

**AASB ED 200A / FRSB ED 121**

*Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities  
Applying IFRSs as Adopted in Australia and New Zealand*

**AASB ED 200B / FRSB ED 122**

*Proposals Separate Disclosure Standards*

**List of Australian Submissions**

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1. Telstra
2. Ian Langfield-Smith (ED 200A)
3. Ian Langfield-Smith (ED 200B)
4. Pricewaterhouse Coopers (Australia)
5. Heads of Treasuries Accounting and Reporting Advisory Committee
6. Grant Thornton (ED 200A)
7. Grant Thornton (ED 200B)
8. Group of 100
9. KPMG (Australia)
10. Ernst & Young  
(Joint Submission – Australia & New Zealand)



29 September 2010

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Mr Kevin Stevenson  
Australian Accounting Standards Board  
Level 7, 600 Bourke Street  
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Dear Kevin

**AASB ED 200A and 200B - Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand**

**General Comments**

We are pleased to have the opportunity to provide our comments to the proposals contained in ED 200A and 200B. For the purpose of harmonising Australian and New Zealand financial reporting standards based on IFRSs and simplifying disclosure requirements, Telstra supports the amendments as proposed in ED 200A and 200B.

We support the effective date of the proposals being for annual reporting periods beginning on or after 1 July 2011, with early application permitted.

Our comments to the specific matters outlined in the exposure drafts are detailed below.

**Specific Matters for Comment**

(a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand? *Yes, we agree.*

(b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)? *Yes, the additional disclosures should be contained in a separate standard for clarity.*

(c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response. *Yes, we agree.*

(d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B / FRSB ED 122 should be required of entities applying differential reporting requirements, namely:

- (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
- (ii) in New Zealand, qualifying entities. Please provide reasons for your response.

*Disclosures should be kept consistent with the current requirements for entities applying differential reporting requirements.*

(e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response. *None noted.*

(f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response. *Yes, we support the move to harmonise and simplify the additional disclosures.*

### **Questions Applicable to Specific Proposals**

The Boards would particularly value comments on the following.

(a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals? *Yes, we are supportive of the simplification of audit fee disclosures.*

(b) In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively? *Yes, we agree that changes should be treated in accordance with AASB 108.*

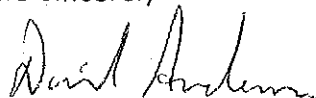
### **Other Questions**

Although not dealt with in this Exposure Draft, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6, Aus25.7.1 and Aus25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

*We support the removal of these disclosure requirements as this is an unnecessary duplication of information already required by the Corporations Act to be included in the Remuneration Report.*

We thank you for the opportunity to comment on these changes. Please contact me on +61(3) 9634 6470 if you need any further explanation on the comments made in this letter.

Yours sincerely



David Anderson  
Director Corporate Accounting

**ED 200 sub 2**

Ian Langfield-Smith FCPA  
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5 October 2010

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

Dear Chairman

**ED 200A: Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand**

My detailed comments on ED 200A are attached. I am concerned that in several instances no argument has been presented for the proposed amendments, or the argument presented has no substance – platitudes are not an acceptable substitute for reasoned arguments.

If you wish to discuss any of the issues raised in the submission, I can be contacted by email at [ian@company-accounting.com](mailto:ian@company-accounting.com).

Best wishes

Ian Langfield-Smith FCPA

**Specific Matters for Comment****Questions Applicable to All Proposals**

- (a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand?

I agree that to the maximum extent possible, that the applications of IFRS-based financial reporting standards in Australia and New Zealand of for-profit entities should be harmonised.

- (b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?

The disassociation of disclosure requirement is problematic. If the proposed approach is adopted, then cross-references to the non-IFRS disclosures should be included in the IFRS based domestic standards.

The only advantage that I can see to having a separate domestic disclosure standard is that it would assist those in other jurisdiction in understanding the major differences in disclosures from those required by IFRS.

- (c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.

I agree with the Australian proposals other than those discussed below. However, it should not be assumed that I agree with the New Zealand proposals that do not correspond to the Australian proposals.

**Amendments to AASB 101**

Proposed deletions from **AASB 101.AUS7.1**: For the reasons given in my submission on ED 200B I strongly oppose the deletions of the definitions of 'entity' and 'related practice'.

Proposed deletion of **AASB 101.AUS15.1**: The location of this requirement is inappropriate and is necessitated by the absence of a single standard outlining the conventions for the interpretation of accounting standards. It has always been my view that there should be a standard containing codified rules that must be applied in interpreting AASB standards. It would be in such a standard that the Corporations Act context would usefully be applied. In particular, that nothing in an accounting standard can derogate from the Corporations Act requirement that the financial report gives a true and fair view of the matters required by the Act. Also, that except when expressly permitted by the Act, an accounting standards must not conflict with either the Act or the Regulations. It would be here also that there is a general statement that if a term is not defined in a particular accounting standard, but is defined in another accounting standard, that that definition applies to that other accounting standard unless, in all the circumstances, doing so would produce an outcome that is inconsistent with the objectives of that other accounting standard.

Proposed reinstatement of IAS 1.19-22 (proposed **AASB 101.19-22**): I do not support the reinstatement of these requirements. If the AASB decides to reinstate those provisions, then extreme care will need to be taken to avoid confounding the underlying legislative policy. The underlying legislative policy is that financial report preparers must apply accounting

standards, and that non-compliance cannot be justified on the basis that in the particular circumstances, compliance would not result in the financial report providing a true and fair view of the matters required by the Corporations Act. The proposed paragraphs *do not* in any way or form deal with the application of a true and fair view requirement, accordingly, the proposed note to paragraphs 19-22 which refers to a true and fair view override not being applicable under the Corporations Act is ineffective in limiting the scope to those paragraphs.

Also there is an apparent error in the make up on page 19 of ED 200A, according to the latest version of AASB 101 there is **no heading** before paragraph 17, so the heading “*True and fair over-ride*”, is incorrectly included in the ED. There is nothing in the following paragraphs dealing with a true and fair over-ride, so such a heading is misleading. There is no heading before paragraph 17 of IAS 1 (see *IFRS Handbook 2010 (Mandatory)*).

For the reasons in the Appendix to this submission, paragraphs 19-22 can be applied by entities reporting under the Corporations Act since the departure would be mandated by AASB 101, thus there would be no non-compliance with the Act (in particular section 296).

While the proposed paragraphs are probably valid under the Corporations Act, allowing non-application of a particular standard because ‘compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*’ would be effectively a backdoor reintroduction of the true and fair override. The potential for abuse of such a provision is so great that the adopting of such a provision without compelling argument is not justified. For entities regulated by the Corporations Act, there would be no hardship in dispensing with this requirement since if there really is a substantive issue management can apply to ASIC for an order varying the application of the problematic provision.

Proposed deletion of paragraph **AASB 101.Aus50.1**: No explanation is given for the deletion of this requirement. While few entities may decide to use a language other than English, it is both **illogical** and **dangerous** to conclude that, for that reason alone, it is appropriate to remove the provision. Removing the provision will give scope for unscrupulous managers to avoid accountability by presenting financial reports in some obscure language. Such a device would be inconsistent with the objectives of general purpose financial reporting and the nature of a general purpose financial report. The ability to use a language other than English would also be contrary to the underlying legislative policy and must not be allowed.

Proposed deletion of paragraph **AASB 101.Aus138.61**: No explanation is given for the deletion of this requirement. The fact that its deletion may result in some entities making reduced disclosure cannot, of itself, be used to justify the deletion of the requirement. The introduction of this requirement followed an exhaustive due process, which provided cogent argument why such disclosures are necessary.<sup>1</sup> Before dispensing with these requirements, the Board must give cogent reasons why those arguments should no longer be accepted. I do not support the deletion of this requirement.

Proposed deletion of **AASB 107.Aus20.1**: No explanation is given for the deletion of this requirement. The fact that its deletion may result in some entities making reduced disclosure cannot, of itself, be used to justify the deletion of the requirement. Presumably there were sound policy reasons for the introduction of this requirement, and the Board should have explained why those policy considerations are no longer so compelling that mandatory disclosure is no longer necessary. I do not support the deletion of this requirement.

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<sup>1</sup> It is my recollection that this proposal originated with the NCSC green paper dealing with reforms to the financial reporting requirements, however it may go back to the Eggleston Report.

Proposed deletion of **AASB 121.Aus38.1**: No explanation is given for the deletion of this requirement. The fact that its deletion is not expected to affect practice is not of itself a sufficient or compelling reason. My recollection is that this provision was inserted in response to ASIC stating that under the Act the financial report can only use one presentation currency. The inclusion of this requirement will assist financial report preparers in avoiding inadvertent non-compliance with the Act, and, accordingly, it should be retained.

Proposed addition to **AASB 134.1**: I do not support the addition of the words commencing with "The International Accounting Standards Committee ...". Such exhortations have no place in an accounting standard. Also, that body no longer exists, so the statement is nonsense. It should be the International Accounting Standards Board or the International Financial Reporting Standard Foundation (or IFRS Foundation).

- (d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B/FRSB ED 122 should be required of entities applying differential reporting requirements, namely:
- (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
  - (ii) in New Zealand, qualifying entities. Please provide reasons for your response.

Since this question predominantly relates to the content of ED 200B, my comments on this proposal are in my response to ED 200B.

- (e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.

The failure to provide compelling reasons, or indeed any plausible reason, for some of the proposals is an abuse of due process and involves the risk of bringing the standard setting process into disrepute.

