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Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
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Our ref Submission - ED 209 - Tier 2 only

Dear Sir

Submission - ED 209 - proposal relating to Tier 2 disclosure requirements

We are pleased to have the opportunity to comment on the AASB Exposure Draft ED 209 *Offsetting Financial Assets and Financial Liabilities*. KPMG will be submitting a global submission in respect of ED/2011/1 *Offsetting Financial Assets and Financial Liabilities*, in respect of the proposed amendments to IFRS 7 and IAS 32. Accordingly in this submission we only comment on the proposal contained in ED 209 relating to Tier 2 disclosure requirements.

We appreciate the Board's efforts to expedite the process of updating the Tier 2 reporting requirements. However in the event that the IASB, upon issuing the final amendments, makes changes to the underlying exposure draft to which the Tier 2 proposal relates, we believe that the AASB should re-expose for comment the disclosures included in the final amendments together with its analysis of whether or not the disclosures should be included in the Tier 2 reporting requirements.

Executive Summary

We agree with the reduced disclosures proposed for entities applying Tier 2, however we question the basis given for the exemption. Please refer to Appendix 1 of this letter for our detailed comments.

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 (03) 9288 5423, or Michael Voogt on (02) 9455 9744.

Yours faithfully

Bernie Szentirmay
Partner, Department of Professional Practice

Appendix 1 – AASB Exposure Draft ED 209 – *Offsetting Financial Assets and Financial Liabilities* – proposal relating to Tier 2 disclosure requirements

Whether the proposed disclosures (paragraphs 11 -15 and C16 -20) in this Exposure Draft should also be applied to Tier 2 entities. The AASB proposes to exempt Tier 2 entities from providing any of the proposed disclosures.

We support exempting Tier 2 entities from providing any of the proposed disclosures. However we question the basis given for the exemption in the ‘Analysis of Disclosure Requirements for Tier 2 Entities Relating to AASB Exposure Draft ED 209 *Offsetting Financial Assets and Financial Liabilities* (proposed amendments to AASB 7 and AASB 132, and proposal relating to Tier 2 disclosure requirements)’.

In our view the exemption should be on the basis of paragraph 5 of the *Tier 2 Disclosure Principles*, in other words based on ‘user need’ and ‘cost-benefit’, as opposed to paragraph 3.

Paragraph 3 of the ‘Tier 2 Disclosure Principles’ states that “*Where the IFRS for SMEs does not require a disclosure that is required in the relevant full IFRS, Tier 2 does not retain that disclosure*”. However, paragraph 2.52 of *IFRS for SMEs* specifically disallows offsetting “...unless required or permitted by this IFRS...”

Neither section 11 ‘*Basic Financial Instruments*’ or 12 ‘*Other Financial Instruments Issues*’ of *IFRS for SMEs* go on to require or permit offsetting. We would therefore conclude that the offsetting of financial assets and financial Liabilities is not permitted by *IFRS for SMEs*.

Based on the above, it is our view that paragraph 3 of the *Tier 2 Disclosure Principles* is not the basis for exempting Tier 2 entities in this instance.