30 September 2009

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

By email: standard@aasb.gov.au

Dear Kevin

ED 179: Superannuation Plans and Approved Deposit Funds

Thank you for the opportunity to comment on the AASB Exposure Draft 179 Superannuation Plans and Approved Deposit Funds. CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have considered this 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 commend the AASB for their work in developing a standard based on IFRS which is applicable to the superannuation industry in Australia. Overall we are supportive of the ED and the concept that superannuation reporting should be within the context of IFRS, subject to our fundamental concerns outlined below and detailed comments in the Appendix. We urge the AASB to include more industry specific guidance in areas where divergent interpretations could be foreseen to develop and identify a number of areas in this submission. We also encourage the AASB to engage in field testing before finalising the standard.

Consolidation

We have accepted the principle for consolidation as a necessary outcome of complying with IFRS. In accepting the principle of consolidation we also accept the proposal in ED 179 that subsidiaries will be recognised at their full fair value on consolidation. However, we do have two concerns. Firstly, the proposed methodology to continually remeasure goodwill is complicated and has the potential to produce information misunderstood by the users of the financial statements. Secondly, in the case of subsidiaries that are not wholly owned, the reporting of the minority interest could result in users being misled by the resulting financial statements. Additionally, we strongly feel there should be more clarity around the concept of control as it applies to this industry to assist in determining when consolidation is required.

Insurance

We agree that in some instances superannuation funds self insure, clearly carrying insurance risk, and it is appropriate this risk should be accounted for under the relevant IFRS. Other funds in substance act as agents on behalf of the insurer or hold group policies for the benefit of their members.

We recommend the ED should contain guidance clarifying that funds differ in terms of insurance risk and the accounting treatment should reflect the substance of the arrangement. We also raise concerns with the drafting of the ED in relation to insurance arrangements and urge the AASB to clarify that the wording of the standard complies with laws regulating the insurance industry, bearing in mind that a superannuation fund is not an insurance company.

Vested benefits
We agree that members' benefits should be recognised as liabilities under IFRS. However, we do not agree with the proposed measurement model for defined benefit superannuation plans, and recommend that the liability for members' benefits be measured by reference to vested benefits as opposed to accrued benefits.

Compliance with IFRS
We reiterate our support for the AASB in their efforts to draft a standard based on IFRS that is appropriate for the superannuation industry. To retain the nexus with IFRS, we recommend the standard refer to IFRS rather than repeating requirements from other standards wherever possible. Applying this approach will retain consistency with the principles in IFRS and reduce the need for the superannuation standard to be amended every time the standard it quotes is amended.

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

Geoff Rankin	Graham Meyer	Andrew Conway
Chief Executive Officer	Chief Executive Officer	Chief Executive Officer
CPA Australia Ltd	Institute of Chartered Accountants	National Institute of Accountants

The AASB would particularly value comments on whether:

(a) the recognition principles in paragraph 10 of this Exposure Draft are appropriate for a superannuation plan or approved deposit fund;

Obligation for members' benefits to be recognised as liabilities

We agree that the recognition principles for members' benefits in paragraph 10 meet the definitions under the Framework, and that members' benefits should be recognised as liabilities under IFRS. However, this is on the premise that members' benefits is measured as vested benefits rather than accrued benefits. It is arguable that accrued benefits over and above the vested benefits are in the nature of equity, as what is payable under a superannuation fund trust deed is discretionary in many cases.

As members' benefits are recognised as liabilities, we recommend the proposed requirement for a Statement of Changes in Equity be deleted from the standard.

Our significant concerns with the measurement of benefits are addressed under question (c) below.

Obligations and assets arising from insurance contracts

We agree the principles relating to insurance contracts are appropriate.

However, we have significant concerns, outlined under question (e) below, with the drafting of this ED in relation to insurance activities of plans and funds.

Assets and liabilities of a subsidiary – consolidation of subsidiaries

We accept the principle of consolidation for superannuation plans as this is consistent with IFRS. We reiterate our comment previously made to the AASB that consolidation is not relevant to superannuation entities as users are interested in the fair value of an entity's investments, not their underlying assets and liabilities or cash flows. We acknowledge the AASB has attempted to address this issue by proposing a consolidation method that essentially measures a subsidiary at fair value. We agree this principle is appropriate, however regard it is implicit acknowledgement that consolidation is not relevant for superannuation plans and approved deposit funds.

