- The thresholds of asset values, annual revenue and numbers of FTE employees remain as appropriate measures of economic significance;
- The current two-out-of-three approach remains;
- If the number of FTE employees is increased; it should be increased from no more than 50 to no more than 100;
- The maximum specific time requiring each monetary amount to be reviewed is no more than 10 years;
- MED takes into account the main views of submitters regarding the recommendation of economically significant companies being required to

produce and file audited financial reports as outlined in the Financial Reporting Act 1993 Review Part II;

- Grandfathering provisions as outlined in paragraph 82 of the Document do not proceed;
- The proposal for large non-issuer companies (and other entities that may be impacted, such as non-profit entities or Maori Land Trusts that meet the economic significance indicator) to file financial statements **does not** proceed;
- The proposals for small and medium companies as outlined in part 5.4.3 of the Document proceeds;
- Overseas-incorporated companies that are carrying on business in New Zealand that are not considered to be 'large' should have their filing requirements removed;
- Sections 29A, 35A and 35B of the Financial Reporting Act be retained; and
- The operating expenditure figure used to exempt private non-profit entities from preparing GPFER should increase significantly from \$20,000 to at least \$100,000. We would also support an increase to \$250,000 as a possibility.

The Association wishes to specifically note our opposition to the proposal for large non-issuer companies (and other entities that may be impacted, such as non-profit entities or Maori Land Trusts that meet the economic significance indicator) to file financial statements. We are concerned that:

- Private companies would lose their financial privacy right, but would not gain the capital-raising benefits of public ownership;
- Owners of the businesses lose privacy over what is effectively their personal finances – a privacy accorded to all other individuals, including managers and owners of publicly-held businesses;
- Commercial rivals, particularly publicly owned rivals, would see information that assists them in competing with private companies (i.e. deciphering business operations and pricing structures); and
- Questions regarding how the definition of an economically significant entity and the meaning of the levels of consolidated assets and revenue would properly apply in a group situation for particular subsidiaries that are not considered economically significant.

Accordingly, we recommend that the proposal does not proceed.

One further point which we wish MED to take into consideration in regards to the turnover levels for the 3 part test of business size. Normally a retail establishment will have a different ratio of staff numbers and assets employed relative to turnover

than most other businesses. As retailers are right at the end of the food chain (the final step before the consumer) the turnover tends to be higher relative to the other two measures. Retail turnover is measured at consumer price levels.

The Association would welcome the opportunity to discuss our submissions further with MED.

New Zealand Retailers Association
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