

List of Submissions to ED 205 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*

- 1 HoTARAC
- 2 Grant Thornton
- 3 Deloitte
- 4 KPMG
- 5 Representatives of the Australian Accounting Profession
(CPA Australia, The Institute of Chartered Accountants in Australia and National Institute of Accountants)
- 6 Ernst and Young



Department of Treasury and Finance

Mr Kevin Stevenson
Chairman
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23 DEC 2010

Dear Mr Stevenson

ED 205 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*

The Heads of Treasuries' Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to respond to the Board's Exposure Draft ED 205 *Extending relief from Consolidation, the Equity Method and Proportionate Consolidation*.

HoTARAC supports the proposals. It is appropriate to extend to those compliant with Australian Accounting Standards the relief currently available to those compliant with International Financial Reporting Standards, since the relevant issue in this instance is whether there would be an overall loss of information reported by a group of reporting entities.

HoTARAC also requests that the AASB review Table A included in the "Basis for Conclusions" of the Exposure Draft. There appear to be inconsistencies between the current and proposed requirements as described in the Exposure Draft and AASB 127, and the summary in Table A in the 'Basis for Conclusions' section. The specific inconsistencies are detailed in Appendix A for your consideration.

Please contact Peter Gibson 02 6215 3551 at the Commonwealth Department of Finance and Deregulation if you would like to discuss any of the matters raised by HoTARAC.

Yours sincerely

Grant Hehir

CHAIR**HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE**

December 2010

Table A in the “Basis for Conclusions”

HoTARAC requests that the AASB review Table A in the “Basis for Conclusions” of the Exposure Draft. It is not clear whether it is entirely correct to conclude, in respect of the first scenario in each of Situations 1 – 4, that this exemption is already available under AASB 127 (as implied in the footnote to Table A). Any for-profit public sector entities would arguably not be complying with pure IFRS (as currently required by AASB 127).

Following on from this point, exemptions would still not be allowed under the proposed amendments for the following two scenarios (ignoring the impression that may otherwise be given by Table A) –

	<i>(variant of situation 1)</i>	<i>(variant of situation 2)</i>
<i>Ultimate or intermediate parent</i>	FP public sector – Tier 1	FP public sector – Tier 1
<i>Parent</i>	FP public sector – Tier 1	FP public sector – Tier 2

In both of these scenarios, it would arguably be reasonable to allow an exemption to the lower level parent, for consistency with the principle underlying other scenarios. If the published result is intentional, it is suggested that the “Basis for Conclusions” reflect this.

In addition, HoTARAC suggests that the AASB include a note in the “Basis for Conclusions” explaining the rationale for all the five scenarios where the exemption is not available following the amendments. This will provide further useful information to users.



Grant Thornton

Mr Kevin Stevenson
 Chairman
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23 December 2010

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Dear Kevin

AASB ED 205 EXTENDING RELIEF FROM CONSOLIDATION, THE EQUITY METHOD AND PROPORTIONATE CONSOLIDATION

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED 205 (the ED) and the accompanying Basis for Conclusions.

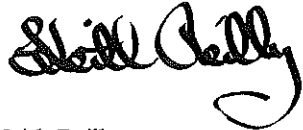
Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies, and public and private businesses, and this submission has benefited with some initial input from our clients, Grant Thornton International, and discussions with key constituents.

We support the proposals given that for Consolidations, the IASB has in its IFRS for SMEs accounting standard allowed relief where there has been compliance with either full IFRS or IFRS for SMEs. For equity accounting the IFRS for SMEs accounting standard allows entities the choice of the cost model so no exemption is needed. We are surprised that the Basis for Conclusions does not mention the IFRS for SMEs authority, and on that basis we see no reason to add any further comment on the AASB's specific matters listed in the ED.

Grant Thornton also believes that the AASB should allow the IFRS for SMEs accounting standard as an option for non-publicly accountable entities in addition to full IFRS or the RDR.

If you require any further information or comment, please contact me.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



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National Head of Professional Standards

Deloitte.