Assuming subsidiaries are recognised at fair value on consolidation, we agree with the principle that minority interests would also be recognised. However this could have unintended outcomes. Under the consolidation model subsidiaries will be recognised at their full fair value, and the minority interest disclosed. This has the potential to mislead users as to the level of assets attributable to the members of the fund, as users may consider the reported assets as being available to members, rather than those attributed to the parent.

On balance, if the AASB decided to exempt superannuation plans and approved deposit funds from consolidation and instead propose a disclosure only model we would strongly support that decision. We view the disclosure only model as recognising the superannuation plan or approved deposit fund's investment in the subsidiary at its fair value less transaction costs in its separate financial statements and the provision of note disclosure regarding each significant subsidiary. In our view this disclosure model would provide information that better satisfies the qualitative characteristics that make the information in financial reports useful to users and represents a far more practical and workable solution for superannuation entities generally.

(b) a superannuation plan or approved deposit fund should be required to measure at fair value adjusted for transaction costs all of its:

(i) assets, except for:

(A) tax assets;

(B) assets arising from insurance contracts issued by the entity; and

(C) goodwill; and

(ii) liabilities, except for:
(A) tax liabilities;

(B) obligations for defined contribution members' vested benefits;

(C) obligations for defined benefit members' accrued benefits; and

(D) obligations arising from insurance contracts issued by the entity;

We agree, subject to members' benefits being measured on a vested benefit basis rather than accrued benefit basis.

(c) the guidance in paragraphs AG13-AG32 of Appendix B to this Exposure Draft is sufficient to facilitate reliable measurements of obligations for defined benefit members' accrued benefits and comparable measurements of such obligations between superannuation plans and over time. In particular, whether a superannuation plan with defined benefit members who will accrue materially higher levels of benefits as they near retirement age should be:

(i) permitted to use a method of its choosing to attribute such members' benefits to reporting periods, provided that the method is appropriate for the plan's circumstances, as proposed in paragraph AG17 of Appendix B to this Exposure Draft;

(ii) required to attribute such members' benefits on a straight-line basis in a manner consistent with the approach required under AASB 119 *Employee Benefits* for defined benefit obligations; or

(iii) required to attribute such members' benefits to reporting periods on a basis other than a straight-line basis;

Measurement of defined benefit members' accrued benefits

ED 179 proposes that defined benefit liabilities should be recognised using an approach that is conceptually similar to the AASB 119 requirements for employers to measure these liabilities. We believe that requiring the application of this approach by superannuation plans and approved deposit funds is conceptually flawed and potentially misleading to members, and recommend that members' liabilities be determined by reference to vested benefits rather than accrued benefits.

Adopting a AASB 119 valuation methodology would be of little value to fund trustees as this valuation methodology is not in line with how the trustee manages the investment and member liability funding under the Superannuation Industry Supervision Act 1993. Nor is it consistent with the way the trustee is advised on the solvency and management of the fund's benefits to members.

The AASB recognises in the ED that superannuation plans are entities in their own right rather than special purpose entities of employers. Therefore we consider that the accounting needs to recognise a superannuation fund's separate status, separate obligations and benefits rather than reflect employer accounting through adopting AASB 119. Specific examples of this include:

- employers have made a promise to their employees to put in place certain retirement benefits and are, appropriately, required under AASB 119 to measure these obligations which they are constructively and/or legally committed to. In contrast, the trustees of defined benefit superannuation plans have not made the promise, they are simply the agent put in place to manage the arrangement
- employers have an obligation to make all practical efforts to fund these obligations, and if necessary, to increase their contributions. In contrast, all trustees can do is lobby employer sponsors to increase funding. They do not have the financial capacity or legal authority to fund these liabilities any other way, and they certainly cannot use funds that they hold for other members or for defined contribution members.

- employer accounting under AASB 119 is driven in part by the need to allocate the service cost of employment over the working life of members. This consideration is irrelevant to superannuation plan trustees who have no control, influence or economic interest in whether or not the employees remain in service

Few defined benefit plans are purely defined benefit. Even single employer sponsored funds typically have a defined contribution component; large multi-employer funds are often mostly defined contribution but have a smaller defined benefit component. Deficits in defined benefit funds(caused by liability measurement) within these funds potentially create a misleading impression by suggesting that the overall fund is in deficit and suggesting that defined contribution reserves may be used against these deficits.

