



Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

8 December 2010

Dear Kevin

**Re: AASB ED 205 *Extending relief from Consolidation, the Equity Method and Proportionate Consolidation***

We are responding to your request for comment on the above Exposure Draft (ED).

We support the Board's proposals to extend the relief from consolidation, the equity method and proportionate consolidation. We agree that the relief should be available in situations where financial statement users can satisfy their information needs through the consolidated financial statements prepared by a parent entity higher up in the group.

Our detailed responses to the specific matters for comment are provided in Appendix 1.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 3868 if you would like to discuss our comments further.

Yours sincerely,

A handwritten signature in black ink that reads 'Jan McCahey'.

**Jan McCahey**  
Partner, PricewaterhouseCoopers

**ED 205; Specific matters for comment**

**(a) Is extending relief in the following situations appropriate?**

*(i) Relief from preparation of consolidated financial statements to circumstances specified in proposed paragraph Aus10.2 of AASB 127.*

We believe that extending relief in this situation is appropriate on the basis that this does not result in a loss of information. The proposed new paragraph Aus10.2 ensures that relief is only applicable where the ultimate or any intermediate parent entity prepares and lodges a consolidated financial report which includes at least the same information as would be included in any consolidated financial report of the entity seeking relief, if that were to be prepared.

Further, we regard the proposed relief as appropriate because it will remedy an unintended consequence of the Board's previous decision to implement the Reduced Disclosure Regime (RDR) in Australia. In the absence of the relief, the RDR imposes a higher financial reporting burden on parent entities within a group where the regime has been adopted by the ultimate or intermediate parent in preparing their consolidated accounts.

We also support the proposal to extend the relief to not-for-profit entities where non-compliance with IFRS is an unintended consequence of applying Australian specific standards, such as AASB 1004 *Contributions*.

*(ii) Relief from application of the equity method to circumstances specified in proposed paragraph Aus13.1 of AASB 128.*

Extending relief in this situation is appropriate for the same reasons as set out under (i) above.

*(iii) Relief from application of proportionate consolidation or the equity method to circumstances specified in proposed paragraph Aus2.1 of AASB 131.*

Extending relief in this situation is appropriate for the same reasons as set out under (i) above.

**(b) Does the proposed relief address all of the relevant circumstances?**

We believe that the proposed relief provided via new paragraph Aus10.2 in AASB 127, Aus13.1 in AASB 128 and Aus 2.1 in AASB 131 covers all relevant circumstances in which relief would be appropriate under the principles established in the ED. Table A in the Basis for Conclusions provides a useful and easy to understand summary of the relief. We encourage the Board to consider including this in guidance released with the amendments or retaining this in an appendix to the published version of one of the standards.



**(c) Overall, would the proposals result in financial statements that would be useful to users?**

Yes. The proposals provide flexibility to allow financial reports to be tailored to meet their users' needs. We expect that the proposed relief will be applied in most circumstances as users are likely to rely on information included in consolidated accounts prepared at a higher level in the group.

However, consolidated accounts can still be prepared by a parent entity within a group where the directors deem this to be necessary or where requested by a minority shareholder or the ultimate parent entity.

**(d) Are the proposals in the best interests of the Australian and New Zealand economies?**

We believe the proposals are in the best interests of the Australian and New Zealand economies as they will reduce the financial reporting burden of intermediate parent entities.