



AASB 11 February 2015  
Agenda paper 9.4 (M143)

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007  
via email: standard@asb.gov.au

16 September 2013

Dear Mr Stevenson,

**Re: Tier 2 supplement to AASB ED 230 *Classification and Measurement: Limited Amendments to AASB 9* and Tier 2 supplement to AASB ED 237 *Financial Instruments: Expected Credit Losses***

We are responding to your request for comments on the Tier 2 supplement of the following Exposure Drafts (ED):

- ED 230 *Classification and Measurement: Limited Amendments to AASB 9*
- ED 237 *Financial Instruments: Expected Credit Losses*

We appreciate the Board's aim to issue complete Australian standards which address the Tier 2 requirements as soon as the equivalent international standards are approved. We also understand that to be able to do so, it is necessary to consult with stakeholders as early as possible. However, we question whether this is necessarily the best use of resources for standards such as AASB 9, where there continues to be debate and it is possible that the final standards will differ from their exposure draft versions. In particular, we are concerned that a second round of consultation may be necessary if the accounting treatment and, as a result, the disclosures in the final standards differ significantly from those proposed in the exposure drafts.

In our view, a short delay of three to six months between the issue of a new standard and the finalisation of the reduced disclosures applicable under this new standard would still be acceptable. In our experience, entities reporting under Tier 2 of the reduced disclosure regime are less likely to adopt a new standard early and it should therefore be unlikely to cause major issues for those companies should there be a short delay.

Leaving these concerns aside, we have provided specific comments on the exposure drafts listed above in Appendix A to this letter.

We would welcome the opportunity to discuss our firm's views if you wish. Please contact me on (02) 8266 4664 if you would like to have a discussion.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Brunner', with a stylized flourish at the end.

Paul Brunner  
Partner, PricewaterhouseCoopers  
paul.brunner@au.pwc.com

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)



## Appendix A: Specific matters for comment

1. With regards to the Tier 2 supplement to ED 230, whether you agree with the AASB disclosure proposals for Tier 2 in the Proposed Reduced Disclosure Requirements section below. Your view is requested only in respect of proposed changes in disclosure requirements arising from ED 230, which are shown as underlined for new text and struck through for deleted text. In addition to any other comments, your view is particularly sought on the proposal to exempt entities applying Tier 2 requirements from making the disclosures reflected in the amendments to paragraph 8(h). Some Board members are of the view that the proposed disclosure requirements in paragraph 8(h) should be retained for entities applying Tier 2 requirements on the basis that there is a fundamental difference between investments in equity instruments measured at fair value through other comprehensive income (FVOCI) using the irrevocable option and investment in debt instruments mandatorily measured at FVOCI. Those Board members are of the view that the proposed disclosure meets the objective of IFRS 7, as set out in paragraph 1 of that Standard, to require entities to provide disclosures in their financial statements that enable users to evaluate

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks;

We agree with the proposal to exclude the disclosure requirements of paragraph 8(h). We do not consider the disclosure of mandatory versus designated accounting treatment to be a fundamental disclosure for Tier 2 entities with regards to fair value through profit or loss nor fair value through other comprehensive income. The exclusion of these disclosures is consistent with the IASB's conclusion for *IFRS for SMEs* with regards to the disclosure requirements of paragraph 8(a), and therefore in-line with the AASB Tier 2 disclosure principle 1(a).

2. With regards to the Tier 2 supplement to ED 237, whether you agree with the AASB disclosure proposals regarding paragraphs 28-45, IE72 and IE73 of ED 237 in relation to Tier 2 entities as set out in the Proposed Reduced Disclosure Requirements section below;

We agree with the disclosure proposals, except for our comments as outlined below:

(i) *Paragraph 37*

The requirements of paragraph 37 are substantially similar to the information that is already required to be disclosed by AASB 7 paragraph B5. As these disclosures are required to be made in Tier 2 financial statements, we do not support the inclusion of AASB 9 paragraph 37 for Tier 2 entities.