Using a vested benefit approach would be more appropriate as it represents the amount due and payable to members at balance date and is consistent with member statements. Thus we consider it has greater utility for members. As such it is the key measure of a plan's financial condition for regulators, and is consistent with the approach for defined contribution members. Under current practice, in most current defined benefit plans vested benefits represent a realistic assessment of the obligation of the fund based on past service.

Any additional funding over and above the vested benefit liability we recommend should be recognised as a liability such as "defined benefit reserve" as it represents an amount held to be used in future funding and/or a prepayment of employer contributions.

We also suggest the definition of 'vested benefits' in Appendix A be refined to acknowledge the situation in defined benefit funds where a member is only entitled to the benefit on departure from the employer sponsor.

Disclosure of accrued benefits by way of note should continue to be required.

Comments on the proposed measurement method

There are measurement issues for defined benefit members' accrued benefits that are not adequately addressed in Appendix B. The interaction of paragraph 16, which refers to 'best estimate' is not necessarily consistent with paragraph 19 which requires use of a risk free discount rate. We suggest the AASB liaise with groups of experts such as the Institute of Actuaries of Australia on this issue.

In practice many funds are hybrid funds. Consequently there are issues associated with this which need attention. One issue is the fact that the liability for member entitlements is being measured differently for defined benefit versus defined contribution funds. Combining these may give an inappropriate result / summary of financial position.

We also suggest the wording from the Basis of Conclusions paragraph BC68 would be useful to include as guidance to the standard, as this addresses a current practical issue. This guidance does not appear in the proposed wording of the standard itself.

(d) any superannuation plans in Australia have defined benefit members whose level of benefits could be altered by externally imposed requirements, such as the level of state retirement benefits, as noted in paragraph 18(c) of this Exposure Draft and paragraph AG30 of Appendix B to this Exposure Draft. If so, please describe the nature of these externally imposed requirements and how they are currently incorporated into the measurement of defined benefit members' entitlements;

We have no comment on this.

(e) there are any significant practical difficulties that would inhibit the reliable measurement of obligations and assets arising from insurance contracts issued by a superannuation plan or approved deposit fund in accordance with the principles and requirements applicable to life insurance contracts under AASB 1038 *Life Insurance Contracts* as proposed in paragraph 21 of this Exposure Draft. If so, please describe the nature of these difficulties and how they might be overcome;

We agree with the principle that a superannuation plan or approved deposit fund that is exposed to insurance risk should account for that risk under AASB 1038. However, it should be noted that superannuation plans and approved deposit funds are not insurance entities and therefore, the type/extent of the risks may warrant consideration of any necessary modifications.

The wording in the ED has generated much debate, and we request the AASB include more guidance on when a plan is subject to insurance risk, and also more guidance on how to account for this risk under AASB 1038. In making these comments we stress that plans that are not subject to material insurance risk should not be required to measure and recognise an insurance asset and liability on the grounds that this is a costly exercise that does not add relevant information to the financial statements.

We also have significant concerns over the drafting of proposals relating to insurance in the ED and their relationship with the ASIC Act, the Corporations Act, the Life Insurance Act and Trust law. We urge the AASB to take legal advice to clarify the issues outlined below.

It has been suggested to us that superannuation plans are not able to issue insurance contracts. A contract of insurance is defined by section 9 of the Life Insurance Act 1995 (the Life Act) to be a life policy; and such policies can under section 10 only be issued by a registered life insurance company. On this basis, it would appear a superannuation plan would be prohibited by statute from issuing insurance contracts to its members. Thus if there are no superannuation plans that issue insurance contracts to their members the drafting of paragraph BC61 is inappropriate.

Following the logic outlined in paragraph BC61, it is possible the ED is based on a misconstruction of insurance risk. For example, many defined contribution superannuation plans contain specific provisions in their trust deeds that specifically limit superannuation benefits to the amounts accumulated; together with any proceeds actually received by the plans from the registered life insurance companies that issued the plans' group life insurance policies. In these situations it appears superannuation plans would have little or no insurance risk.

It could also be argued if the superannuation plan has a valid group life insurance policy in respect to its members with a registered life insurance company; it would have no direct insurance risk. Thus it would appear it has no risk that it needs to reinsure.