- (f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

This question is addressed when considering individual proposals.

### **Questions Applicable to Specific Proposals**

- (a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?

Since this question predominantly relates to the content of ED 200B, my comments on this proposal are in my response to ED 200B.

(b) In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?

I have no view on this matter.

### **Other Questions**

Although not dealt with in this Exposure Draft, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6, Aus25.7.1 and Aus25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

As a matter of logic, the form of an entity should not affect its disclosure obligation unless they relate superficially to some artefact of their legal form. Therefore, regulatory neutrality requires that all disclosing entities be required to make the same disclosures about these matters. These provisions were directed to removing an anomaly in reporting by disclosing entities and for this reason they must be retained.

## APPENDIX

### Proposed paragraphs 19-20 not inconsistent with Corporations Act

In this appendix, an explanation is given why the proposed paragraphs 19-20 would not be inconsistent with the Corporations Act.

The Corporations Act does not include a provision that allows prepares to depart from the requirements of an accounting standard on the basis that compliance would produce a financial report that fails to give a true and fair view of the requisite matters. When force-of-law accounting standards were first introduced, the Companies Act and Codes included such an override, however, due to widespread abuse of that provision it was repealed. This means that when reporting under Part 2M of the Corporations Act, an entity must comply with all accountings standards unless the provisions of the standard are inconsistent with either the Act or the Regulations. (For present purposes, the modification of the application of standard by ASIC under discretionary powers is irrelevant.)

The obligation to comply with accounting standards and the true and fair view requirement are imposed by the following provisions of the Act:

#### **296 Compliance with accounting standards and regulations**

(1) The financial report for a financial year must comply with the accounting standards.

##### *Small proprietary companies*

(1A) Despite subsection (1), the financial report of a small proprietary company does not have to comply with particular accounting standards if:

- (a) the report is prepared in response to a shareholder direction under section 293; and
- (b) the direction specifies that the report does not have to comply with those standards.

##### *Small companies limited by guarantee*

(1B) Despite subsection (1), the financial report of a small company limited by guarantee does not have to comply with particular accounting standards if:

- (a) the report is prepared in response to a member direction under section 294A; and
- (b) the direction specifies that the report does not have to comply with those standards.

##### *Further requirements*

(2) The financial report must comply with any further requirements in the regulations.

#### **297 True and fair view**

The financial statements and notes for a financial year must give a true and fair view of:

- (a) the financial position and performance of the company, registered scheme or disclosing entity; and
- (b) if consolidated financial statements are required—the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 296 for a financial report to comply with accounting standards.

Note: If the financial statements and notes prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 295(3)(c).

Paragraph 295(3)(c) provides:

##### *Notes to financial statements*

(3) The notes to the financial statements are:

- (a) disclosures required by the regulations; and
- (b) notes required by the accounting standards; and
- (c) any other information necessary to give a true and fair view (see section 297).

The question becomes is the combined effect of paragraph 295(3)(c), subsection 296(1) and 297 prohibits the a departure from accounting standards when such a departure is otherwise within the scope of the proposed AASB 101.19? In my view, these provisions do not prevent

the AASB from making a standard that allows non-compliance with some aspects of AASBs in particular circumstances. The fact that that circumstance is the inability of the standards in question to result in meeting the objectives in the framework (and presumably simultaneously fail to give a true and fair view of the requisite matters) is irrelevant.

In this context, we need to consider the nature of the AASB's standard making powers. Firstly, we must consider sections 334 and 335 of the Act, which provide:

#### **334 Accounting standards**

##### *AASB's power to make accounting standards*

- (1) The AASB may, by legislative instrument, make accounting standards for the purposes of this Act. The standards must not be inconsistent with this Act or the regulations.
- (4) An accounting standard applies to:
  - (a) periods ending after the commencement of the standard; or
  - (b) periods ending, or starting, on or after a later date specified in the standard.
- (5) A company, registered scheme or disclosing entity may elect to apply the accounting standard to an earlier period unless the standard says otherwise. The election must be made in writing by the directors.

#### **335 Equity accounting**

This Chapter (and, in particular, the provisions on consolidation of financial statements) does not prevent accounting standards from incorporating equity accounting principles.

It is submitted that proposed AASB 101.19 is not inconsistent with the provisions of the Act, although would arguably confound the underlying legislative policy (see discussion below).

While the Act does not expressly address the question of differential application of accounting standards, Division 4 of Part 12 of the ASIC Act does so. The relevant provisions are reproduced below.

#### **Division 2—Accounting standards**

##### **228 Purposive interpretation of standards**

###### *Objects of this Part*

- (1) In interpreting an accounting standard made or formulated by the AASB, a construction that would promote the objects of this Part is to be preferred to a construction that would not promote those objects.

Note: Section 224 states the main objects of this Part.

###### *Purposes or objects of particular standard*

- (2) In interpreting an accounting standard made or formulated by the AASB, a construction that would promote a purpose or object of the standard (to the extent to which it is not inconsistent with the objects of this Part) is to be preferred to a construction that would not promote that purpose or object. This is so even if the purpose or object is not expressly stated in the standard.

##### **229 Generic and specific standards**

- (1) Accounting standards made or formulated by the AASB may:
  - (a) be of general or limited application (including a limitation to specified bodies or undertakings); and
  - (b) differ according to differences in time, place or circumstance.
- (2) In making and formulating accounting standards, the AASB:
  - (a) must have regard to the suitability of a proposed standard for different types of entities; and
  - (b) may apply different accounting requirements to different types of entities; and
  - (c) must ensure that there are appropriate accounting standards for each type of entity that must comply with accounting standards.

##### **234 Validity of accounting standards**

A failure to comply with this Division in relation to the making of an accounting standard does not affect the validity of the standard.

I believe that a standard such as the proposed AASB 101.19 would merely be one example of the situation comprehend by subsection 229(1) of the ASIC Act. Accordingly, the footnote to

the proposed paragraphs 19-22 is, I believe, ineffective in limiting the scope of the proposed AASB 101.19. There are two ways of overcoming this problem. The scope of the proposed AASB 101.19-22 must be limited; this could be done either in the application section of the standard or by having an AASB 101.Aus19 which limits the scope in an appropriate manner. One possible wording would be:

**Aus1.X Paragraphs 19 to 22 of this standard do not apply:**

- (a) entity's required to prepare a financial report under Part 2M.3 of the Corporations; or**
- (b) to entities required by legislation other than the Corporations Act to prepare a financial report that complies with accounting standards made by the Australian Accounting Standards Board and the relevant legislation does not expressly allow non-compliance with accounting standards because in the particular circumstances of the entity:**
  - (i) compliance would result in the financial report failing to give a true and fair view of the requisite matters; or**
  - (ii) compliance would conflict with the objectives of financial statements specified in the legislation.**

While I suspect that paragraph (a) will cover most legislative schemes, there may be some schemes that have an override such as envisaged in paragraph (b).

**ED 200 sub 3**

Ian Langfield-Smith FCPA  
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Australia

5 October 2010

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

Dear Chairman

**ED 200B: Proposed Separate Disclosure Standards**

My detailed comments on ED 200B are attached. I am concerned that in several instances no argument has been presented for the proposed amendments, or the argument presented has no substance.

If you wish to discuss any of the issues raised in the submission, I can be contacted by email at [ian@company-accounting.com](mailto:ian@company-accounting.com).

Best wishes

Ian Langfield-Smith FCPA

**Specific Matters for Comment (questions incorrectly included in ED 200A)**

- (d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B/FRSB ED 122 should be required of entities applying differential reporting requirements, namely:
- (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
  - (ii) in New Zealand, qualifying entities. Please provide reasons for your response.

The nature of the proposed disclosures is such that they should be provided by all entities. The information is relevant to all users of financial reports.

**Questions Applicable to Specific Proposals (questions incorrectly included in ED 200A)**

- (a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?

The proposal is ill conceived. See my comments on the proposed paragraphs 1 and 5.

**Comments on the draft**

**The specific proposals on which I have made no comment are ones that I support.**

**Paragraph 1: Definitions**

The reasons in BC3 for deletion of the definition of entity are not compelling. The failure of the IASB to define entity is irrelevant to the question of whether the inclusion of the definition assists preparers in preparing financial reports and users in interpreting those financial reports. In my view, the IASB is misguided in its decision not to include definitions of key terms such as entity and reporting entity in both the conceptual framework and relevant accounting standards. The IASB provides no explanation of this decision in the Basis for Conclusions in the relevant exposure draft (ED/2010/2). The absence of supporting reasoning and analysis for the IASB's position means that it cannot be considered relevant in determining if the term 'entity' requires a definition in Australian accounting standards.

For the reasons given in my comments on paragraph 5, I do not support the deletion of the definition of 'related practice'.

**Paragraph 5: Audit fee disclosures**

The primary issue to be addressed is the extent of disclosure that is needed to meet the accountability obligation noted in BC2.

I am greatly surprised that the Board thinks that it is acceptable to remove a disclosure requirement on the basis that users are concerned that financial statements have become overly complex without establishing that the particular disclosure significantly contributes to that complexity.

The rationale for requiring full disclosure of all amounts paid to the benefit of the auditor is that it allows users of financial reports to determine if:

- (a) the amount paid in relation to audit services is sufficient to allow for a proper audit of the financial report; and
- (b) the payments made, for both audit and other services, are of such a nature or extent that it raises questions about the impact on auditor independence.

