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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 216 and ED 217

28 November 2011

Dear Sir

Submission – ED 216 and ED 217

We are pleased to have the opportunity to comment on the following Exposure Drafts:

- ED 216 – AASB 12 *Disclosure of Interests in Other Entities*: Tier 2 proposals
- ED 217 – AASB 127 *Separate Financial Statements*: Tier 2 proposals

Executive Summary

- We broadly agree with the AASB reduced disclosure proposals under ED 216 for entities applying Tier 2. We have one comment on AASB 12.20(b) which is included in Appendix 1 to this letter.
- We agree with the AASB reduced disclosure proposals under ED 217 for entities applying Tier 2.
- We also have a comment (included in Appendix 2) in relation to the extension of relief from consolidation and the equity method for parents who prepare financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

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) 9335 7630, or Michael Voogt on (02) 9455 9744.

Yours faithfully

Martin McGrath
Partner In Charge, Department of Professional
Practice

Appendix 1 – ED 216 – AASB 12 *Disclosure of Interests in other Entities*: Tier 2 proposals

We disagree with the AASB proposal to retain the AASB 12.20(b) disclosure requirement for Tier 2 entities. In our view the retention of this paragraph is inconsistent with the exemption of AASB 12.10(b)(ii) (interests in subsidiaries).

While we accept the retention of the requirements in AASB 12.23 for Tier 2 entities, we do not see that the disclosure of the nature of, and changes in, the risks associated with interests in joint ventures and associates meets the ‘user need’ and ‘cost-benefit’ principle. This was the conclusion reached by the AASB in the proposals for AASB 12.10(b)(ii) and we can see no reason or circumstance why the outcome should be different between interests in subsidiaries and interests in joint arrangements and associates.

Appendix 2 – Relief from consolidation and the equity method

We note that the version of AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* both released in August 2011 have not been impacted for the changes made to the predecessor standards for AASB 2011-06 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, The Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*.

Specifically the following paragraphs have not been updated for the extension of relief from consolidation and the equity method for parents who prepare financial statements under Australian Accounting Standards – Reduced Disclosure requirements:

- AASB 10.Aus4.1
- AASB 128.Aus17.1

We assume that the AASB will issue a further amending standard to extend the relief to the new AASB 10 and the revised AASB 128.