



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

via email: standard@asb.gov.au

24 February 2011

Dear Kevin

Re: AASB ED 207 Amendments to AASB 7: Tier 2

We are responding to your request for comment on Australian Accounting Standards Board (AASB) Exposure Draft (ED) 207 *Amendments to AASB 7: Tier 2*.

We support the Board's aim to ensure that amendments to existing Australian Accounting Standards provide consistent disclosure relief for tier 2 entities reporting under the reduced disclosure regime on a timely basis.

We generally agree with the proposed application of the amended disclosure requirements of AASB 7 *Financial Instruments: Disclosures* to tier 2 entities. However, as explained in Appendix A, we believe the Board could achieve the same disclosures with fewer paragraphs in the standard.

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

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (02) 8266 8350 if you would like to discuss our comments further.

Yours sincerely,

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

Regina Fikkers
Partner, PricewaterhouseCoopers



Appendix A: Specific matters for comment

1. Do you agree with the AASB disclosure proposals under Tier 2 as set out in the attached analysis as underlined text?

We generally agree with the proposed Tier 2 disclosure requirements of AASB 7 to tier 2 entities. However, we note the existing compiled RDR version of AASB 7 contains paragraph RDR27.1, which specifies disclosure requirements for tier 2 entities in relation to financial assets and financial liabilities measured at fair value. This paragraph has been omitted from ED 207. Instead, the ED proposes that paragraph 27 should apply to tier 2 entities with the exception of the last sentence.

We would prefer if the current paragraph RDR27.1 was retained, as it clarifies that the relevant disclosures must only be made where financial assets and liabilities are measured at fair value, but not for any other financial assets or liabilities.

We also take this opportunity to reiterate the view expressed in our submission on AASB ED 192 *Revised Differential Reporting Framework* that paragraphs 29 and 30 of AASB 7 are not relevant to tier 2 entities and should therefore be excluded from the tier 2 disclosures. Tier 2 entities are not required to disclose fair values when financial assets and liabilities are not measured at fair value. As such, these exemptions do not apply to tier 2 entities.

We do not believe paragraph 82(ca) of AASB 101 (the disclosure of reclassifications) is necessary for tier 2 entities. It is inconsistent with the AASB's Tier 2 disclosure principles. In the rare case of a material gain or loss on reclassification, separate disclosure on the face of the primary statements would already be required under AASB 101 paragraph 97.

2. Are there any regulatory issues or other issues arising in the Australian environment, particularly any issues relating to (i) not-for-profit entities, and (ii) public sector entities?

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

3. Overall, would the proposals result in financial statements that would be useful to users?

Subject to our specific comments above, we believe that the proposals would result in financial statements that are useful to users.

4. Are the proposals in the best interests of the Australian economy?

The introduction of the reduced disclosure regime has significantly reduced the regulatory burden for those entities that are eligible to report under tier 2 of the new regime and we believe the proposals are in the best interests of the Australian economy.