All of the amounts currently required to be disclosed, contribute to meeting this need. However, I would have no objection if the separate disclosure of amount paid to related practice were not required; that is no distinction is made in the disclosures of amounts paid for audit service and other services between amounts paid directly to the auditor and amounts paid to a related practices. This would not affect the total amount disclosed, merely its decomposition, thereby reducing complexity without reducing accountability.

While it is desirable for the same disclosures in both Australian and New Zealand, alignment must not be at the expense of reduced accountability. It is salutary to remember why the disclosure requirements were introduced in the first place. They were not introduced without extensive investigation and deliberation by the AASB, parliamentary committees and a royal commission. A failure to explain why these disclosures are no longer necessary, suggest that the Board has been unable to develop a comprehensive and reasoned basis for rejecting the conclusions made in earlier due process. If that is so, the proposal must be rejected.

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Chairman  
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5 October 2010

Dear Kevin

**Exposure Drafts ED 200A and ED 200B**

We write in response to the request for comments on Australian Accounting Standards Board (AASB) Exposure Drafts 200A *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* and 200B *Proposed Separate Disclosure Standards*.

We fully support the convergence of Australian and New Zealand Accounting Standards and the elimination of differences between the standards in each jurisdiction. Transferring the remaining additional disclosure requirements to a separate standard will make it easier to identify differences between the Australian Standards and International Financial Reporting Standards (IFRS).

We also welcome the removal of disclosures that are not required under IFRS and the simplification of the remaining additional disclosures. However, we would not object to retaining the requirement to disclose a reconciliation of operating profit to operating cash flows. This requirement has been in place for many years and, to our knowledge, there have not been any indications that preparers find it particularly difficult to compile. Furthermore, respondents to the IASB's discussion paper on financial statements presentation have expressed a strong desire for such a reconciliation should the IASB make direct cash flow statements mandatory.

In terms of the individual key management personnel (KMP) disclosures in AASB 124 *Related Party Disclosures*, we note that the Corporations and Markets Advisory Committee (CAMAC) is currently reviewing the requirements surrounding the disclosure of executive remuneration. We encourage the Board to liaise with the CAMAC to ensure this review focuses not only on the disclosures that are already covered by the *Corporations Act 2001* or the *Corporations Regulations 2001* but also considers those that are still included in AASB 124. We would prefer if all of the detailed disclosures were removed from the standard and instead addressed comprehensively in the legislation or the associated regulations.

Kevin Stevenson

5 October 2010

Our detailed responses on the specific matters for comment are provided in Appendix A.

We would welcome the opportunity to discuss our views at your convenience. Please contact me on (03) 8603 3868 or Meina Rose on (02) 8266 2341 if you would like to discuss this further.

Yours sincerely



Jan McCahey

Partner

Assurance

Kevin Stevenson  
5 October 2010

**Appendix A: Specific matters for comment**

**(a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand?**

We fully support harmonisation of the reporting requirements in relation to for-profit entities in Australia and New Zealand.

**(b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?**

We prefer a separate disclosure standard as it will make it easier to identify remaining differences between the Australian and New Zealand standards and International Financial Reporting Standards.

**(c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your responses.**

The approach taken by the Boards is generally reasonable and appropriate.

However, even though we are a strong supporter of Australian accounting standards that are identical to their international counterparts, we would not object if the Boards decided to retain the requirement to provide a reconciliation of operating profit to operating cash flow.

This requirement has been in place in both jurisdictions for many years. To our knowledge, preparers have never expressed any significant concerns in relation to this requirement. In fact, users have indicated in their responses to the IASB's Financial Statement project that this information would be particularly useful, as it highlights non-cash items and links the statement of cash flows to the income statement and the balance sheet. The IASB has therefore tentatively agreed to require such a reconciliation in their forthcoming exposure draft.

Kevin Stevenson  
5 October 2010

On that basis, we believe there are arguments to retain the requirement, although it should be moved to the new disclosure standard.

**(d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B/ FRSB ED 122 should be required of entities applying differential reporting requirements, namely**

- (i) in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements**
- (ii) in New Zealand, qualifying entities. Please provide reasons for your response.**

The separate disclosure standard should include the same exemptions for entities reporting under Reduced Disclosure Requirements that were included in AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*. That is:

- Disclosure of compliance with Australian Accounting Standards, of the statutory basis/reporting framework and whether the financial statements are general or special purpose financial statements (paragraphs 2,3 and 4) should be required for all entities.
- Disclosure of audit remuneration (paragraph 5) and imputation credit disclosures (paragraphs 6.1 to 6.4) should not be required for entities applying the Reduced Disclosure Requirements.

Paragraph RDR16.2 of AASB 101 *Presentation of Financial Statements* as amended by AASB 2010-2 should also be included in the new separate disclosure standard.

**(e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.**

We do not believe that there are any regulatory or other issues that would affect implementation of the proposals in Australia.

Kevin Stevenson

5 October 2010

**(f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand. Please provide reasons for your response.**

We believe that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia, as they eliminate arguably unnecessary disclosures and simplify others.

**(g) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B/ FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?**

We agree that the separate disclosure of fees paid to related practices of the auditor is not necessary. However, we are concerned that the removal of the reference to 'related practice' could imply that fees paid to such entities no longer need to be disclosed at all. While we appreciate that the New Zealand standard never distinguished between the auditor and a related practice, we understand that the issue of related practices may not be as prevalent in New Zealand as it is in Australia.

In our view, fees paid to related practices of the auditor should be included in the audit remuneration disclosures, as it should not make a difference how an audit firm is organised, ie whether there is only one firm or whether there are separate legal entities for various reasons.

We also found the reference to 'auditors (each auditor)' confusing, as it is not clear whether this includes auditors of subsidiaries. Arguably, auditors of subsidiaries are not auditors of the group and have no responsibility for the group audit opinion. However, parent entity auditors often rely on the audit work of the auditors of subsidiaries. We therefore believe that the fees paid to auditors of subsidiaries should also be disclosed.

A possible solution could be to include a definition of 'auditor' in the disclosure standard. This would confirm that a reference to the entity's auditors includes auditors of subsidiaries as well as related practices of any auditor in the group, and provide the previous definition of related practice from AASB 101.

Kevin Stevenson  
5 October 2010

**(h) In relation to the proposed deletion of paragraph Aus7.1 Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?**

We do not believe that the removal of paragraph Aus7.1 from Interpretation 113 would affect current practice. However, if an entity would be able to justify a change in their accounting policy as a result of the removal, this change should be made retrospectively as required under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

**(i) Should the AASB retain disclosure requirements related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities (AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6, Aus25.7.1 and Aus25.7.2)?**

As far as managed investment schemes are concerned, we note that the IFRIC has tentatively agreed to propose an amendment to IAS 24 in the next improvements project. This would clarify that a responsible entity, for example, is not a KMP but a related party with the result that fees paid to the responsible entity would need to be disclosed, but not remuneration paid by the responsible entity to its own staff.

This amendment would resolve some of the issues surrounding the specific paragraphs referred to in the question above, but it would not change the fact that the requirements for detailed KMP disclosures (compensation, loans, equity holdings and other transactions) are currently in three different places: the *Corporations Act 2001*, the *Corporations Regulations 2001* and AASB 124.

We note that the Corporations and Markets Advisory Committee (CAMAC) is currently reviewing the requirements surrounding disclosure of executive remuneration. We encourage the Board to liaise with the CAMAC to ensure this review focuses not only on the disclosures that are already covered by the *Corporations Act 2001* or the *Corporations Regulations 2001* but also considers those that are still included in AASB 124. We believe that it would be preferable to remove all of the detailed disclosures from the standard and instead address them comprehensively in the legislation or the associated regulations.

Kevin Stevenson

5 October 2010

**(j) Editorial comments**

It is proposed that the new separate disclosure standard should only apply to reporting entities or financial statements that are, or are held out to be, general purpose financial statements. On this basis, the requirement in new paragraph 4 to disclose whether the financial statements are general purpose or special purpose would appear to be superfluous, as it would not be applicable to non-reporting entities.

We also note that non-reporting entities currently have to make all of the disclosures that are included in the new separate disclosure standard, including audit remuneration and imputation credit disclosures. Limiting the scope of the new standard to reporting entities and general purpose financial reports will reduce the disclosures that are mandatory for non-reporting entities.

There would appear to be two options:

- Expand the scope such that the full standard also applies to entities that are required to prepare financial reports under the *Corporations Act 2001* and that are non-reporting entities. This would retain the status quo in terms of the mandatory disclosures mentioned above.
- Specify that only paragraph 4 applies to non-reporting entities. This option would result in a reduction of mandatory disclosures in special purpose financial statements.

Lastly, new paragraph 3 refers to "full IFRS as adopted in Australia". This is different to the terminology used in AASB 1053 which refers to "Australian Accounting Standards" and "Australian Accounting Standards – Reduced Disclosure Requirements". The wording should be revised to be consistent throughout all standards.

The same applies to the proposed revised wording in paragraph 17 of AASB 101 (ED 200A).

**Department of Treasury and Finance**

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

Dear Mr Stevenson

**ED 200A PROPOSALS TO HARMONISE AUSTRALIAN AND NEW ZEALAND  
STANDARDS IN RELATION TO ENTITIES APPLYING IFRS AS ADOPTED IN  
AUSTRALIA AND NEW ZEALAND**

**AND**

**AASB ED 200B PROPOSED SEPARATE DISCLOSURE STANDARDS**

The Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to provide comments to the Australian Accounting Standards Board on Exposure Draft 200A *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* and Exposure Draft 200B *Proposed Separate Disclosure Standards*.

