WESTWORTH KEMP
CONSULTANTS

710/2 York Street
Sydney NSW 2000

4 March 2015

The Chairman
The International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UK

CC Australian Accounting Standards Board

By email

Dear Sir

Re: Disclosure Initiative - Proposed Amendments to IAS 7

Westworth Kemp Consultants (www.westworthkemp.com.au) value the opportunity to provide feedback into the disclosure initiative project. We are a boutique consultancy, based in Sydney, Australia, specialising in financial reporting, assurance and compliance issues, particularly in the context of litigation and dispute resolution and we also provide advice to clients on the application of financial reporting standards. We have noticed that over the years published financial reports have become longer as more and more disclosure requirements have been added, such that key elements of an organisation's story can be lost in the detail.

We are particularly interested in the disclosure of financing activities and liquidity as we have been involved in a number of cases involving failed non-bank lenders and managed investment schemes where the lack of liquidity was not apparent until very late in the piece.

Question 1—Disclosure Initiative amendments

This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:

(a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and

(b) disclosures that help users of financial statements to understand the liquidity of an entity.

Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

We support the proposed paragraphs 44A and 50A. However, in some of the financial reports of non-bank lenders we have reviewed, the entity has shown its borrowings as an operating cash flow rather than a financing cash flow. In the case of these lenders, a reconciliation between the opening and closing statements of financial position showing cash and non-cash items would have revealed that deposits from investor/lenders were not being repaid, but merely rolled over, and that interest was

WESTWORTH KEMP
CONSULTANTS

being capitalised into the balances. We therefore suggest that where borrowings are treated as operating cash flows, similar disclosures should be given.

Question 2—Transition provisions
Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)? If not, why and what alternative do you propose?

We agree with the proposed transitional provisions.

We have no comments on Questions 3 and 4 as we have never used the taxonomy.

If you wish to discuss any of these matters further, please contact me at chris@westworthkemp.com.au.

Yours faithfully

Chris Westworth, LLB, FCA, FAICD

Stephanie Kemp MA, FCA

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Ms Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

18 March 2015

Invitation to comment on AASB Exposure Draft *Disclosure Initiative (Proposed Amendments to AASB 107)* (ED 258)

Dear Ms Peach

Ernst & Young Australia is pleased to provide comments on the AASB's Exposure Draft 258 *Disclosure Initiative (Proposed Amendments to AASB 107)* (the 'ED'). As usual we will forward to the AASB when available a copy of our global submission on the related IASB Exposure Draft ED/2014/6 *Disclosure Initiative (Proposed Amendments to IAS 7)*. This letter therefore only provides comments on the Australian specific matters raised in the ED, in particular the proposal to exclude the disclosures in paragraph 44A from Tier 2 disclosure requirements.

The proposed paragraph 44A in IAS 7 would introduce a requirement to disclose a reconciliation of the amounts in opening and closing statements of financial position for each item for which cash flows have been, or would be, classified as financing activities in the statement of cash flows, excluding equity items.

The AASB has indicated in ED 258 its intention to exclude this proposed disclosure from Tier 2 disclosure requirements on the basis of paragraph 3(a) of the 'Tier 2 Disclosure Principles; applying the 'user need' and 'cost-benefit' principles of the IFRS for SMEs, indicating that while the disclosure satisfies the needs of users in regard to disaggregation of amounts presented in the financial statements, the cost to entities of the proposed disclosure would be expected to exceed the benefits to users.

It might be expected that movements in balance sheet items that commonly fall within the notion of 'net debt', as are intended to be captured by the proposed paragraph 44A disclosures, would be of particular relevance to users of the financial statements of non-publicly accountable entities. For instance, many large private groups may have significant levels of borrowings. A clear disclosure indicating the nature and amounts of movements in such borrowings is likely to be viewed as useful information by the users of those financial statements. Such disclosure would appear to be well aligned with the general philosophy underpinning the Reduced Disclosure Requirements (RDR), focusing on matters such as liquidity and solvency and disaggregation of financial statements items (*Tier 2 Disclosure Principles*, paragraph 6). As such, the decision of the AASB in this situation appears to have been more heavily influenced by the 'cost-benefit' principle than the principle of 'user need'. However, a view that the costs outweigh the benefits would seem contrary to the view of the IASB in the Basis for Conclusions to ED/2014/6, which indicates at BC7 that such a reconciliation 'would not result in an unnecessary cost to preparers'. As such, we recommend the AASB reconsider whether the proposed disclosure does in fact meet the requirements for exclusion from Tier 2 disclosure requirements.

We would be pleased to discuss our comments further with you. Please contact Vincent Sheehan (vincent.sheehan@au.ey.com or (03) 9655 2941) or Peter Gerhardy (peter.gerhardy@au.ey.com or (08) 8417 2057) if you wish to discuss any of the matters in this response.

Yours sincerely

Ernst & Young

Ernst & Young

ACT Government
Chief Minister, Treasury and Economic Development

Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Ms Peach,

ED 258 Disclosure Initiative (Proposed amendments to AASB 107)

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on Exposure Draft 258 Disclosure Initiative (Proposed amendments to AASB 107).

HoTARAC does not support the proposed amendments. HoTARAC's view is that the IASB should not be adding ad hoc disclosure requirements to IAS 7 in light of the current project reviewing IAS 7 as part of the 'Disclosure Initiative'. If the IASB decides to proceed with introducing the proposed amendments, the AASB should consider the appropriateness and relevance of such new disclosures to Australian public sector entities in the General Government Sector. The AASB might consider providing an exemption from these new disclosure requirements for those entities.

