Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204,
Collins Street
WEST VICTORIA 8007

Grant Thornton Australia Limited
ABN 41 127 556 389

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

By Email: standard@aasb.gov.au

20 September 2011

Dear Kevin

EXPOSURE DRAFT ED 215/IASB ED 2011/3 MANDATORY EFFECTIVE DATE OF IFRS 9

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board (AASB) with its comments on ED 215 Mandatory Effective Date of IFRS 9 (the ED) which is a re-badged copy of the International Accounting Standards Board's (IASB) ED/2011/3. We have considered the ED, and set out our comments in the Appendix.

Grant Thornton's response reflects our position as auditors and business advisers to the Australian business community. We work with listed and privately held companies, government, industry, and not-for-profit organisations (NFPs). This submission has benefited with input from our clients, Grant Thornton International which will be finalising a global submission to the IASB by its due date of 21 October 2011, and discussions with key constituents.

In summary we agree that it is appropriate to defer IFRS 9's implementation date to enable publicly accountable entities to adopt the complete package of new financial instruments requirements at the same time.

We do not support IFRS 9 being mandatory for non-publicly accountable entities, and instead believe that the full recognition and measurement requirements of IFRS 9 should not mandatorily apply to non-publicly accountable entities. Instead Grant Thornton believes that the AASB should allow the IFRS for SMEs accounting standard as an option for non-publicly accountable entities. Adoption of IFRS recognition and measurement principles which the AASB believes necessitates an increase in disclosures compared to IFRS for SMEs, does add significant complexity and costs that would not be borne by similar structured overseas entities.

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

We note that the AASB's Action Alert indicates that the AASB submission subject to any additional submissions made to it, will argue that the effective date should be determined when IAS is completely replaced. We would not support this if a date earlier than 1 January 2015 is selected, given that IFRS 9 has had minimal take up in Australia, and we would expect that there will be a need for significant systems changes and specialized training required.

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 1: Comments

IASB ED questions

Question 1:

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We support the Board's view that entities should be able to apply all the phases of the IAS 39 replacement project at the same time. Moreover, insurance entities should preferably be able to adopt the new financial instruments and any new insurance accounting requirements concurrently. An adequate transition period for all these new requirements is of course essential. The 1 January 2013 effective date for the current version of IFRS 9 should therefore be deferred in view of the status and projected completion dates of the remaining phases of the standard (impairment and hedge accounting) and of the insurance project.

Question 2:

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We agree. Relief from restating comparatives should be unnecessary if entities are given an adequate transition period.

Other suggestions

We suggest that, once all project phases are complete, the Board should reconsider whether the current transition requirements remain optimal in the context of the complete standard and the transition requirements of other phases. This is to ensure that due consideration is given to the interactions between the various phases in developing the overall transition requirements and reliefs.

In addition we are aware of some questions of application and interpretation of IFRS 9's existing transition provisions, relating in particular to the phrase "date of initial application". This is defined as "the date when an entity first applies the requirements of this IFRS", which is "the beginning of the first reporting period in which the entity adopts this IFRS, for entities initially applying this IFRS on or after 1 January 2011". One question encountered is whether the term "first reporting period" addresses the first annual period or the first interim reporting period (if applicable). A second is whether the "reporting period in which the entity adopts this IFRS" is:

- the beginning of the current period covered by the first financial statements in which IFRS 9 is applied;
- the beginning of the comparative period(s) included in those financial statements.

We understand that transition requirements cannot address every circumstance, and also that IFRS 9's requirements are already quite detailed. However, in view of the importance of the date of initial application concept, we feel it would be useful to consider clarifying these points.

AASB ED questions

Question 1:

Whether, overall, the proposals would result in financial statements that would be useful to users.

No. We reiterate that for non-publicly accountable entities the proposed requirements to continue to stay with the IFRS recognition and measurement rules instead of IFRS for SMEs would add significant complexity and costs that would not be borne by similar structured overseas entities, and hence would not result in financial statements that would be useful to users. For those entities that wish to stay on a full IFRS recognition and measurement platform, we are not aware of any other reasons that would impact the usefulness of these proposals.

Question 2:

Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

a. not-for-profit entities; and

b. public sector entities

No. Apart from our earlier comments on the need for non-publicly accountable entities to be able to significantly reduce complexity and costs by allowing the adoption of the IFRS for SMEs accounting standard, we are not aware of any regulatory or other issues that may affect the not-for-profit and public sectors.

Question 3:

Whether there are any implications for GAAP/GFS harmonisation

No. We reiterate that for non-publicly accountable entities the proposed requirements to continue to stay with the IFRS 9 do not make sense. Otherwise we are not aware of any GAAP/GFS harmonisation issues.

Question 4:
Whether the proposals are in the best interests of the Australian economy.

No. We reiterate that for non-publicly accountable entities the proposed requirements would add significant complexity and costs that would not be borne by similar structured overseas entities, and hence would not result in financial statements that would be in the best interests of the Australian economy. For those entities that wish to stay on a full IFRS recognition and measurement platform, we are not aware of any other reasons that would impact the usefulness of these proposals.

Question 5:
Unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative.

Costs outweigh benefits. As stated above, we believe that the costs of maintaining an RDR structure without allowing for IFRS for SMEs as an option to full IFRS or the RDR imposes costs on most non-publicly accountable entities that exceed the benefits. For those entities that wish to stay on a full IFRS recognition and measurement platform, we are not aware of any other reasons that would impact the usefulness of these proposals.