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Michael Venter
Deputy Chief Financial Officer

22 April 2010

Mr. Kevin Stevenson
AASB
PO Box 204
Collins St West
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Dear Kevin

AASB Exposure Draft 192 – Revised Differential Reporting Framework

Thank you for the opportunity to comment on this Exposure Draft. As you know, the Commonwealth Bank of Australia is a financial institution with many domestic and offshore subsidiaries - a substantial number of which are required to prepare financial statements.

Our comments on the specific questions raised by the boards are addressed in the Appendix; however we have set out below our general thoughts on the Exposure Draft.

We strongly support the AASBs rejection of IFRS for SMEs and the alternative approach to SME reporting outlined in the exposure draft.

The differences in measurement and recognition requirements between IFRS for SMEs and full IFRS, exacerbated by delays in updates to the SME standard, would lead to reduced comparability of financial statements, confusion amongst users and additional training requirements for preparers, reviewers and users. This will lead to additional ongoing costs, operational issues and increase the burden of producing financial statements primarily for large Consolidated Groups with a number of subsidiaries.

We welcome the AASBs framework where measurement and presentation criteria are the same for all general purpose financial statements. We believe the reduced disclosure requirements will lead to cost savings and negate the need to produce and disclose information not required by the users of financial statements.

Whilst we agree with the reduction in disclosure noted in the exposure draft, we also believe that disclosures on related party transactions with common controlled entities and share based payment should be also be reduced.

We understand that some Australian organisations are of the view that entities should be extended the choice between IFRS for SMEs and the reduced reporting regime, outlined in this exposure draft. We do not agree with this as it would lead to confusion amongst users, reduce the comparability of financial statements and lead to additional training needs for users, preparers and reviewers of financial statements.

Please contact myself with any questions or comments.

Yours sincerely

Michael Venter
Deputy Chief Financial Officer

Appendix A

Note the following comments are made in reference to for-profit entities.

(a) whether you agree with the introduction of a second tier of reporting requirements for preparing general purpose financial statements (GPFSs) for:
(i) for-profit private sector entities that do not have public accountability;
(ii) not-for-profit private sector entities; and
(iii) public sector entities other than those required by the AASB to apply Tier 1?

If not, and you support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?

We support the introduction of a second tier of reporting requirements. We believe it clarifies the type of financial statements required to be prepared i.e. special/general purpose financial statements. Additionally reduced disclosures for Tier 2 entities will lead to cost savings without detracting from the usefulness of the financial statements.

(b) whether you agree that entities within the second tier should be able to apply the proposed reduced disclosure regime, which retains the recognition and measurement requirements of full IFRSs or would you prefer another approach (e.g. IFRS for SMEs)? If you prefer the IFRS for SMEs, what do you consider to be the specific advantages of the individual differences of recognition and measurement requirements in the IFRS for SMEs compared with full IFRSs?

We agree that entities within the second tier should be allowed to produce reduced disclosures and support the retention of recognition and measurement requirement of full IFRS. This will ensure that Australian general purpose financial statements are comparable whether produced under full IFRS or the reduced disclosure regime and ensure that subsidiaries affected apply the same GAAP as larger entities they may be consolidated into should they be part of a consolidated group.

We also welcome the AASBs intention to continually update the standard to ensure all Tier 1 & 2 entities follow the same measurement and recognition requirements.

We concur with the AASBs view on IFRS for SMEs we believe the implementation of IFRS for SMEs would reduce comparability of financial statements; lead to additional ongoing costs and create operational issues, driven by the implementation and ongoing management of differences between the measurement and recognition criteria of IFRS for SMEs and full IFRS.

(c) the definition of public accountability (which is used to identify those for-profit entities that must apply Tier 1) and whether there are categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in paragraph 26;

We agree with the definition for public accountability with regards to for-profit entities and are not aware of any additional categories required to be identified in the standard.

(d) whether you would require any other classes of public sector entities, such as Government Departments, Government Business Enterprises or Statutory Authorities, to be always categorised as 'Tier 1' reporting entities and, if so, the basis for your view;

n/a – all comments are in reference to for profit entities.

(e) the clarification of the meaning of GPFSs and modifying the way the reporting entity concept is used;

We welcome the clarification of the meaning and the requirements to produce General Purpose Financial Statements together with the modification in the way the reporting entity concept is used. These clarifications and modifications reduce the judgement required in considering whether an entity is required to produce general or special.purpose financial statements.

(f) the extent and nature of the proposed disclosures under the RDR (Tier 2), including whether the RDR would be effective in reducing sufficiently the disclosure burden on entities in preparing their GPFSs;

Except as noted in (g), we believe the extent of the reduction in disclosure will reduce the disclosure burden on Tier 2 entities. Whilst these entities still have many users, the type and detail of information required by these users is less than that of publically accountable entities. Hence, by producing full IFRS disclosures, these entities currently produce disclosures not required by the users.

(g) the particular disclosure requirements that:

- **(i) have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion;**
- **(ii) have been excluded from the RDR that you consider should be retained, and your reasons for retention;**

We agree with all disclosure exclusions from the RDR for tier 2 entities.

In addition, we believe disclosures around related party transactions and share based payments could further be reduced.

Related party transactions

For a wholly owned subsidiary we do not believe there is a need for the disclosure of transactions conducted with common controlled entities on an arm's length basis. We believe these disclosures add little value to the financial statement. Transactions conducted with common controlled entities in the normal course of business and do not affect the financial position or performance of an entity in a manner different to any other non-related party transactions.

Share based payments

Where an entity is a subsidiary of a Tier One entity, and all share based payments are in relation to instruments of the parent entity, we do not believe there is a need for the information requested in paragraph 45(b) of AASB2. Sufficient information can be sought from the parent entities' financial statements if required. These disclosures can be time consuming to produce and, given the instruments involved are those of the parent entity; we do not consider them to be of use to users of the accounts.