It is possible that paragraph BC58 seeks to address the exception identified in section 11(3)(c) of the Life Act. That sub section provides an exception from the Life Act in certain employee situations. However the legislative exception will only apply to superannuation plans that effectively self insure their members' death and disablement risks. In other words it could be that paragraph BC58 is attempting to address the actual insurance risk carried by the corporate and industry superannuation plans that self insure under the section 11(3)(c) exception of the Life Act. Consideration would still need to be given to whether this is appropriate. If this is the case we recommend paragraph BC58 clarify the forms of insurance arrangements listed in paragraph BC57. The appropriate targeting of paragraph BC58 might be helped by the addition of a clarifying phrase to sub clause (a) of paragraph BC57. This clarifying phrase might state something to the following effect:

.. or where the members are insured under a group life policy, or policies issued to the plan by a life insurance company registered under Part 3 of the Life Insurance Act 1995 (Cth), and where those members' accounts may or may not be charged periodically such as on a weekly or monthly basis for the relevant premium.

Thus it would read:

(a) offered to members directly by and external insurer, with the plan only acting as agent, or where the members are insured under a group life policy, or policies issued to the plan by a life insurance company registered under Part 3 of the Life Insurance Act 1995 (Cth), and where those members' accounts may or may not be charged on a weekly or monthly basis for the relevant premium;

Sub sections (b) and (c) might also be amended to read:

(b) offered to defined contribution members whose accounts are charged on a periodic basis such as weekly or monthly for the relevant premium, under the life insurance business exception conferred on the superannuation plan by the provisions of section 11(3)(b) of the Life Insurance Act; or

(c) provided to defined benefit members in relation to their projected retirement benefits, under the life insurance business exception conferred on the superannuation plan by the provisions of section 11(3)(b) of the Life Insurance Act.

In a similar manner paragraph BG61 could be redrafted to address the exception identified in section 11(3)(c) of the Life Act; namely, the exception that applies to corporate and industry superannuation plans that self insure their members' death and disablement risks.

(f) there are any circumstances in which a difference between a superannuation plan's or approved deposit fund's total assets and its total liabilities (including defined contribution members' vested benefits, defined benefit members' accrued benefits and any obligations to employer sponsors) would not be equity as defined in Australian Accounting Standards;

We understand there may be circumstances where reserves hold money to be paid out to third parties, such as tax reserves.

(g) a superannuation plan that has members who are entitled to the higher of a defined benefit promise and a contributions-based amount upon their retirement or other event that qualifies as a condition for releasing superannuation benefits (refer to paragraphs BC52-BC56 of the Basis for Conclusions to this Exposure Draft) should recognise the 'higher of' benefit option separately from the defined benefit 'host promise'.

If you agree that a superannuation plan should separately recognise a 'higher of' benefit option, how might the option be measured?

We have no comment on this.

(h) there are any significant practical difficulties that would inhibit the preparation of consolidated financial statements in accordance with paragraph 30 of this Exposure Draft. If so, please describe the nature of these difficulties and how they might be overcome;

We recommend the AASB include detailed guidance in the standard on what constitutes control in the superannuation industry, as our experience is that much of the debate in practice centres on whether an investment meets the definition of control. Under AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements* there is a presumption of control in general when an investor has an ownership interest over

50% (more than half of the voting power). This presumption is rebuttable when there are exceptional circumstances; where it can be "demonstrated that such ownership does not constitute control". We also note the AASB's ED 171 Consolidated Financial Statements proposes to define control as "A reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity." We recommend the AASB include specific guidance on what constitutes control in the superannuation industry.

Superannuation funds often have investments in collective vehicles which are operated by fund managers in order to pool funds for efficiency in investment; generally wholesale investment trusts. Typically they are managed by a professional fund manager and the Trustee or Responsible Entity of the investment is generally related to the fund manager. These trusts are generally open to all the clients of the fund manager and investors will apply for and redeem investments in accordance with the requirements of their investment strategy and their liquidity needs. Redemptions are typically unrestricted and investors will have little or no influence over the movements of funds by other investors and therefore cannot be certain that they can maintain their ownership interest at any given level.

