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The Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Vic 8007  
AUSTRALIA

5 December 2011

Dear Chairman

**Exposure Draft AASB ED 221 *Government Loans (Proposed amendments to AASB 1)***

The Australian firm of Ernst & Young is pleased to submit our comments on Exposure Draft AASB ED 221 Government Loans (proposed amendments to AASB 1).

Overall, we support the proposals in ED 221. In addition, we are of the view that a similar exemption should be provided in AASB 1 to not-for-profits in relation to the fair value measurement of government loans.

Our responses to the specific questions are provided in Appendix A to this letter.

We would be pleased to discuss our comments further with you. Please contact Georgina Dellaportas on (03) 9288 8621 if you wish to discuss any of the matters raised in this response.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Ernst &amp; Young'.

Ernst & Young

## Appendix A - Specific Matters for Comment

- (a) Whether, overall, the proposals would result in financial statements that would be useful to users;**

We believe that the proposals would result in financial statements that would be useful to users.

- (b) Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals**

We are not aware of any regulatory issues that may affect implementation.

- (c) Whether there is any practical need to make similar amendments in respect of not-for profit entities adopting AASB 1004 for the first time;**

We believe that there is a need for a similar amendment in AASB 1 in the context of accounting for government loans under AASB 1004 Contributions by not-for profit entities. A first time adopter of Australian Accounting Standards including AASB 1004 would face the same practical difficulties in determining fair value retrospectively as a for-profit entity complying with AASB 120 for the first time.

- (d) Whether the proposals are in the best interests of the Australian economy**

The proposals are in the best interests of the Australian economy.

- (e) Unless already provided in response to specific matters for comment 1 - 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.**

The proposals will reduce compliance costs of for-profit entities complying with the current requirements on AASB 1 in respect of government loans.