(ii) *Paragraphs 39, 42 and 45*

The disclosures outlined in the exposure draft paragraphs 39, 42 and 45 duplicate disclosures required by other standards, but are more specific in their requirements. Consequently, we propose that the disclosures required by these paragraphs not be included in the reduced disclosure requirements for AASB 9.



An example is the disclosure of inputs, assumptions and estimation techniques which is required by paragraphs 39 and 42 of the proposed amendments to AASB 9, and also required by AASB 101 *Presentation of Financial Statement*.

With regards to paragraph 45 of the proposed amendments to AASB 9, the disclosure requirements are similar to the disclosures required by paragraph 16 of AASB 7.

(iii) *Paragraph 40*

The exposure draft proposes to retain the disclosure requirements of paragraph 40, which requires disclosure of collateral or other credit enhancements received. Similar disclosure is required by AASB 7 paragraphs 15 and 36, both of which were removed from reduced disclosure requirements in accordance with AASB 2010-2 paragraph 18. To ensure consistency between ED 237 and AASB 2010-2, we recommend that the Board does not include paragraph 40 in the reduced disclosure requirements for AASB 9.

**3. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

**(a) not-for-profit entities; and**

**(b) public sector entities;**

We are not aware of any specific regulatory or other issues arising in the Australian environment in respect of the abovementioned entities that should be considered as part of the proposals.

**4. whether, overall, the proposals would result in financial statements that would be useful to users;**

Subject to the specific comments made in this submission, we believe that the proposals would result in financial statements that are useful to users.

**5. whether these proposals are in the best interests of the Australian economy;**

The introduction of the reduced disclosure regime has significantly reduced the regulatory burden for those entities that are eligible to report under Tier 2 of the new regime. It is therefore in the best interests of the Australian economy if new standards provide consistent disclosure relief for Tier 2 entities on a timely basis.

**6. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals, whether quantitative (financial or nonfinancial) or qualitative.**

Our analysis of the costs and benefits of the proposed amendments is outlined above.

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

16 September 2013

## **Invitation to comment on Tier 2 Supplement to AASB Exposure Draft ED 230**

Dear Chairman

Ernst & Young Australia is pleased to provide comments on the *Tier 2 Supplement to AASB Exposure Draft ED 230* (the 'Tier 2 Supplement').

Overall, we support the proposals in the Tier 2 Supplement to reduce the disclosures applicable to Tier 2 reporting entities in relation to the proposed amendments to AASB 7 *Financial Instruments: Disclosures*.

Our responses to the specific questions are provided in Appendix A to this letter.

We would be pleased to discuss our comments further with you. Please contact Lynda Tomkins ([lynda.tomkins@au.ey.com](mailto:lynda.tomkins@au.ey.com) or (02) 9276 9605) or Vincent Sheehan ([vincent.sheehan@au.ey.com](mailto:vincent.sheehan@au.ey.com), or (03) 9655 2941) if you wish to discuss any of the matters in this response.

Yours sincerely



Ernst & Young

## APPENDIX A

### SPECIFIC MATTERS FOR COMMENT

1. Whether you agree with the AASB disclosure proposals for Tier 2. Your view is particularly sought on the proposal to exempt entities applying Tier 2 requirements from making disclosures reflected in the amendments to paragraph 8(h);

We agree with the proposals in the Tier 2 Supplement.

2. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - a. not-for-profit entities; and
  - b. public sector entities;

We are not aware of any significant regulatory or other issues that are likely to affect the implementation of the proposals contained in this Tier 2 Supplement.

3. Whether, overall, the proposals would result in financial statements that would be useful to users;

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

4. Whether the proposals are in the best interest of the Australian economy; and

We believe that the proposals are in the best interests of the Australian economy.

5. Unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

We believe that there will not be additional costs incurred by Tier 2 entities to comply with the proposed amendments. If there were additional costs, these costs will not outweigh the benefits to users of financial statements.



Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007  
via email: standard@asb.gov.au

16 September 2013

Dear Mr Stevenson,

**Re: Tier 2 supplement to AASB ED 230 *Classification and Measurement: Limited Amendments to AASB 9* and Tier 2 supplement to AASB ED 237 *Financial Instruments: Expected Credit Losses***

We are responding to your request for comments on the Tier 2 supplement of the following Exposure Drafts (ED):

- ED 230 *Classification and Measurement: Limited Amendments to AASB 9*
- ED 237 *Financial Instruments: Expected Credit Losses*

We appreciate the Board's aim to issue complete Australian standards which address the Tier 2 requirements as soon as the equivalent international standards are approved. We also understand that to be able to do so, it is necessary to consult with stakeholders as early as possible. However, we question whether this is necessarily the best use of resources for standards such as AASB 9, where there continues to be debate and it is possible that the final standards will differ from their exposure draft versions. In particular, we are concerned that a second round of consultation may be necessary if the accounting treatment and, as a result, the disclosures in the final standards differ significantly from those proposed in the exposure drafts.

In our view, a short delay of three to six months between the issue of a new standard and the finalisation of the reduced disclosures applicable under this new standard would still be acceptable. In our experience, entities reporting under Tier 2 of the reduced disclosure regime are less likely to adopt a new standard early and it should therefore be unlikely to cause major issues for those companies should there be a short delay.

Leaving these concerns aside, we have provided specific comments on the exposure drafts listed above in Appendix A to this letter.

We would welcome the opportunity to discuss our firm's views if you wish. Please contact me on (02) 8266 4664 if you would like to have a discussion.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Brunner', with a small flourish at the end.

Paul Brunner  
Partner, PricewaterhouseCoopers  
paul.brunner@au.pwc.com

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)





## Appendix A: Specific matters for comment

1. With regards to the Tier 2 supplement to ED 230, whether you agree with the AASB disclosure proposals for Tier 2 in the Proposed Reduced Disclosure Requirements section below. Your view is requested only in respect of proposed changes in disclosure requirements arising from ED 230, which are shown as underlined for new text and struck through for deleted text. In addition to any other comments, your view is particularly sought on the proposal to exempt entities applying Tier 2 requirements from making the disclosures reflected in the amendments to paragraph 8(h). Some Board members are of the view that the proposed disclosure requirements in paragraph 8(h) should be retained for entities applying Tier 2 requirements on the basis that there is a fundamental difference between investments in equity instruments measured at fair value through other comprehensive income (FVOCI) using the irrevocable option and investment in debt instruments mandatorily measured at FVOCI. Those Board members are of the view that the proposed disclosure meets the objective of IFRS 7, as set out in paragraph 1 of that Standard, to require entities to provide disclosures in their financial statements that enable users to evaluate

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks;

We agree with the proposal to exclude the disclosure requirements of paragraph 8(h). We do not consider the disclosure of mandatory versus designated accounting treatment to be a fundamental disclosure for Tier 2 entities with regards to fair value through profit or loss nor fair value through other comprehensive income. The exclusion of these disclosures is consistent with the IASB's conclusion for *IFRS for SMEs* with regards to the disclosure requirements of paragraph 8(a), and therefore in-line with the AASB Tier 2 disclosure principle 1(a).

2. With regards to the Tier 2 supplement to ED 237, whether you agree with the AASB disclosure proposals regarding paragraphs 28-45, IE72 and IE73 of ED 237 in relation to Tier 2 entities as set out in the Proposed Reduced Disclosure Requirements section below;

We agree with the disclosure proposals, except for our comments as outlined below:

(i) *Paragraph 37*

The requirements of paragraph 37 are substantially similar to the information that is already required to be disclosed by AASB 7 paragraph B5. As these disclosures are required to be made in Tier 2 financial statements, we do not support the inclusion of AASB 9 paragraph 37 for Tier 2 entities.

(ii) *Paragraphs 39, 42 and 45*

The disclosures outlined in the exposure draft paragraphs 39, 42 and 45 duplicate disclosures required by other standards, but are more specific in their requirements. Consequently, we propose that the disclosures required by these paragraphs not be included in the reduced disclosure requirements for AASB 9.

An example is the disclosure of inputs, assumptions and estimation techniques which is required by paragraphs 39 and 42 of the proposed amendments to AASB 9, and also required by AASB 101 *Presentation of Financial Statement*.