HoTARAC broadly supports the harmonisation process where it affects entities that operate in both jurisdictions, and believes that the resultant benefits outweigh any increased costs. However, HoTARAC members have concerns about certain proposals that will affect not-for-profit entities:

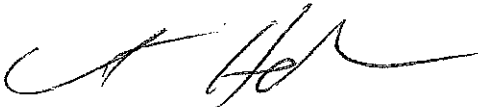
- HoTARAC does not support deleting the definition of "entity" from AASB 101, even though it would be retained in SAC 1. Pending the completion of various projects on the reporting entity concept, and as long as this concept is required to be applied, HoTARAC believes it is necessary to retain this definition;
- HoTARAC does not support deleting the requirement to provide a reconciliation of cash flows from operating activities to profit or loss from AASB 107. The reconciliation provides useful information and assurance that the Cash Flow Statement has been correctly derived;

- HoTARAC believes that a separate/additional Australian-specific Standard would result in inefficiencies for preparers and auditors in locating all relevant disclosure requirements for a given topic. This could be avoided by retaining "Aus" paragraphs within the relevant topic-based Standards/Interpretations;
- HoTARAC is concerned that certain current New Zealand-specific requirements might be introduced in Australia in future to further promote convergence, such as, New Zealand's requirement for a Statement of Service Performance. HoTARAC believes this would not be appropriate, pending further review of performance information requirements; and
- there are mixed views from HoTARAC regarding the deletion of the requirement for a commitments schedule. One jurisdiction noted that the Reduced Disclosure Requirements Standard does not require disclosure of commitments. However, other jurisdictions believe that the deletion may require a regulatory response for those jurisdictions wishing to continue requiring commitments disclosure.

Comments by HoTARAC on questions from the Exposure Drafts are in Attachment 1.

If you have any queries on HoTARAC's comments, please contact Barbara Richardson at New South Wales Treasury on (02) 9228 4832.

Yours sincerely



Grant Hehir

**CHAIR**

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

October 2010

### **Questions Applicable to All Proposals**

**(a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand.**

Yes, however, HoTARAC is concerned that certain current New Zealand-specific requirements might be introduced in Australia in future to further promote convergence, such as, New Zealand's requirement for a Statement of Service Performance. HoTARAC believes this would not be appropriate, pending further review of performance information requirements.

**(b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?**

The majority of HoTARAC members believe the current practice of each topic-relevant Standard containing additional disclosures should be continued.

A separate/additional Australian specific Standard would result in inefficiencies for preparers and auditors in locating all relevant disclosure requirements for a given topic. This would be avoided through retaining "Aus" paragraphs within the relevant topic-based Standards/Interpretations.

The retained additional domestic disclosures result in disclosure requirements for for-profit entities over and above the corresponding IASB Standard/Interpretation. Also, it appears that the Reduced Disclosure Requirements currently displayed in individual AASB topic-based Standards/Interpretations will remain. Therefore, any objective to have Standards/Interpretations that exactly mirror the content of the corresponding IASB pronouncement may not be achieved in the foreseeable future.

If the AASB proceeds with the separate disclosures Standard, bearing in mind the scope of future planned phases of this Project, the majority of HoTARAC members believe that it would be more useful if the content of that Standard was ultimately organised according to which entities are affected by the various requirements; such as all entities, all not-for-profit entities and all not-for-profit public sector entities. However, some jurisdictions consider that a subject matter structure may be more appropriate.

**(c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.**

HoTARAC agrees with the principles adopted in determining the proposals, such as, alignment, deletion, relocation and harmonisation and agrees that the deletion of explanatory guidance would not affect practice. However, there are a few exceptions:

- HoTARAC does not agree with deleting the definition of "entity" to align with IAS 1 *Presentation of Financial Statements*. Although there is no definition under IFRSs, HoTARAC disagrees that there is no longer a need for a specific definition under

AASB Standards. Pending completion of other projects on the reporting entity concept, and while references to the reporting entity still appear in the application paragraphs of AASB Standards, HoTARAC believes the definition of "entity" should be retained. If there is to be a separate disclosure Standard, it can be relocated to that Standard; and

- HoTARAC does not agree with deleting the requirement to provide a cash flow reconciliation as it would result in the removal of useful information and assurance that the Cash Flow Statement has been correctly derived. HoTARAC notes that the latest IASB/AASB staff draft on financial statement presentation proposes to introduce this requirement for transparency. Again, if there is to be a separate disclosure Standard, it can be relocated to that Standard.

**(d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B should be required of entities applying differential reporting requirements? Please provide reasons for your response.**

No comment.

**(e) Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals? Please provide reasons for your response.**

Some HoTARAC members believe that the deletion of a commitments schedule may require a regulatory response for those jurisdictions wishing to continue requiring disclosure on commitments.

**(f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.**

No Comment.



Grant Thornton

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11 October 2010

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Dear Kevin

**AASB EXPOSURE DRAFT ED 200A - PROPOSALS TO HARMONISE  
AUSTRALIAN AND NEW ZEALAND STANDARDS IN RELATION TO ENTITIES  
APPLYING IFRSs AS ADOPTED IN AUSTRALIA AND NEW ZEALAND**

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED 200A. We have considered the ED and set out our comments below.

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 input from our clients, Grant Thornton International, Grant Thornton New Zealand, and discussions with key constituents.

**General Comments**

Grant Thornton broadly supports the 2 Boards harmonising their Accounting Standards and our specific comments are set out in the Appendix to this letter.

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

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED

Keith Reilly  
National Head of Professional Standards

## Appendix : Response to the invitation to comment questions

### **AASB request for comments**

#### **Questions Applicable to All Proposals**

- A Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand?**

Yes - we agree with the concept of harmonising however we believe that the Boards should go further and actually work together so that any documents including EDs and Accounting Standards are issued as joint Accounting Standards.

- B Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?**

No - we support having the additional or amended Accounting Standards being contained in the existing specific relevant Accounting Standards rather than as a separate Accounting Standard as this adds to the look and feel of being consistent with the individual Accounting Standards issued by the IASB.

- C Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.**

Yes - we broadly agree with the specific proposals, however we are not clear on whether the various proposals impact with the RDR Accounting Standard (for example Audit Fees which are not required by the RDR).

- D Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B / FRSB ED 122 should be required of entities applying differential reporting requirements, namely:**

- i in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and**

- ii in New Zealand, qualifying entities. Please provide reasons for your response.**

Australia - as detailed in (C) above, we do not believe it is clear what the impact is on the RDR disclosures. As a general principle we would not support adding any new requirements to the RDR Accounting Standard at this time, or requiring application to non-reporting entities. We offer no comment on the New Zealand environment as we believe that is an issue for New Zealand constituents.

- E Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.**

Other than our other comments, we are not aware of any regulatory concerns.

- F Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.**

We believe that the issue of differential reporting is not being considered in this ED. As such we see no particular issues that impact users. However we note that this ED does not impact non-reporting entities and therefore reserve our opinion on the likely impact of AASB 1053 when and if it becomes applicable, and again provide our support for the adoption of the global IFRS for SMEs Accounting Standard for non-publicly accountable reporting entities.

**Questions Applicable to Specific Proposals**

**A** The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B / FRSB ED 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of 'related practice'. Do you agree with the Boards' proposals?

Yes - in principle we agree with the revised auditor remuneration disclosures but not for the RDR Accounting Standard.

**B** In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?

No - we do not agree with retrospectivity due to cost issues. As a general principle we believe that any amended or new Accounting Standards should only apply prospectively.

**Other Questions**

Although not dealt with in this Exposure Draft, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6, Aus25.7.1 and Aus25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

No - we do not support retaining political disclosures for Managed Investment Schemes that are disclosing entities. It is an issue for the Government and not the AASB.



# Grant Thornton

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 Chairman  
 Australian Accounting Standards Board  
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 By Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

11 October 2010

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Dear Kevin

## **AASB EXPOSURE DRAFT ED 200B – PROPOSED SEPARATE DISCLOSURE**

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED 200B. We have considered the ED and set out our comments below.

Grant Thornton broadly supports the 2 Boards harmonising their Accounting Standards and our specific comments on the AASB Questions that are referenced in ED 200B but contained in AASB 200A are covered in our ED 200A submission.

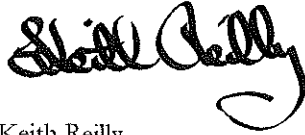
As detailed in our AASB 200A submission, Grant Thornton suggests that the Boards should now work and meet together so that any proposals to amend existing Accounting Standards or new Accounting Standards are issued as joint documents and ultimately joint Accounting Standards, with sharing of existing resources.

Our ED 200A submission noted that the issue of differential reporting is not being considered in this ED. However we note that paragraph 4 on page 9 of ED 200B states that the Boards are seeking views on exempting differential reporting from this project. Grant Thornton believes that the 2 EDs should not impact non-reporting entities. We again provide our support for the adoption of the global IFRS for SMEs Accounting Standard for non-publicly accountable reporting entities.

We are concerned that the AASB has not indicated what are the specific increased disclosure requirements of some entities (boxed paragraph page 13 - Significance of amendment), and our support for ED 200A and AASB 200B is qualified without further explanation from the AASB.

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

Yours sincerely  
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly  
National Head of Professional Standards



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7 October 2010

Mr K Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

Dear Mr Stevenson

### Exposure Drafts 200 A and 200 B

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness.