Funds do not in general exercise control over these collective investment vehicles for the following reasons:

1. They have no power to govern the financial and operating policies of such investments and their strategy is to rely on the external professional fund manager to govern such policies.
2. They have little or no control over the level of their ownership interest - it will vary with the comings and goings of other investors, as well as their own.
3. The trusts may provide a legal right to unit holders to change the trustee or manager but this right is almost never used - a dissatisfied investor would choose to redeem and exit the fund instead. Often this legal right can only be exercised by unit holders holding over 75% ownership interest.
4. There is no process for general meetings or voting in these entities, except any emergency powers that may be contained in the constitution.
5. The fund manager is not bound to seek approval of the investors for decisions - although it is expected to operate within a defined mandate or investment strategy.

By including application guidance in the standard, there would be more clarity and therefore consistency for funds in identifying controlled subsidiaries and arrangements where there is not control. This application guidance will need to be crafted so as not to dilute the requirement for funds to consolidate in other situations where they do have control, including special purpose entities, controlled PSTs ,and sub-funds set up to hold particular investments.

(i) a parent superannuation plan or parent approved deposit fund should be permitted or required to separately recognise any internally generated intangible assets, internally generated goodwill, contingent assets or contingent liabilities that are attributable to a subsidiary and have arisen subsequent to the subsidiary's acquisition by the parent plan or parent fund when such items are reliably measurable;

As stated previously we question the relevance of consolidated financial statements, but accept it in the interests of applying IFRS to superannuation plans.

However, the proposed methodology in the standard, fair valuing internally generated intangible assets, internally generated goodwill or contingent items that are attributable to the subsidiary and have arisen subsequent to the subsidiary's acquisition by the plan or fund is overcomplicated and has the potential to produce information misunderstood by the users of the financial statements. Movement in the fair value of a subsidiary that is not attributable to the recognised assets and liabilities in the subsidiary should be recognised as a 'remeasurement gain' or similar named balance in the balance sheet, rather than being included as goodwill. Goodwill according to IFRS is an acquisition amount and is not subsequently revalued to fair value. Users are likely to be confused by applying a concept of goodwill that differs from IFRS purely for superannuation plans and approved deposit funds.

(j) a parent superannuation plan or parent approved deposit fund should be required to recognise and present any excess of the amount of the net assets of a subsidiary that are recognised by the parent over the sum of the parent plan's or parent fund's interest and any non-controlling interests in the subsidiary as a remeasurement gain in the consolidated income statement in the reporting period in which it occurs;

We agree this amount is a gain in the income statement.

(k) a parent superannuation plan or parent approved deposit fund should be permitted or required to measure any non-controlling interests at fair value of equity at the end of each reporting period in a manner consistent with the approach illustrated in Illustrative Example D of Appendix C to this Exposure Draft;

As stated previously we question the value of including non-controlling interests in the financial statements.

Assuming the consolidation model is applied as proposed in the ED, fair value should be the guiding principle.

(l) the disclosure principles in paragraphs 32-50 of this Exposure Draft:
- **(i) are appropriate for a superannuation plan or approved deposit fund;**
- **(ii) would provide useful information for users of the general purpose financial statements of a superannuation plan or approved deposit fund; and**
- **(iii) would be sufficient to facilitate reliable and comparable disclosures between superannuation entities and over time;**

Overall we agree with the proposed disclosures, with the following exceptions:

- The disclosures proposed in paragraph 42 should not include disclosing expected rates of return as this is prone to inaccuracies and is unauditable. This information, if considered useful by trustees, should be included in the annual report section dealing with investment performance and outlook.
- Paragraph AG97 uses the term 'normal' to determine related party disclosures. Using the word 'normal' to determine disclosure is inherently difficult to interpret and should not be included. If 'normal' is retained we suggest that specific guidance is included to say that trustee directors membership of the fund would be regarded as normal provided their membership is on conditions no more favourable than that available to other members of the same membership class.
- The illustrations cover only a simple accumulation plan. It would be useful to illustrate hybrid and / or defined benefit funds.
- There are no illustrative notes to the financial report. This would be useful guidance.
- Members' insurance premiums should be incorporated in the statement of movements in members' vested benefits.

(m) there are any significant practical difficulties that would inhibit a superannuation plan or approved deposit fund disclosing information in relation to any segregated groups of assets attributable to different groups of members, and the related obligations to those members, in accordance with paragraph 40 of this Exposure Draft and paragraphs AG80-AG88 of Appendix B to this Exposure Draft. If so, please describe the nature of these difficulties and how they might be overcome;

It is appropriate to disclose segregated information in some circumstances, but we would like the AASB to provide more guidance on what is required. The ED could be interpreted to mean a plan would need to disclose segregated information for every sub-plan, in some cases amounting to hundreds of disclosures.