With regards to paragraph 45 of the proposed amendments to AASB 9, the disclosure requirements are similar to the disclosures required by paragraph 16 of AASB 7.

(iii) *Paragraph 40*

The exposure draft proposes to retain the disclosure requirements of paragraph 40, which requires disclosure of collateral or other credit enhancements received. Similar disclosure is required by AASB 7 paragraphs 15 and 36, both of which were removed from reduced disclosure requirements in accordance with AASB 2010-2 paragraph 18. To ensure consistency between ED 237 and AASB 2010-2, we recommend that the Board does not include paragraph 40 in the reduced disclosure requirements for AASB 9.

**3. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

**(a) not-for-profit entities; and**

**(b) public sector entities;**

We are not aware of any specific regulatory or other issues arising in the Australian environment in respect of the abovementioned entities that should be considered as part of the proposals.

**4. whether, overall, the proposals would result in financial statements that would be useful to users;**

Subject to the specific comments made in this submission, we believe that the proposals would result in financial statements that are useful to users.

**5. whether these proposals are in the best interests of the Australian economy;**

The introduction of the reduced disclosure regime has significantly reduced the regulatory burden for those entities that are eligible to report under Tier 2 of the new regime. It is therefore in the best interests of the Australian economy if new standards provide consistent disclosure relief for Tier 2 entities on a timely basis.

**6. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals, whether quantitative (financial or nonfinancial) or qualitative.**

Our analysis of the costs and benefits of the proposed amendments is outlined above.



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

16 September 2013

## **Invitation to comment on Tier 2 Supplement to AASB Exposure Draft ED 237**

Dear Chairman

Ernst & Young Australia is pleased to provide comments on the *Tier 2 Supplement to AASB Exposure Draft ED 237* (the 'Tier 2 Supplement').

Overall, we support the proposals in the Tier 2 Supplement to reduce the disclosures applicable to Tier 2 reporting entities in relation to the proposed amendments to AASB 139 *Financial Instruments: Recognition and Measurement*.

We note that Exposure Draft - ED 237 Financial Instruments: Expected Credit Losses ('ED 237') is currently being reviewed by the Australian Accounting Standards Board. Accordingly, our responses in Appendix A are limited only to the questions raised in the Tier 2 Supplement. However, we also note that the majority of respondents to the IASB ED expressed concerns that overall the disclosure requirements were excessive, burdensome, complex and inoperable. These comments also relate to some of the paragraphs that are proposed to be retained for Tier 2 entities. Therefore it may be appropriate to revisit the Tier 2 disclosures once the section in AASB 9 in relation to expected credit loss is finalised.

Our responses to the specific questions are provided in Appendix A to this letter.

We would be pleased to discuss our comments further with you. Please contact Lynda Tomkins ([lynda.tomkins@au.ey.com](mailto:lynda.tomkins@au.ey.com) or (02) 9276 9605) or Vincent Sheehan ([vincent.sheehan@au.ey.com](mailto:vincent.sheehan@au.ey.com), or (03) 9655 2941) if you wish to discuss any of the matters in this response.

Yours sincerely



Ernst & Young

## APPENDIX A

### SPECIFIC MATTERS FOR COMMENT

1. Whether you agree with the AASB disclosure proposals regarding paragraphs 28-45, IE72 and IE73 of ED 237 in relation to Tier 2 entities;

We agree with the proposals in the Tier 2 Supplement.

2. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - a. not-for-profit entities; and
  - b. public sector entities;

We are not aware of any significant regulatory or other issues that are likely to affect the implementation of the proposals contained in this Tier 2 Supplement.

3. Whether, overall, the proposals would result in financial statements that would be useful to users;

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

4. Whether the proposals are in the best interest of the Australian economy; and

We believe that the proposals are in the best interests of the Australian economy.

5. Unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

We believe that there will not be additional costs incurred by Tier 2 entities to comply with the proposed amendments. If there were additional costs, these costs will not outweigh the benefits to users of financial statements.