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The Chairman
Australian Accounting Standards Board
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11 January 2011

Dear Kevin


Re: ED 205 Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

Deloitte Australia welcomes the opportunity to comment on Exposure Draft ED 205 'Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation'.

We welcome the AASB's introduction of additional relief from consolidation, equity accounting and proportionate consolidation. Our responses to the specific matters for comment requested by the AASB are set out in Appendix A.

If you have any questions concerning our comments, please contact Melissa Sim on (02) 9322 7934.

Yours sincerely



Melissa Sim
Partner
Deloitte Touche Tohmatsu

Appendix A Specific Matters for Consideration

The AASB would particularly value comments on whether:

(a) extending relief from:

- (i) preparing consolidated financial statements to circumstances specified in proposed paragraph Aus10.2 of AASB 127 is appropriate;*
- (ii) application of the equity method to circumstances specified in proposed paragraph Aus13.1 of AASB 128 is appropriate;*
- (iii) application of proportionate consolidation or the equity method to circumstances specified in proposed paragraph Aus2.1 of AASB 131 is appropriate; and*

We agree with the introduction of additional relief from consolidation, equity accounting and proportionate consolidation. The introduction of the exemption ensures entities adopting the reduced disclosure regime (RDR) receive the same exemption as those entities applying full IFRS. We believe it is appropriate to align the consolidation rules under the two regimes.

(b) the proposed relief addresses all the relevant circumstances;

We believe the relief addresses all the relevant circumstances.

(c) overall, the proposals would result in financial statements that would be useful to users; and

In our opinion, the proposals would not lead to a reduction in information that would result in financial statements not being useful to users.

(d) the proposals are in the best interests of the Australian and New Zealand economies.

We believe the introduction of additional relief from consolidation, equity accounting and proportionate consolidation is in the best interest of the Australian economy.



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The Chairman
Australian Accounting Standards Board
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Our ref Submission – ED 205

11 January 2011

Dear Sir

Submission - ED 205

We are pleased to have the opportunity to comment on ED 205 *Extending relief from Consolidation, the Equity Method and Proportionate Consolidation* (ED 205) issued by the Australian Accounting Standards Board.

Overall we support the proposals outlined in ED 205.

Our comments on the specific matters raised for comment and on other issues are set out in Appendix 1.

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We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Carol Warden on (02) 9335 8402.

Yours faithfully

Martin McGrath
Partner, Department of Professional Practice

Appendix 1

Topics that the AASB has requested specific comments on:

(a) extending relief from:

- i. preparing consolidated financial statements to circumstances specified in proposed paragraph Aus10.2 of AASB 127 is appropriate;*
- ii. application of the equity method to circumstances specified in proposed paragraph Aus13.1 of AASB 128 is appropriate;*
- iii. application of proportionate consolidation or the equity method to circumstances specified in proposed paragraph Aus2.1 of AASB 131 is appropriate; and*

We support the proposals in ED 205 regarding extending relief from consolidation, the equity method and proportionate consolidation in the circumstances outlined in the ED.

(b) the proposed relief addresses all the relevant circumstances;

We consider that the proposed relief addresses all the relevant circumstances.

(c) overall, the proposals would result in financial statements that would be useful to users; and

We consider that the proposals would result in financial statements that would be useful to users.

(d) the proposals are in the best interests of the Australian and New Zealand economies.

We consider that the proposals are in the best interests of the Australian and New Zealand economies.

10 January 2011

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
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Via email: standard@asb.gov.au

Dear Kevin

AASB Exposure Draft ED 205 Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

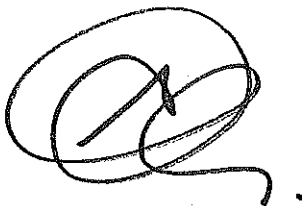
Thank you for the opportunity to comment on the AASB Exposure Draft ED 205 *Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*. CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have considered this exposure draft and our comments follow.

The Joint Accounting Bodies represent over 190,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

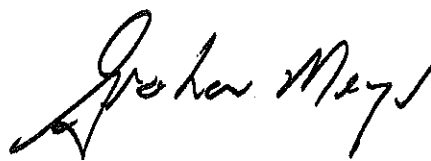
The Joint Accounting Bodies support the Australian Accounting Standards Board's proposal to reduce the need for intermediary parents to produce consolidated accounts, apply the equity method and apply proportionate consolidation when this is done in the parent higher up in the group.

Our response to matters on which specific comment is requested is included in the attached Appendix.

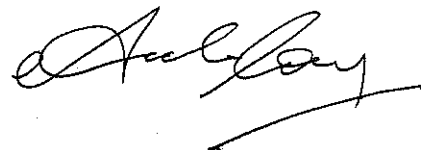
Yours sincerely



Alex Malley
Chief Executive Officer
CPA Australia Ltd



Graham Meyer
Chief Executive Officer
Institute of Chartered
Accountants in Australia



Andrew Conway
Chief Executive Officer
National Institute of
Accountants

Representatives of the Australian Accounting Profession



cpaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au



nia.org.au

The AASB would particularly value comments on whether:

a. extending relief from:

- i. preparing consolidated financial statements to circumstances specified in proposed paragraph Aus10.2 of AASB 127 is appropriate;**
- ii. application of the equity method to circumstances specified in proposed paragraph Aus13.1 of AASB 128 is appropriate;**
- iii. application of proportionate consolidation or the equity method to circumstances specified in proposed paragraph Aus2.1 of AASB 131 is appropriate.**

The Joint Accounting Bodies support the decision of the AASB to extend relief in the areas identified above i to iii.

b. the proposed relief addresses all the relevant circumstances.

The Joint Accounting Bodies note that when the proposed relief is operational, the users of the financial statements of the lower level parent, investor or venturer will be able to satisfy their information needs through the consolidated financial statements prepared by the higher level parent. We consider this appropriate as it addresses all relevant circumstances and we would not support the extension of the relief to different situations.

c. overall, the proposals would result in financial statements that would be useful to users.

The Joint Accounting Bodies believe that the proposals would result in financial statements that would be useful to users.

d. the proposals are in the best interests of the Australian and New Zealand economies.

The Joint Accounting Bodies believe the proposals are in the best interests of the Australian economy. As supporters of the work of both boards to revise their respective suites of standards in order to bring the two sets of pronouncements closer together, we would encourage the New Zealand board to reflect on these proposals as part of its process in determining its approach to differential reporting.

14 January 2010

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street
West Victoria 8007

Exposure Draft 205 *Extending Relief from Consolidation, the Equity method and Proportionate Consolidation*

Dear Mr Stevenson

Ernst & Young Australia is pleased to provide our comments on the AASB's Exposure Draft 205 *Extending Relief from Consolidation, the Equity method and Proportionate Consolidation* (ED 205).

We believe the provision of relief in the circumstances proposed in ED 205 is necessary and appropriate and therefore support its inclusion in Australian Accounting Standards (AAS). Further, we believe the proposed relief addresses all relevant circumstances.

We also consider Table A to be particularly useful in illustrating the application of the proposed relief and believe such a table should be included in AAS. For example, as an Aus Appendix to, say, AASB 127 *Consolidated and Separate Financial Statements*.

Whilst we are supportive of the proposed relief we have some concerns with the proposed application paragraphs.

