

30 November 2011

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

Dear Mr Stevenson,

Exposure Draft ED 220 Investment Entities

This letter is the Australasian Council of Auditors-General (ACAG) response to the Exposure Draft referred to above.

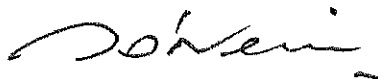
The views expressed in this submission represent those of all Australian members of ACAG.

ACAG does not support the proposals outlined in the above ED on the basis that financial reporting requirements should be principles-based with few exceptions. Where exceptions are permitted, detailed rules must also be included that will require regular reviews as entities test the boundaries of the exception. For example, entities may attempt to abuse the exception to avoid the costs of consolidation.

ACAG believes that the quality of financial reporting may be impaired as entities apply the exception to suit their reporting needs. This may result in incomparability of information, as the basis for measuring controlling interests in another entity is the same as that for a non-controlling interest in another entity, despite the substance of the transaction being different. Furthermore, entities that do not meet the definition of an investment entity may also invest for capital appreciation, investment income or both. However, these entities do not have access to the proposed exemptions and are therefore required to consolidate in accordance with AASB 10.

The opportunity to comment is appreciated and I trust you will find the above comments useful.

Yours sincerely



Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee