28 November 2008

Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Via email: standard@aasb.gov.au

Dear Mr Porter

Comments on ED 169 *Improving Disclosures about Financial Instruments – proposed amendments to AASB 7*

Thank you for the opportunity to comment on the AASB Exposure Draft 169 *Improving Disclosures about Financial Instruments – proposed amendments to AASB 7*. CPA Australia, The Institute of Chartered Accountants and the National Institute of Accountants (the joint accounting bodies) have considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

We agree with the majority of the proposed amendments outlined in the ED, because they will provide more relevant and reliable information about fair value and liquidity risk to the users of the financial statements. We have noted some areas where we feel disclosure could be reduced in order to reduce the burden on entities without detracting from the usefulness of such information.

Our response to matters on which specific comment is requested is included in the attached Appendix. Also attached is our submission to the IASB which includes our responses to the specific IASB questions for comment.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely

	Graham Meyer	Roger Cotton
Chief Executive Officer	**Chief Executive Officer**	**Chief Executive Officer**
CPA Australia Ltd	**Institute of Chartered Accountants**	**National Institute of Accountants**

<u>Appendix - Matters on Which Specific Comment Requested</u>

(a) Are there any regulatory issues 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 public sector entities?

We are not aware of any issues in the Australian environment that may affect the implementation of the proposals.

(b) Overall, would the proposals result in financial statements that would be useful to users?

The proposals would result in useful financial statements, for the various reasons stated above.

(c) Are the proposals in the best interests of the Australian economy?

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

28 November 2008

Sir David Tweedie
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Via "Open to comment" page on www.iasb.org

Dear Sir David

Comments on IASB Exposure Draft *Improving Disclosures about Financial Instruments – proposed amendments to IFRS 7*

Thank you for the opportunity to comment on the IASB Exposure Draft *Improving Disclosures about Financial Instruments – proposed amendments to IFRS 7* CPA Australia, The Institute of Chartered Accountants and the National Institute of Accountants (the joint accounting bodies) have considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

We agree with the majority of the proposed amendments outlined in the ED, because they will provide more relevant and reliable information about fair value and liquidity risk to the users of the financial statements. We have noted some areas where we feel disclosure could be reduced in order to reduce the burden on entities without detracting from the usefulness of such information.

In relation to the implementation guidance (which has not been addressed in a specific question), we would like to recommend to the Board that additional examples be included in the implementation guidance regarding the requirements of paragraph 31, similar to the guidance in paragraphs IG13A and IG13B.

While we appreciate the underlying motivation behind the proposed amendments, we remain concerned about piecemeal changes to IFRS 7. The IASB should conduct a post-implementation review of IFRS 7 disclosures to ensure that resulting disclosures are relevant for decision-making.

Our response to matters on which specific comment is requested is included in the attached Appendix.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely

	Graham Meyer	Roger Cotton
Chief Executive Officer	**Chief Executive Officer**	**Chief Executive Officer**
CPA Australia Ltd	**Institute of Chartered Accountants**	**National Institute of Accountants**

Appendix - Matters on Which Specific Comment Requested

1. **Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why?**

   We agree with the proposals, as the use of a hierarchy provides some structure and guidance as to how to classify the way in which fair values are determined. Also, given that it is based on existing requirements under USGAAP, many constituents will be familiar with these concepts which will assist in the understanding and acceptance of this proposal.

2. **Do you agree with the three-level fair value hierarchy as set out in paragraph 27A? If not, why? What would you propose instead, and why?**

   We agree with the proposals, for the reasons stated above.

3. **Do you agree with the proposals in:**

   (a) paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why?

   We agree with the proposals as it improves the transparency of fair value information, in particular for level 3 inputs, which are of significant interest under the current economic conditions.

   (b) paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?

   We agree with the proposals given that it is useful for users of financial statements to know how the fair values of other financial instruments not measured at fair value could be derived.

4. **Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?**

   We agree with this proposal as it provides more useful information about management's intent on holding such instruments and thus will be a more accurate reflection of how liquidity risk is managed.

5. **Do you agree with the proposal in paragraph 39(b) to require entities to disclose a maturity analysis for non-derivative financial liabilities based on remaining expected maturities if the entity manages the liquidity risk associated with such instruments on the basis of expected maturities? If not, why? What would you propose instead, and why?**

   Similar to our response to question 4, we agree that a greater emphasis on expected maturities is appropriate. However we note that this disclosure would be required in addition to the disclosures about contractual maturities that already exist. This may cause confusion amongst users of the financial statements.

   We therefore consider the entity should have a choice of using a disclosure based on expected maturities if the entity manages their risks in this fashion, otherwise the entity would be required to disclosure contractual maturities. Disclosure of expected maturities instead of contractual maturities could then be combined with an additional requirement to disclose the contractual maturity if this is early than the expected maturity.

6. **Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk and why?**

   We agree with the amended definition of liquidity risk because it links in with the changes made to the maturity analysis disclosure, which reflects the cash outflows an entity anticipates based on the way it intends to settle its financial liabilities.

7. **Do you agree with the proposed effective date? If not, why? What would you propose instead and why?**

   We agree with the proposed effective date, as it gives preparers time to update their processes in order to capture the new information required.

8. **Are the transition requirements appropriate? If not, why? What would you propose instead and why?**

   The transition requirements are consistent with many other changes to standards, however we feel that this is burdensome in respect of disclosure of fair value information in the comparative reporting period. The information required at the opening period of comparative year would more than likely be prior to this exposure draft being published, and would increase costs of compliance over the benefits of the information being provided.