The G100 is pleased to provide comment on these Exposure Drafts.

#### QUESTIONS APPLICABLE TO ALL PROPOSALS

- a. *Do you agree with the concept of harmonizing the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand.*

**Yes. While supportive, the G100 does not consider this to be a high priority project.**

- b. *Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?*

**Yes. Separation enables greater clarity in respect of identifying Australian-specific requirements and will help in minimizing any confusion about Australian compliance with IFRSs. The G100 believes that additional Australian-specific disclosures should be subject to a rigorous process of assessment.**

**The separation should also be of benefit to the Standard Business Reporting Regime as the IFRS XBRL Taxonomy can be used with a separate Australian supplement addressing domestic requirements.**

- c. *Do you agree with the specific proposals in this ED regarding alignments, deletions, relocations and relocation and harmonisations? Please provide reasons supporting your response.*

**Yes. The G100 believes that although the Board proposes to adopt the New Zealand requirements for imputation credits the appropriate description in the Australian environment is 'franking credits' and that term should be used in the Australian Standard.**

- d. Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B/FRSB ED 122 should be required of entities applying differential reporting requirements, namely:
- i. in Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
  - ii. in New Zealand, qualifying entities. Please provide reasons for your response.

**Since proposals are essentially about the location of requirements if an entity is presently required to make a disclosure it should continue to do so.**

- e. Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.

**We are not aware of any regulatory impediments in Australia.**

- f. Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.

**Yes. As indicated in (b) above.**

#### **QUESTIONS APPLICABLE TO SPECIFIC PROPOSALS**

- a. The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B/FRSB ED 122 are simplified and do not include the existing requirements in AASB 101 Presentation of Financial Statements in respect of 'related practice'. Do you agree with the Boards' proposals?

**The G100 supports the simplification of the auditor disclosure requirements.**

- b. In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 Jointly Controlled Entities – Non Monetary Contributions by Venturers, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?

**Yes. Changes in accounting policies should be treated in accordance with the requirements of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.**

#### **OTHER QUESTIONS**

Although not dealt with in this ED, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 Related Party Disclosures paras Aus25.2 to Aus 25.6, Aus25.7.1 and Aus25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

**The G100 believes that these requirements should be withdrawn as information required to be included in the remuneration report meets the corporate governance obligations of the entity. In addition, the G100 believes that director and executive remuneration is a corporate governance issue best addressed in Corporations Law rather than in Accounting Standards.**

**The G100 considers that the key management personnel disclosures in AASB 124 and compliance with AASB 2 Share-based Payment are all that is necessary to achieve comparability with financial statements of entities based in other jurisdictions that have adopted IFRSs. As indicated above, any further disclosures are a domestic issue which should be addressed in the Corporations Law.**

Yours sincerely  
**Group of 100 Inc**

A handwritten signature in blue ink, appearing to read 'Peter Lewis', with a long horizontal flourish extending to the right.

**Peter Lewis**  
President



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

Our ref: Submission - ED 200

12 October 2010

Dear Sir

### **Submission - ED 200A and 200B Proposals to Harmonise Australian and New Zealand Standards**

We are pleased to have the opportunity to comment on ED 200A *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* and ED 200B *Proposed Separate Disclosure Standards* issued by the Australian Accounting Standards Board.

#### **Executive summary**

The key issues discussed in this submission are as follows:

- Overall we support the proposals to remove differences from IFRS and to reduce the differences between Australian and New Zealand standards.
- We are concerned that the proposed wording related to the disclosure of remuneration of auditors is unclear and will not lead to consistent approaches to the disclosure. The AASB should state the objective of the disclosure requirement and then provide the more detailed guidance of how to make the disclosure. Also, any disclosure requirement should not create inconsistency with the directors' report disclosures of transactions with auditors.
- We encourage the AASB to also take this opportunity to delete the requirements over the remuneration of individual key management personnel of disclosing entities that are not companies (e.g. registered managed investment schemes), on the basis that the relevant governance disclosure is the related party transactions between the scheme and its responsible entity, and any disclosures for individuals should be Corporations Act 2001 requirements, not accounting standard requirements.

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

+++++



*Australian Accounting Standards Board  
Submission - ED 200A and 200B Proposals to  
Harmonise Australian and New Zealand Standards  
12 October 2010*

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on (02) 9455 9120, or Sarah Inglis on (02) 9455 9773.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kim Heng', written in a cursive style.

Kim Heng  
Partner, Department of Professional Practice

## Appendix 1

Topics that the AASB has requested specific comments on, applicable to all proposals:

*(a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted in Australia and New Zealand?*

We support the concept of harmonising the reporting requirements of for-profit entities applying IFRSs in Australia and New Zealand as proposed in ED 200. Our support is conditional on the harmonisation not creating further differences from International Financial Reporting Standards (IFRSs), even if this means achieving greater harmonisation between Australian and New Zealand standards.

We have not noted any proposals that create additional differences from IFRS.

*(b) Should the retained additional disclosure be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of the disclosures (which is the current practice)?*

Creating a separate disclosure standard to contain each disclosure requirement that is additional to IFRS disclosure requirements has the advantage of giving a user unfamiliar with the AASBs the means to simply and easily locate and comply with the additional requirements. Clearly separating the additional disclosure requirements will also have the advantage of being able to clearly demonstrate that the Australian-specific requirements do not create differences from IFRS and should not result in non-compliance with IFRS for most for-profit entities.

As a result, we support the separation of the additional disclosure requirements into a separate self-contained accounting standard, regardless of whether there is a 'harmonised' requirement in Australia and New Zealand. All AASB-generated disclosure requirements that are retained after these proposals have been finalised should be relocated into a separate standard.

We encourage the AASB to avoid partial separation of the additional disclosure requirements. An outcome that results in preparers having to find these requirements in both the IFRS equivalent standards and in a separate standard will be burdensome and could lead to a preparer overlooking certain requirements.

*(c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and relocation and harmonisations?*

Unless we have specified otherwise below, we support the proposals in ED 200A and 200B regarding alignments, deletions, relocations and relocation and harmonisation.

### *True and fair override*

The proposed footnote to paragraphs 19-21 of AASB 101 *Presentation of Financial Statements* only refers to the Corporations Act 2001 prohibiting the 'true and fair over-ride'. However, there are numerous other statutory reporting frameworks, and we are concerned that this footnote may appear to capture all the circumstances in which the over-ride is not available, when it in fact only picks up one such circumstance.

We suggest that the AASB add a further sentence to the footnote to caution preparers and users that other frameworks may exist that also disallow the true and fair over-ride.

### *Audit fee disclosures*

We have significant concerns that the proposals will not lead to consistent disclosures in practice.

- As proposed, it is difficult to determine the extent of fees to be disclosed. We are concerned that this difficulty could lead to differences in practice. For example, a consolidated group may have overseas subsidiaries that are audited by auditors within the firm network of the auditor of the consolidated group. Each overseas subsidiary may directly compensate its local auditor. The work of the local auditor(s) may form part of the evidence for the auditor of the consolidated financial statements, but it is also possible that some of the work of the local auditor does not relate to the work on the consolidated financial statements. It is not clear whether the audit fees to be disclosed should include:
  - only the audit fees charged by any auditor(s) that relate to the audit of the consolidated financial statements, or
  - only the audit fees charged by the auditor to the parent entity for the audit of the consolidated financial statements, or
  - all audit fees charged by the auditor of the consolidated financial statements to any entity in the consolidated group, regardless of whether the work was in relation to the audit of the consolidated financial statements or the separate financial statements of other entities in the group, or
  - all audit fees charged by the group auditor to any entity in the consolidated group, without consideration of audit fees charged by subsidiary auditors, or
  - the audit fees charged by any auditors to all entities within the consolidated group, regardless of whether the work performed related to the audit of the consolidated financial statements of the group or the financial statements of subsidiaries within the group.
- We consider that the first alternative above is most relevant information for users of the financial statements, and the disclosure requirement should be worded in such a way as to make that clear, by stating that the objective of the disclosure is to inform users of the fees

paid or payable to the auditor, or auditors, for the audit of the consolidated financial statements.

- Disclosure of transactions with auditors for non-audit services is also required by S300(11B) and (11C) of the Corporations Act 2001. Any disclosure requirement of the AASB should not create a difference to the amounts disclosed under the requirement already determined by the government to be necessary for governance reasons. Creating differences will only serve to make it difficult for readers to understand the disclosures. One way to avoid unintentional differences is to use the wording from the Corporations Act 2001.
- Lastly, it is not clear whether the audit fees to be disclosed are the fees relating to the financial statements being audited, or the audit fees paid during the year in relation to the audit of the prior period.

*Imputation credit disclosures*

- Paragraph 6.2 of ED 200B should be more clear that the disclosure is of imputation credits arising from transactions recognised up to the balance date that are available in the future. This will then clarify that the amounts discussed in 6.3(a)-(c) are part of the amount of imputation credits available.

