ED 165 sub 1

Grant Thornton

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Dear David

ED 165 Improvements to Australian Accounting Standards

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on Exposure Draft ED 165 'Improvements to Australian Accounting Standards' which is a re-badged copy of the International Accounting Standards Board's Exposure Draft 'Improvements to IFRS'.

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.

This submission has benefited with input from our clients, Grant Thornton International which will be finalising a global submission to the IASB by its 7 November 2008 deadline, and discussions with key constituents.

We broadly support the proposals contained in the IASB's ED, and we have responded in the attached Appendix on an exception basis, in the few instances where our views differ from the ED's proposals.

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:
Responses to Exposure Draft Questions

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We agree that specific disclosures required by other standards should not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations. However, we believe that the vague comment that "Additional disclosures about such assets (or disposal groups) may be necessary to comply with the general requirements of IAS 1" is unhelpful as it could be read as suggesting that additional disclosures are more likely to be required for items covered by IFRS 5 than elsewhere without providing any specific requirements. We suggest that the Board either delete this sentence or amend other requirements where they believe further disclosures are necessary. Deletion would still leave in place the generic IAS 1 requirement, which could be relied upon in exceptional cases.

IFRS 8 Operating Segments

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

As a pragmatic way of dealing with an evident problem of an unintended GAAP difference, we support this proposed amendment. However, we do not, in general, believe that amendments to the Basis for Conclusions for a standard should be seen as a route to changing practice regarding how the standard is applied.

IAS 7 Statement of Cash Flows

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

This change appears to have been proposed to address an issue in a particular area (expenditure on exploration for and evaluation of mineral resources). However, we believe that more consideration should be given to the wider consequences of the proposed amendment and to the treatment of other cash outflows that may hitherto have been classified as investing. For example, it is not clear from IAS 7 how cash outflows relating to contingent consideration in a business combination accounted for under IFRS 3 (Revised 2008) should be dealt with (presumably as financing?). Nor is it clear how the proposed amendment interacts with IAS 7.35, which indicates that taxation cash flows may in some cases be classified as 'Investing'. We note also that expenditure on inventories is recognised as an asset in the statement of financial position but such expenditure is routinely regarded as being 'Operating' in nature.

IAS 18 Revenue (Appendix)

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Yes. We believe that it is appropriate to amend the Appendix rather than the text of the Standard itself.

In addition, we note that there are various sources of national guidance in this area which are often referred to under the hierarchy in IAS 8.10-12. Hence, it may be useful for the Basis for Conclusions to note the existence of these sources and identify common principles that are reflected in the proposed amendment to the Appendix to IAS 18.

IAS 38 Intangible Assets

Measuring the fair value of an intangible asset acquired in a business combination

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Yes, though it is not clear to us why this change is considered to be necessary. We note the use of the word "hypothetical" in the proposed amendments to paragraph 41. We are not convinced that this word is necessary and consider that it may give the impression that there would be no or reduced need for evidence in support of the estimated cost the entity would avoid. We also observe that the "and" at the end of subparagraph (a) (ii) may give rise to unintended interpretative difficulties. We believe that the amendment is intended to mean first do (a) then do (b) ie discount the result of doing (a).

Question 2: Do you agree with the proposed transition provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

No. We believe that to have two different implementation dates six months apart for the amendments to IAS 38 leads to unnecessary complexity. As other changes to IAS 38, arising from the introduction of IFRS 3 (Revised 2008) take effect from 1 July 2009, in our view this change should also apply from that date.

IAS 39 Financial Instruments: Recognition and Measurement

Application of the fair value option

Question 1: Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

Yes, though we do not see why this amendment was considered necessary as the meaning of IAS 39 paragraph 11A was clear to us. In our view, diversity in practice appears to have resulted from not applying the principles of the standard.

Specific AASB Questions

a **whether the proposed guidance on determining whether an entity is acting as a principal or as an agent proposed to be included in AASB 118 has implications for not-for-profit entities, particularly those in the public sector, and whether it might be useful in the context of accounting for non-exchange revenue by not-for-profit entities;**

We are not aware of any implications for not-for-profit entities.

b **any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to not-for-profit entities; and**

We are not aware of any issues that may effect the implementation of the proposals including not-for-profit entities.

c **whether the proposals are in the best interests of the Australian economy.**

We believe that the proposals are in the best interests of the Australian economy.