A plan may be disaggregated into many sub-plans for tracking purposes, but managed at a significantly higher level. We recommend the standard clarify the segregation be based on the way a plan is managed, rather than how it is tracked. This is akin to the segment disclosures 'through the eyes of management' as required by AASB 8 *Operating Segments*. Such clarification should consider issues such as investment choices made by members.

(n) the separate disclosure of the components of remeasurement changes in defined benefit members' accrued benefits, particularly benefit cost, interest cost and actuarial gains and losses, would provide useful information for users. If you agree that the proposals in paragraph 46 of this Exposure Draft would not be adequate for users' needs, please explain how this information should be presented;

We suggest disclosures on member benefits are more relevant displayed in a note to the financial statements than a Statement of Changes in Members Benefits,. In our view a Statement of Changes in Members' Benefits is not required to comply with IFRS.

We suggest the level of detail provided should be relevant to the members' needs.

(o) it would be more useful if the Standard provided example financial statements for a superannuation plan comprising both defined contribution and defined benefit members rather than explaining how the financial statements of a plan with defined benefit members only would differ from those of a plan with defined contribution members only (as provided in Illustrative Examples A and B in Appendix C to this Exposure Draft);

More example financial statements would be useful, including notes, and including parent entity and consolidated financial statements.

(p) the approach adopted in drafting this Exposure Draft is helpful for understanding how a superannuation plan or approved deposit fund might apply the proposals in this Exposure Draft, particularly the disclosure principles, in conjunction with the relevant principles and requirements in other Australian Accounting Standards. If you do not consider the approach adopted in this Exposure Draft to be helpful, please describe the type of approach you would prefer;

The approach is useful, and we repeat our request for more guidance on industry specific issues.

(q) overall, the proposals would result in general purpose financial statements that would be useful to users; and

Overall we agree, however, we reiterate comments we have made in previous submissions that consolidation of superannuation plans and approved deposit funds does not add relevant information for the users of the financial statements.

We also have some comments on the requirements for the presentation of the financial statements:

- The use of the word 'profit' in the income statement is misleading and not reflective of a superannuation fund's activities. We prefer the AAS 25 *Financial Reporting by Superannuation Plans* terminology of 'benefits accrued as a result of operations'.
- Income tax expense in the operating statement would be better described as income tax on net investment earnings

We note that the income tax legislation does not distinguish between tax on investment earnings and tax on contributions, that is, all 'income tax' and income tax is calculated on taxable income which is the fund's total investment income plus contributions less deductible investment expenses and other expenses. Difficulties may arise if the accounting standard requires separation of the tax between the operating statement and the change n member benefits which does not reflect the actual tax position of the plan.

Balance Sheet

- There is too much detail on the face of the balance sheet

(r) the proposals are in the best interest of the Australian economy.

In relation to consolidation, as we have outlined in this submission we do not believe the proposals will result in relevant information for the users of the financial statements. As such the cost of providing the information outweighs the benefits and we do not believe these proposals are in the best interests of the Australian economy.

We also believe measuring and recognising accrued benefits as proposed in the ED would add significantly to the costs of preparing financial statements for a superannuation plan without adding relevant information. This proposal is not in the best interest of the Australian economy.

Elsewhere we applaud the AASB for aligning superannuation accounting and IFRS and agree the proposals are in the best interest of the Australian economy, subject to the AASB addressing the issues raised in this submission.

In the future, the best interests of the economy will be met if the superannuation standard remains relatively consistent with IFRS. Accordingly we recommend the standard refer to IFRS rather than repeating requirements from other standards wherever possible. Applying this approach will retain consistency with the principles in IFRS and reduce the need for the superannuation standard to be amended every time the standard it quotes is amended.

Other

Format of financial statements

In this submission we have proposed the standard include three rather than the proposed five statements, being:

1. Statement of Financial Position
1. Income Statement
2. Statement of Cash Flows

The Statement of Financial Position could include assets, investments and liabilities (including Vested Benefits) netting to Excess of Net Assets over Vested Benefits or Excess of Vested Benefits over Net Assets. In our view this is more relevant disclosure than suggesting a plan is in a deficit or surplus situation.