*Recognition of an elimination of an unrealised gain or loss*

- We support the deletion of paragraph Aus7.1 from AASB Interpretation 113 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. This will remove one of the final additional AASB paragraphs that had the potential to lead to non-compliance with IFRSs. We do not agree with the conclusion in the box marked “Significance of amendment”. We suggest that the AASB include a BC paragraph that explains the deletion is to remove the possibility of non-compliance with IFRSs that could result by complying with the more specific or contradictory AASB requirement. Generally, only a few Australian entities have probably had this issue, and so the impact of the deletion is probably limited in terms of the number of entities.
- The requirement to retrospectively apply this change may in certain circumstances prove to be impracticable. Such entities should be able to apply the impracticability requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to address that difficulty. Therefore, we consider that the transition requirement should refer to applying the requirements of AASB 108 in respect of changes in accounting policy, rather than simply stating that the requirement needs to retrospectively applied. If AASB 108 is not referred to, it might be read as saying the impracticability exemption is not available.
- Lastly, in the limited circumstances where an entity changes their accounting policy as a result of this amendment, they may not be able to claim compliance with IFRS unless they apply the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. However, because they have been complying with AASBs, there is no reason for them to re-apply AASB 1 *First-time Adoption of Australian Accounting Standards*. Therefore it is not likely that an entity that currently cannot claim compliance with IFRS

will be able to claim IFRS compliance after adopting this change. The AASB should refer to this issue in a BC paragraph, to at least highlight the issue to preparers.

*Other*

- We draw the AASB's attention to footnote 2 to the header to paragraphs 33 and 34 in AASB 132 *Financial Instruments: Presentation*. It states "The Corporations Act prohibits a company from acquiring shares (or units of shares) in itself except in limited circumstances, and an entity subject to the Corporations Act cannot have treasury shares." We suggest the AASB delete this footnote, as it leads to confusion for preparers who take its final statement too literally. Many Australian consolidated entities hold treasury shares, because they take advantage of the limited exemption that is available in relation to holding shares for employee benefit (share-based payment) plans. This results in the consolidated group recognising a balance of treasury shares.

*(d) Which of the disclosures proposed to be included in the separate disclosure standard AASB ED 200B should be required of entities applying differential reporting requirements, namely in Australia the proposed Reduced Disclosure Requirements for general purpose financial statements (qualifying entities in New Zealand).*

All disclosures in ED 200B, paragraphs 2-4 should be required by entities applying differential reporting requirements. The disclosures in paragraphs 2-4 are essential for understanding the basis of preparation of the financial statements.

The AASB has previously determined that the disclosures that are being replaced by paragraphs 5 and 6 of ED 200B are not required by an entity applying the differential reporting requirements. Therefore we consider that decision should be carried forward into the proposed separate disclosure standard resulting from ED 200B.

*(e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.*

Sections 300(11B) and (11C) of the Corporations Act 2001 require certain entities to disclose information about non-audit services provided by their auditors. As noted above we consider that any requirement of AASBs should not contradict that requirement. The AASB should consider providing an exemption for such entities from having to make duplicative disclosures, similar to the exemption provided to disclosing entities that are companies for paragraphs Aus25.2-25.7 and Aus25.7.2-3 in AASB 124 *Related Party Disclosures*.

*(f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons for your response.*

We do not consider that the proposed amendments will negatively affect the information provided to users of general purpose financial statements. Individuals that use sets of financial statements prepared under both Australian and New Zealand standards will benefit from the more consistent requirements.

Topics that the AASB has requested specific comments on, applicable to specific proposals:

*(a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B are simplified and do not include the existing requirement in AASB 101 Presentation of Financial Statements in respect of 'related practice'. Do you agree with the Boards' proposals?*

See comment above under (c). We have concerns about whether the deletion of the reference to related practices means that fees paid to such practices that are not in respect of the audit of the consolidated financial statements should no longer be disclosed in the financial statements.

*(b) In relation to the proposed deletion of paragraph Aus7.1 of Interpretation 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?*

See response to (c) above.

An entity that is currently unable to state compliance with IFRS due to the Australian guidance in Aus 7.1 of Interpretation 113 would need to apply IFRS 1 in full in order to be able to claim compliance with IFRS. But the same entity will have no reason to apply AASB 1, and therefore is not likely to be able to regain compliance with IFRS, even with the removal of paragraph Aus7.1, regardless of whether the change in accounting policy is prospective or retrospective. Therefore, we consider that prospective application may be sufficient for this change.

However, if the AASB determines that a change in accounting policy resulting from the deletion of Aus7.1 is to be retrospective, then the transition paragraph should refer to AASB 108, rather than just a simple statement to apply the change retrospectively. AASB 108 has exemptions that allow an entity to limit the retrospective application when impracticable. These exemptions should be available to entities that need to change their accounting policy, in cases where transactions that go back a number of years.

*Other questions*

*The Boards sought comment as to whether the disclosures requirements related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities should be retained.*

We consider that the disclosure requirements mentioned should not be retained. The general feedback from preparers has been that either managed investment schemes do not have individual key management personnel and so there is no disclosure to make, or that the more relevant related party disclosure is the compensation of the responsible entity.

We also consider that the individual key management personnel remuneration requirements for listed companies should be removed from AASB 124, since they are fully replicated in the Corporations Act 2001. There is no need for an Australian specific requirement in AASBs if the regulatory environment has already included those disclosures in other reporting requirements. At the same time, the AASB should determine whether the disclosures required by AASB 124 Aus25.7.3-Aus25.9.3 have been explicitly considered by Treasury in their consideration of the appropriate disclosures related to key management personnel and other prescribed individuals under S300A of the Corporations Act. If they have been considered but not taken up by Treasury, then they should be removed from AASB 124 on the basis that the more detailed disclosure requirements are a matter of governance that is more appropriately in the scope of a regulator.



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11 October 2010

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Dear Board Members

**Exposure Drafts AASB ED 200A and FRSB ED 121 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRS as Adopted in Australia and New Zealand* and Exposure Drafts AASB ED 200B and FRSB ED 122 *Proposed Separate Disclosure Standards***

The Australian and the New Zealand firms of Ernst & Young are pleased to submit our joint comments on Exposure Draft AASB ED 200A and 200B and FRSB ED 121 and 122 *Proposals to Harmonise Australian and New Zealand Standards in Relation to Entities Applying IFRSs as Adopted in Australia and New Zealand* (AASB ED 200A and B and FRSB ED 121 and 122 or the ED).

Overall, we support the AASB and the FRSB (the Boards) in their quest to harmonise Australian and New Zealand financial reporting standards. We believe there are significant benefits from aligning the two sets of standards, creating efficiencies for entities operating in both jurisdictions. We would also like to highlight our support of 'pure IFRS' for 'for-profit-entities' and the ultimate goal of enshrining 'IFRS as issued by the IASB' into both Australian and New Zealand regulations.

We note that the Boards have deferred consideration of the harmonisation of requirements which are the subject of current AASB, FRSB or IASB projects until after completion of the relevant project. For the majority of the standards listed in Appendix B to ED AASB 200A and ED FRSB 121 we recognise that this delay is sensible for a number of reasons. However, we believe that the Boards could consider the harmonisation of AASB 1039 *Concise Financial Reports* and FRS 43 *Summary Financial Statements*. There are a number of similarities between the requirements of these two standards and any project to harmonise is likely to provide significant benefits to entities operating across the Tasman who are required to prepare concise or summary financial statements. There is also no equivalent IASB project. We also believe there would be benefits in the harmonising AASB 119 and NZ IAS 19 as the only difference is the transitional provisions.

We have provided responses to the specific questions in Appendix A to this letter. Appendix B includes our responses to the individual standards impacted by the proposals.

We would be pleased to discuss our comments further with you. Please contact Lara Truman on (64) 274 899 896 or Georgina Dellaportas on (613) 9288 8621 if you wish to discuss any of the matters raised in this response.

Yours sincerely

## Appendix A – Specific Matters for Comment

### Questions Applicable to All Proposals

- (a) Do you agree with the concept of harmonising the reporting requirements in Australia and New Zealand in relation to for-profit entities applying IFRSs as adopted by Australia and New Zealand

Yes – refer to overall comments in covering letter above.

- (b) Should the retained additional disclosures be contained in a separate disclosure standard (as proposed) or contained with each Standard relevant to the topic of disclosures?

We believe a separate standard with additional disclosures is an appropriate mechanism for requiring Australian and New Zealand specific requirements. This ensures that all requirements that are additional to IFRS are kept in one document and are easy to reference for preparers.

- (c) Do you agree with the specific proposals in this Exposure Draft regarding alignments, deletions, relocations and harmonisation? Please provide reasons.

Refer to Appendix B for comments on each of the specific proposals.

In addition, we note that there are a number of other Australian specific paragraphs which have not been addressed in the exposure drafts which we believe should also be removed in order to achieve harmonisation. These include:

- ▶ AASB 6. Aus27.1 – no longer required
- ▶ AASB 7.Aus2.6 – no longer required
- ▶ AASB 7.Aus2.7 – no longer required
- ▶ AASB 7. Aus2.8 – no longer required
- ▶ AASB 102.Aus1.6 -- no longer required
- ▶ AASB 124.Aus9.1 etc. – refer to comments below in "Other questions"
- ▶ AASB 124.Aus12.1 –this disclosure is not relevant and can be deleted
- ▶ AASB 124.Aus25.1-25.9.3 – refer to comments below in "Other questions"
- ▶ AASB 127.Aus6.1 –not required as already specified in the Corporations Act
- ▶ AASB 134.Aus1.3 – should be removed. We do not understand what is a "purported special purpose financial report that has the characteristics of a general purpose financial report"

In addition we also note that the NZ IFRS Glossary will need to be amended to remove definitions that are no longer included within NZ IFRS such as the definition of imputation credits.

- (d) Which of the disclosures proposed to be included in separate disclosure standards AASB ED 200B and FRSB ED 122 should be required of entities applying differential reporting requirements, namely:

- i) In Australia, the proposed Reduced Disclosure Requirements for general purpose financial statements; and
- ii) In New Zealand, qualifying entities.

Please provide reasons for your response.

Our response to each of the requirements for Australian specific disclosures is as follows:

- ▶ Compliance with Australian Accounting Standards – this disclosure should be retained under the Reduced Disclosure regime (RDR) and amended to refer to compliance with Australian Accounting Standards – Reduced Disclosure Requirements.

- ▶ Disclosure of statutory basis – this disclosure should be retained for RDR and amended as follows: Part (c) which states “...in accordance with full IFRS as adopted in Australia or the Reduced Disclosure Requirements” should be amended to state “...in accordance with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements” consistent with the RDR requirements. Also reference to “IFRS as adopted in Australia” can be confusing and be interpreted differently. Hence we recommend use of the term “Australian Accounting Standards” instead.
- ▶ Disclosure of GPFS or SPFS. This disclosure should be retained under RDR as it is important for users to understand that the financial statements prepared under RDR are general purpose and the framework which has been applied in their preparation.
- ▶ Disclosure of audit fees – such disclosure should not be required under RDR consistent with due process and the decisions made by the Board when issuing the current RDR standard.
- ▶ Imputation tax credits – as above, such disclosure should not be required consistent with the current RDR standard.

Our response to each of the requirements for New Zealand specific disclosures is as follows:

- ▶ Statement of compliance with NZ IFRS – this disclosure should be made (if applicable) as this is a key disclosure that should be brought to readers’ attention if differential reporters are able to assert such compliance.
- ▶ Disclosure of statutory basis – this disclosure is key to an understanding of the financial statements and therefore we suggest requiring this for differential reporters
- ▶ If a differential reporter has prepared prospective financial information then a comparison should be completed.
- ▶ Disclosure of audit fees – such disclosures should not be required for differential reporters based the overall objective of harmonisation with Australia and in recognition of the work performed in Australia on issuing *AASB 2010-2 Amendment to Australian Accounting Standards arising from Reduced Disclosure Requirements*.
- ▶ Statement of service performance – this disclosure should be required if differential reporters have a requirement to prepare a statement of service performance. We don’t believe there will be many situations where this will be required.
- ▶ Imputation credit disclosures – we do not believe a differential reporter should be required to make such disclosures.

- (e) Are there any regulatory issues or other issues arising in the Australian or New Zealand environment that may affect the implementation of the proposals? Please provide reasons for your response.

We have no concerns in this area.

- (f) Do you consider that the proposed amendments are in the best interests of users of general purpose financial statements of entities in Australia and New Zealand? Please provide reasons.

Yes - refer to overall comments in covering letter above.

#### Questions Applicable to Specific Proposals

The Boards would particularly value comments on the following:

- a) The Boards note that the proposed auditor remuneration disclosure requirements in AASB ED 200B and FRSB 122 are simplified and do not include the existing requirement in AASB 101 *Presentation of Financial Statements* in respect of related practice. Do you agree with the Boards' proposals?

While we agree with the Board's proposal we have a number of issues with the proposed disclosure which are explained further in Appendix B.

- b) In relation to the proposed deletion of paragraph Aus 7.1 of Interpretation 113 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*, if this causes an entity to change its accounting policy, do you agree that it should be applied retrospectively?

We do not understand how removal of this requirement could cause a change in policy in respect of the treatment of the deferred gain. We note that paragraph 8 of the Interpretation requires that, while the assets are retained in the joint venture, the venturer should recognise only that portion of the gain or loss which is attributable to the interests of the other venturers. However, to the extent that this could be the outcome of the proposal, we agree with the Boards that retrospective application should be required for the change in policy consistent with the requirements of AASB 108.

### Other Questions

Although not dealt with in this Exposure Draft, the AASB is taking the opportunity to seek constituent views on whether it should retain disclosure requirements (AASB 124 *Related Party Disclosures* paragraphs Aus 25.2 to Aus 25.6, Aus 25.7.1 and Aus 25.7.2) related to the compensation of individual key management personnel of managed investment schemes that are disclosing entities.

We note that at its September 2010 meeting, the IFRS Interpretations Committee (IC) considered a request asking whether key management personnel (KMP), as defined in IAS 24 *Related Party Disclosures*, can include an entity as well as individuals. The issue arose in relation to situations in which an entity hires key management services from a separate management entity. A second question raised was whether the reporting entity should disclose the remuneration paid by the management entity to the individuals providing the KMP services for the reporting entity, or the service fees paid by the reporting entity to the management entity for the KMP services. The IC has recommended that the IASB should amend, within the Annual Improvements Project, the definition of a related party to clarify that a management entity that provides KMP services to a reporting entity is deemed as the relevant related party in respect of those KMP services. Consequently, the service fees paid by the reporting entity to the management entity would be disclosed under paragraph 16. The Committee also recommended that the individuals who are employees or directors of the management entity and are acting as KMP of the reporting entity should not be identified as a related party (unless they qualify as related parties for other reasons).

This supports the current practice in Australia where MIS which are disclosing entities generally disclose the Responsible Entity (RE) as KMP and disclose fees paid to the RE as compensation. On this basis it would be considered that removal of the Aus paragraphs listed above would not cause any significant changes to current practice.

In the interests of harmonisation, the Boards should also take this opportunity to remove the requirements of all other Aus paragraphs in AASB 124. To the extent that any of these are considered relevant for disclosure by disclosing entities which are companies, they can be addressed as part of the project to simplify remuneration report disclosures required by the Corporations Act currently being undertaken by the Corporations and Markets Advisory Committee (CAMAC).

## Appendix B – Response to Question (c)

The following summarises the changes proposed in ED AASB 200A and 200B and FRSB ED 121 and 122 (the EDs) and our preliminary views at the detailed level.

Standard	Issue	Comments
AASB 1	1. Explanatory guidance on initial application of AASB 1- delete	1. Agree – this paragraph is not necessary as it provides general guidance only and removal shouldn't impact practice.
AASB 5	1. Restatement of comparatives- delete	1. Agree – this paragraph is not necessary as it provides general guidance only and removal shouldn't impact practice.
AASB 101	1. Definitions – Annual reporting period and SPFS – relocate, Entity and Related practice - delete	1. Agree with the proposal to relocate the definitions of “annual reporting period” and “special purpose financial statements” to the new Standard. Agree with removal of definition of ‘entity’ as this is already included in SAC 1.6. Agree with removal of “related practice” as will no longer be required due to simplification of audit disclosures.
	2. True and fair guidance – delete	
	3. Compliance with AAS – relocate and harmonise	2. Agree – this requirement is already included in the Corporations Act.
	4. Statutory basis – relocate and harmonise	3. Agree that relocation and rewording for harmonisation with NZ equivalent should not affect practice. Change in wording also aligns with requirement to make explicit and unreserved statement of compliance with IFRS. However, note that amended wording should also consider RDR compliance. 4. Agree to relocate and harmonise the requirements, including inclusion of profit/not for profit requirement – however part (c) which states “...in accordance with full IFRS as adopted in Australia or the Reduced Disclosure Requirements” should be amended to state “...in accordance with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements” consistent with the RDR requirements. Also reference to “IFRS as adopted in Australia” can be confusing and be interpreted differently. Hence recommend use the term “Australian Accounting Standards”.
	5. GPFS and SPFS – relocate	
	6. Compliance with IFRS – delete	5. Agree to relocate. 6. Agree with deletion as this should not affect application of para 16. In addition, we note that this paragraph is potentially incorrect, as under IFRS it is not possible to be compliant for a parent's financial statements but not compliant for the consolidated financial statements.

Standard	Issue	Comments
AASB 101 continued	7. True and fair over-ride – reinstate T&F override to align with IAS 1	7. While we do not agree with the true and fair override, we support its re-introduction in order to harmonise the Australian Standard with the IFRS version and with NZ. While we acknowledge that this re-introduction will cause no change for entities reporting under the Corporations Act, it will be a change for entities that prepare financial statements under other Regulatory requirements. Therefore, we encourage the Board to discuss with other Regulators in Australia the possibility of restricting the use of this over-ride as part of their legislative framework.  In addition we note that:  a. The re-introduced paragraphs should be amended to refer to “ <i>Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements</i> ” for consistency with comment to item 4 above.  b. Para 17(c) should be amended to also refer to – <i>Australian Accounting Standards – Reduced Disclosure Requirements</i> .
	8. Presentation in English – delete	8. We agree with the removal of the requirement to present in the English language. We consider that this is a matter for the regulators and should be included in relevant legislation.
	9. Audit Fees – relocate and harmonise	9. Agree with relocation and harmonisation with Australia. We see the merits in simplifying the disclosure requirements but are concerned that oversimplification could give rise to unintended consequences resulting in certain fees being excluded from the disclosures. We have two main concerns with the current drafting. Firstly as currently worded the proposals could be interpreted to mean the requirement to disclose audit fees for the group financial statements only which may not include audit fees paid to audit any of the subsidiaries of the group. We propose that the wording is amended to include a similar paragraph to what NZ IAS 1 paragraph 105.1 currently requires such as ‘fees paid to auditors include any other fees paid to auditor(s) of subsidiaries within the group’. The second concern is around the removal of ‘related practices’ from AASB 101.138.1. Removing references to other fees paid from other related practices of the auditor could mean that significant fees paid for work out of different legal entities than the partnership completing the audit are not disclosed. We believe similar wording to AASB 101.138.1 should be included in order to capture all fees paid to the related entities of the auditor as is currently required.
	10. Imputation Credit disclosures – relocate and harmonise	10. Agree with the proposal to simplify wording and to relocate and harmonise the franking credit disclosures. However we recommend that for the Australian version, disclosures are provided separately for Australian imputation credits and all other foreign imputation credits. This will ensure that where imputation credits are available in any other foreign jurisdictions, these will be captured separately.
	11. Commitments disclosures - delete	11. Agree with the removal of the capital and other commitments note as this is not required under IFRS. Most commitments would otherwise be captured by other standards.