Firstly, whilst the proposed relief makes reference to Tier 1 and Tier 2 of the Reduced Disclosure Requirements (RDR) regime, we note that the requirements regarding early adoption under ED 205 and AASB 1053 *Application of Tiers of Australian Accounting Standards* are not aligned.¹ In particular, ED 205 proposes that its amendments may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011. However, AASB 1053 does not permit early adoption for annual reporting periods that begin before 1 July 2009. This would appear to suggest that entities complying with Tier 2 cannot apply the proposed relief in ED 205 to annual reporting periods that begin before 1 July 2009 because it is not possible to apply AASB 1053 prior to that date. We acknowledge that for many entities application to annual reporting periods that begin before 1 July 2009 is unlikely. However, we believe that the misalignment of early adoption requirements may present a source of confusion for those entities that may want to avail themselves of the proposed relief in ED 205 for

¹ Application paragraphs within ED 205 and AASB 1053 are reproduced in Appendix A.

annual reporting periods that begin *before* 1 July 2009. To alleviate this confusion we believe that any amending standard arising from ED 205 should explicitly state that entities complying with Tier 2 may apply the proposed relief to annual reporting periods on or after 1 July 2009 but before 1 July 2013. This ultimately aligns the application requirements of ED 205 and AASB 1053 such that early adoption of ED 205 for those complying with Tier 2 is not permitted for annual reporting periods that begin before 1 July 2009 - consistent with AASB 1053. Further, we believe that it should be clarified that this amendment can only be early adopted if AASB 1053 is early adopted and vice versa.

Our second concern with the proposed application paragraphs relates to not-for-profit (NFP) entities. Consistent with the objective of ED 205, we believe it is appropriate that relief be provided to a NFP parent, investor or venturer that has an Australian NFP parent higher up in the group that prepares consolidated financial statements available for public use incorporating the information that would otherwise have been reported in the NFP parent's consolidated financial statements or the NFP investor's or venturer's financial statements. However, we are concerned that the reference to the RDR regime in the proposed relief and the misalignment of early adoption requirements for ED 205 and AASB 1053 may cause confusion as to whether NFP groups complying with *all* requirements within AAS (i.e. Tier 1 under the RDR regime) may avail themselves of the proposed relief for annual reporting periods beginning before 1 July 2009. To alleviate this confusion we believe that any amending standard arising from ED 205 should explicitly state that NFP entities complying with *all* requirements within AAS may apply the proposed relief to annual reporting periods on or after 1 January 2005 but before 1 July 2011.

We believe that our concerns above may be best addressed by developing separate early adoption paragraphs for (1) entities complying with Tier 2 and (2) NFP entities complying with all requirements within AAS.

Finally, the proposed application paragraph 4 within ED 205 states:

"This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011 provided AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments is also adopted early for the same period. ..."

Whilst we agree with the proposal to also require early adoption of AASB 2007-4 we note that there is no other mention of AASB 2007-4 throughout the ED. Further, AASB 2007-4 is no longer available on the AASB website, making it difficult to obtain the details of this amendment. To assist preparers we believe that any amending standard arising from ED 205 should include commentary on the nature of the amendments that arose from AASB 2007-4.

We would be pleased to discuss our comments further with you. Please contact either Lynda Tomkins (lynda.tomkins@au.ey.com or (02) 9276 9605) or Tony Donnelly (tony.donnelly@au.ey.com or (03) 9288 8522) if you wish to discuss any of the matters raised in this response.

Yours sincerely



Ernst & Young

Appendix A: Application paragraphs within ED 205 and AASB 1053

ED205 proposes the following application paragraphs:

- 3 This Standard applies to annual reporting periods beginning on or after 1 July 2011.
- 4 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011 provided AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* is also adopted early for the same period. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

AASB 1053 contains the following in relation to its application:

- 3 This Standard applies to annual reporting periods beginning on or after 1 July 2013.
 - 4 This Standard may be applied to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013. When an entity applies this Standard to such an annual reporting period it shall disclose that fact.
- BC95 However, the Board decided to allow early adoption of Tier 2 requirements for those entities that want to avail themselves of the reduced disclosure requirements under that Tier before the mandatory application date of 1 July 2013. Early adoption is permitted for annual reporting periods that begin on or after 1 July 2009 but before 1 July 2013. *The Board decided not to permit early adoption for annual reporting periods that begin before 1 July 2009 due to the difficulty of identifying relevant Standards applying to those earlier periods and making consistent judgments as to which disclosures in those Standards would be applicable under Tier 2.* (Italicised for emphasis)