HoTARAC would also urge the IASB to exercise caution in incorporating Extensible Business Reporting Language (the IFRS taxonomy) into exposure drafts to ensure this does not evolve into a set of de facto disclosure formats.

HoTARAC's detailed comments and responses to questions from the exposure draft are attached.

If you have any queries regarding HoTARAC's comments, please contact Tony Olliffe from the Australian Department of Finance by phone on 02 6215 3918 or by email, tony.olliffe@finance.gov.

Yours sincerely

David Nicol
Chair
Heads of Treasuries Accounting and Reporting Advisory Committee
March 2015

ATTACHMENT

Question 1—Disclosure Initiative amendments
This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:
(a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and
(b) disclosures that help users of financial statements to understand the liquidity of an entity.
Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

(a) HoTARAC does not agree with the proposed amendments.

HoTARAC questions whether the IASB should be attempting to introduce a requirement to disclose the information necessary for a debt reconciliation without a common understanding of what constitutes debt (BC 3). Paragraph 5 of the basis for conclusions uses the justification that defining what is to be measured would delay the project (BC5).

HoTARAC has a concern about adding ad hoc disclosure requirements to IAS 7, without a firm set of supporting principles, as part of an umbrella project that encompasses the principles of disclosure for, among others, IAS 7. HoTARAC notes that the principles of disclosure project was at least partly initiated through concerns over the volume of financial statement disclosures. HoTARAC notes there is no explanation as to why this change cannot be incorporated into the broader disclosure project to achieve a more robust and meaningful outcome.

HoTARAC considers that the principles of disclosure project should be completed before changes are made to IAS 7. HoTARAC notes that it would be more cost-effective for preparers to have a single revision to IAS 7 to incorporate into their accounting systems. As the proposed disclosure requirement is an indirect solution to the question of a debt reconciliation, it may also result in entities making unnecessary disclosures which are of no clear benefit to users.

(b) While HoTARAC has no specific objection to the disclosure requirement, changes of this type should be made through the principles of disclosure project.

Question 2—Transition provisions
Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?
If not, why and what alternative do you propose?

HoTARAC has no objection to the proposed transition provisions.

Question 3—IFRS Taxonomy
Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:
(a) are the amendments reflected at a sufficient level of detail?
(b) should any line items or members be added or removed?
(c) do the proposed labels of elements faithfully represent their meaning?
(d) do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?

HoTARAC members do not use the IFRS taxonomy so has no comment.

Question 4—IFRS Taxonomy due process
As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:
(a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?
(b) do you find the form and content of the proposed IFRS Taxonomy Update useful?
If not, why and what alternative or changes do you propose?

HoTARAC has no comment on the taxonomy as noted above. HoTARAC recommends the IASB ensure that IFRS taxonomy is clearly distinct from the standard setting process, so it does not result in a set of boilerplate disclosures. Again, this would seem to be contrary to the overall aim of the disclosure initiative.

AASB Specific Matters for Comment

1. whether you agree with the with the proposal to exclude the disclosures in paragraph 44A from Tier 2 disclosure requirements;

HoTARAC agrees.

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, including GAAP/GFS implications;

HoTARAC is not aware of any regulatory impact on public sector entities. HoTARAC cannot comment on other not-for-profit entities. As this is a disclosure requirement, HoTARAC considers it unlikely there will be GAAP/GFS implications.

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

HoTARAC questions the usefulness of the disclosures. This appears to be a needlessly rushed amendment for a proposal that would more appropriately be considered as part of the 'Principles of Disclosure' project.

4. whether the proposals are in the best interests of the Australian economy; and

HoTARAC has no comment.

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. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

In HoTARAC's view this will impose additional costs on preparers with no clear benefit to users. This is particularly pertinent to the public sector, where such a reconciliation is likely to be irrelevant to users of General Government Sector entity financial reports. These entities are funded through appropriations from consolidated revenue and are often prohibited from borrowing independently. If this exposure draft is progressed towards a standard, HoTARAC believes there is a strong case for exempting entities in the General Government Sector under the AASB's policy document *Process for Modifying IFRSs for PBE/NFP.* At a minimum, HoTARAC recommends public sector application be delayed until the proposal can be assessed under the AASB policy document (key points would be the costs and benefits and the nature of debt in the public sector).

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

31 March 2015

Ms Kris Peach
Chair
Australian Accounting Standards Board
Level 7, 600 Bourke Street
Melbourne, VIC 3000

Email: standard@aasb.gov.au

Dear Kris

Exposure Draft 258 – Disclosure Initiative (Proposed amendments to AASB 107)

CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 150,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia continues to support the International Accounting Standards Board (IASB) disclosure initiative project and its primary objective of improving the quality and usefulness of financial statement disclosures by addressing the complexity and volume of financial information disclosures in financial statements. Bearing in mind the primary focus of the disclosure initiative, we have been unable to identify how the proposals will accomplish improved financial statement disclosures. We are also concerned that the proposals could be counterproductive to the objective of reducing complexity and volume in financial statement disclosures.

We note that a fundamental review of the disclosure requirements of IAS 7 Statement of Cash Flows (AASB 107) forms part of the "principles of disclosure" project. We recommend that the proposals contained in the current ED be postponed and considered as part of that project. This will ensure that all relevant disclosure aspects are addressed to meet the overall objectives of the disclosure initiative project.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

Dr Eva Tsahuridu
Manager – Accounting Policy