Standard	Issue	Comments
NZ IAS 1	1. Definitions – SSP- retain NZ IFRS definition and relocate, inputs, outputs and outcomes	1. Agree with proposals to retain the definition of NZ IFRS and relocate other SSP definitions (no amendments to definitions proposed in ED 122).
	2. Presentation of financial report - delete	2. Agree – this paragraph is not necessary as it provides general guidance only and removal shouldn't impact the financial statements.
	3. Statutory basis – relocate and harmonise	3. Agree with relocation. ED 122 proposed amendments to align with AASB by removing the detailed discussion of differential reporting and also removes the requirement to disclose 'how' they have achieved differential reporting and what concessions have been chosen. They have also removed the requirement to disclose a description of the financial reporting standards applied.
	4. Compliance with FRA - delete	4. Agree deletion of guidance only
	5. Compliance with NZ IFRS – relocate and harmonise	5. Agree with relocation. However, the amendments proposed in ED 122 don't quite make sense. The sentence currently states 'An entity shall make an explicit and unreserved statement of such compliance in the notes.' However there is no reference to 'such compliance'. The draft wording should be fixed to state 'An entity shall make an explicit and unreserved statement of compliance with NZ IFRS in the notes'. Also, we should ensure this wording aligns with the statutory base requirements.
	6. True and fair over-ride – retain as foot note	6. Agree moving to Footnote will ensure standard is in line with IFRS but maintains important information.
	7. Prospective financial statements - relocate	7. Agree with relocation (no amendments to wording proposed in ED 122)
	8. Audit Fees – relocate and harmonise	8. Agree with relocation and harmonisation with Australia. We see the merits in simplifying the disclosure requirements but are concerned that oversimplification could give rise to unintended consequences resulting in certain fees being excluded from the disclosures. We have two main concerns with the current drafting. Firstly as currently worded the proposals could be interpreted to mean the requirement to disclose audit fees for the group financial statements only which may not include audit fees paid to audit any of the subsidiaries of the group. We propose that the wording is amended to include a similar paragraph to what NZ IAS 1 paragraph 105.1 currently requires such as 'fees paid to auditors include any other fees paid to auditor(s) of subsidiaries within the group'. The second concern is around the removal of 'related practices' from AASB 101.138.1. Removing references to other fees paid from other related practices of the auditor could mean that significant fees paid for work out of different legal entities than the partnership completing the audit are not disclosed. We believe similar wording to AASB 101.138.1 should be included in order to capture all fees paid to the related entities of the auditor as is currently required.
NZ IAS 1	9. Disclosure of donations - delete	9. Agree with deletion of donations. Entities are able to choose to make this disclosure if they believe it is important.
continued	10. Presentation order of certain disclosures – delete	10. Agree with removing the requirement for the order of certain disclosures. Individual entities can determine this as it is applicable to them.
	11. Elements of SSP - relocate	11. Agree with relocation of SSP (No amendments to wording proposed in ED 122).

Standard	Issue	Comments
AASB 107	1. Delete requirement for reconciliation of cash flows from operating activity to profit or loss if using direct method.	1. Disagree with the proposal. The IASB is currently considering introducing such a requirement within the Financial Statement Presentation project and is included in the Staff Draft of the proposals (Para 172). Therefore, we believe the requirement should be maintained until the IASB has concluded on this. This would save confusion with the requirement being removed and then reintroduced. Further, we believe the disclosure is helpful to users and therefore should not be deleted. In addition, the existing disclosure requirement is consistent for both jurisdictions and hence already harmonised.
NZ IAS 7	1. Reinstate indirect method 2. Delete requirement for reconciliation of cash flows from operating activity to profit or loss if using direct method 3. Delete paragraph discussing reasons for presenting receipts and payments net.	1. Agree with proposals - in order to meet the objective of alignment to IFRS these are required changes. 2. Disagree with the proposal. This is something that the IASB is considering introducing within the Financial Statement Presentation project and is included in the Staff Draft of the proposals (Para 172). Therefore, we believe the requirement should be maintained until the IASB has concluded on this. This would save confusion with the requirement being removed and then reintroduced. Further, we believe the disclosure is helpful to users and therefore should not be deleted. In addition, the existing disclosure requirement is consistent for both jurisdictions and hence already harmonised. 3. Agree with proposals - in order to meet the objective of alignment to IFRS these are required changes. However this disclosure was helpful to readers and could possibly be included as a suggested but not required disclosure.
AASB 108	1. Delete explanation that restatement of comparatives does not give rise to replacement of original financial statements	1. Agree to remove as this should not affect practice.
NZ IAS 8	1. Delete definition of NZ IFRS 2. Delete changes in significant accounting policies - reported in the accounting policy section	1. Agree with proposals - definition is included in NZ IAS 1 and therefore should not affect practice. 2. Agree with proposals - The removal of the requirement to locate the disclosures in the accounting policies should not affect practice.
NZ IAS 12	1. Delete Imputation credits and withholding taxes definitions 2. Relocate and harmonise disclosures relating to imputation credits and withholding taxes	1. Agree with proposals - definitions are not required as part of NZ IFRS. However we recommend that for the New Zealand version, disclosures are provided separately for New Zealand imputation credits and all other foreign imputation credits. This will ensure that where imputation credits are available in any other foreign jurisdictions, these will be captured separately. 2. Agree with relocation of disclosures. The proposed amendments to the disclosure in ED 122 are quite different to current requirements. The amendments provide further clarification on what makes up those imputation credits available at the reporting date. The amendments also remove the requirement for a reconciliation of imputation credits. The requirement to disclose different classes of investors with different entitlements is onerous but will provide useful information. These amendments appear reasonable.

Standard	Issue	Comments
NZ IAS 16	1. Delete discussion of the use of cost model for Investment properties	1. Agree with proposals in order to align with IFRS and AASB. See comments below.
	2. Delete requirement for independent valuers and related disclosures	2. Agree with proposals in order to align with IFRS and AASB.
NZ IAS 20	1. Delete requirements for disclosure of government grants	1. Agree with proposals to simplify the disclosure requirements.
AASB 121	1. Delete requirements to present financial report in one presentation currency	1. Agree to remove as this should not affect practice.
AASB 128	1. Delete explanation that restatement of comparatives does not give rise to replacement of original financial statements	1. Agree to remove as this should not affect practice.
NZ IAS 28	1. Delete additional disclosure for equity accounted investments in associates	1. Agree with proposals to simplify the disclosure requirements, in our view the existing IAS 28 disclosures are sufficient.
NZ IAS 31	1. Delete clarification that disclosures in NZ IAS 28 are required for JVs accounted for using the equity method.	1. Agree with proposals to simplify the disclosure requirements, as the existing IAS 28 disclosures are sufficient.
AASB 134	1. Alignment of scope of AASB 134 to IAS 34	1. While we agree with changes proposed to the rest of the paragraph, we do not agree with the additional last two sentences and bullet points (a) and (b) which align with the IFRS version as these are not relevant in the Australian environment. The use of the words "IASB encourages" could mislead Australian publicly traded entities to consider that the requirement to prepare a half-year report is only encouraged when in fact it is mandatory. Not including these sentences should not detract from IFRS and FRSB harmonisation.
NZ IAS 34	1. Align scope of NZ IAS 34 with IAS 34	1. Agree that the scope of NZ IAS 34 should align to IAS 34 and we don't see any concerns with the additional wording added.
	2. Delete requirements to comply	2. Agree – this guidance is unnecessary.

Standard	Issue	Comments
	with all of the requirements of NZ IAS 34	3. Agree – guidance not required
	3. Delete reference to NZ IAS 1	4. Agree – alignment to IAS 34 makes sense in this situation.
	4. Delete additional disclosures for condensed financial statements	
	5. Relocate assertion of compliance with NZ IAS 34	5. Agree – relocation will not affect practice.
	6. Delete requirement to disclose an additional comparative statement of financial position	6. Agree that alignment with IAS 34 makes sense. Requiring additional balance sheet increased the burden for NZ entities compared to other jurisdictions.
NZ IAS 40	1. Reintroduce use of the cost method to align with IAS 40	1. Agree with proposals in order to align with IFRS and AASB. Although there is a strong argument for removal of choice in accounting policies, we agree that alignment with IFRS is more important.
	2. Delete requirement for valuation to be done by independent valuer	2. Agree with the proposals in order to align with IFRS.
AASB Interpretation 2	1. Delete guidance relating to cancellation of membership of non-active members	1. Agree with deletion as this provides guidance on the application of the Consensus to the Australian environment and should not affect practice.
AASB Interpretation 112	1. Delete paragraph stating that the Corporations Act prohibits a company from acquiring its own shares	1. Agree with the deletion of this paragraph as this requirement is included in the Corporations Act and deletion will not affect practice.
AASB Interpretation 113	1. Delete guidance relating to recognition of elimination of unrealised gain or loss	1. Agree with deletion of this paragraph as it provides additional guidance and should not affect practice.