

5 July 2006

Professor David Boymal
Australian Accounting Standards Board
PO Box 204
Collins Street West Vic 8007

Dear David

**Invitation to Comment on ED 148 “Proposed Amendments to AASB 101
Presentation of Financial Statements: A Revised Presentation”**

We are pleased to submit our comments in relation to the Invitation to Comment on ED 148 “Proposed Amendments to AASB 101 *Presentation of Financial Statements: A Revised Presentation*”.

Ernst Young supports the majority of the proposals in ED 148. However, we strongly object to the proposal to change the definition of a general purpose financial report. We believe Australia already has a well established and proven system of differential reporting and to extend the general purpose financial report definition to cover any report filed with a regulator, for example all ASIC filings, would add unnecessarily to the burden of financial reporting. Feedback we have received from a number of our smaller clients (which are a majority in Australia) indicates that they have received no benefits from the harmonisation process and the costs of complying with increased regulatory requirements would be increasingly burdensome.

Our comments on the specific proposals outlined in the Invitation to Comment are addressed below.

A. SPECIFIC MATTERS FOR COMMENT

- a) *the proposal that:*
 - (i) *the Australian text that is proposed to be retained in the (revised) AASB 101, as noted in section A of ED 148’s Preface;*

We agree with the retention of the Australian text proposed to be retained in the (revised) AASB 101 outlined in paragraphs A.1-A.8 because it ensures the inclusion of useful information in the

financial statements of Australian entities that we believe financial statement users both want and expect to see in the financial statements.

In respect of the additional requirements for disclosure proposed to be required by (revised) AASB 101 we would consider it appropriate that they be limited to reporting entities (for example, the proposal to require a third statement of financial position). We believe that under current Australian requirements if an entity is considered a non-reporting entity then members would have access to such information, if they required it. To require non-reporting entities to include such additional information in their special purpose reports would be both onerous and unnecessary.

(ii) *the Australian text that is proposed not to be included in the (revised) AASB 101, as noted in section B;*

We agree with the non-inclusion of the text outlined in B.1, B.2, B.3, B.5, B.7, B.8, B.9, B.10, B.11, and B.12.

We will respond to the issue contained in B.4 in part B below.

We disagree with the deletion of the text contained in B.6 relating to special purpose financial reports because we do not agree with the change to the definition of a general purpose financial report, on which the removal of this paragraph is based. Also we believe that guidance on the content of a special purpose financial report is still required and should be retained in the AASB literature.

We disagree with the deletion of the text contained in B.13 in respect of the disclosure about an economic dependency and the amendment to the text surrounding capital commitments and other expenditure commitments contained in B.14. We consider these useful and expected disclosures in an Australian entities financial statements, similar to the items contained in A.1-A.8 and believe that the non-inclusion or reduced guidance on the required disclosure of these items would diminish the usefulness of the financial statements.

(iii) *the deletion that is made by the AASB in the existing AASB 101 that is proposed to be reinstated in the (revised) AASB 101, as noted in section C; and*

We do not agree with the re-insertion of this paragraph. We note the inconsistency between the (revised) AASB 101's fair presentation requirements and the Corporations Act requirement for a "true and fair view" under sections 295 and 297 of the Act. We believe that the re-insertion of this paragraph would be confusing to users and could result in inadvertent non-compliance with the Corporations Act. If the AASB wishes to permit non-corporate entities to avail themselves of the IAS 1 requirements then it should include an "Aus" paragraph warning Corporations Act entities that they cannot avail themselves of these paragraphs.

(iv) *the deletions made by the AASB in the existing AASB 101 that are proposed not to be reinstated, as noted in section D;*

We agree with the non-reinstatements outlined in D.1-D.3.

- b) the AASB’s preliminary views proposed for adopting the definition of “general purpose financial report” as included in paragraph 7 of the IASB ED.*

We note the definition of General Purpose Financial Statements as contained in paragraph 7 of the IASB ED is as follows:

“are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

General purpose financial reports include those that are presented separately or within other public documents such as a regulatory filing or report to shareholders.”

We strongly disagree with this proposal. The second “grey letter” paragraph has the potential to include any number of financial reports within the scope of general purpose financial reporting.

The reporting entity concept is well established in Australia and was established to control the issue of over regulation and burdensome financial reporting on smaller entities. To override this well established and proven reporting entity concept in an environment that is more complex than ever before would be a step backwards for the Australian regulatory and reporting environment.

We believe that each Country’s regulatory environment is extremely varied in terms of organisation and sophistication. What information entities are required to lodge with regulatory agencies and when should be left to the governments of each country to meet their needs and objectives. We further note that the majority of entities affected by this proposed amendment would be large proprietary non-reporting entities that do not benefit from the global harmonisation of accounting standards and nor do they wish to compare themselves to overseas entities.

- c) Whether certain entities should be required to prepare an additional comparative statement of financial position as proposed.*

We do not agree that the entities listed in this proposal should have to prepare an additional comparative statement of financial position. The requirement would be excessive and if users need to refer back to the opening balance sheet for the comparative year, they can refer to the previous year’s financial report.

- d) Whether the proposals give rise to any public sector entity issues that you believe require additional requirements or guidance in AASB 101.*

Apart from the matters outlined above we note no public sector issues that may affect the implementation of the proposals outlined in ED 148.

- e) ***Any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for profit entities and public sector entities.***

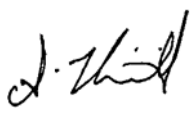
Apart from the matters outlined above we note no regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals outlined in ED 148.

- f) ***Whether the proposals are in the best interests of the Australian economy.***

Apart from the matters outlined above, especially in relation to the change of definition of a general purpose financial report, we can see no reason why the proposals outlined in ED 148 are not within the best interests of the Australian economy.

We would be pleased to discuss our comments further with you. Please contact Annette Kimmitt on (03) 9288 8141 if you wish to discuss any of the matters raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Hill', is written over a thin red horizontal line.

Ernst & Young