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23 April 2010

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
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By Email: standard@aasb.gov.au

Differential Financial Reporting - AASB Consultation Paper and Exposure Draft 192

Dear Mr Stevenson

Ernst & Young is pleased to submit its comments on the AASB Consultation Paper *Differential Financial Reporting - Reducing Disclosure Requirements* and the accompanying Exposure Draft 192 *Revised Differential Reporting Framework*. Our detailed responses to the specific matters for comment contained in paragraph 46 of the Exposure Draft (ED) are set out in Appendices A and B to this letter.

Overall we support the proposal to introduce a differential reporting framework that focuses on accounting standards to be applied in the preparation of general purpose financial statements (GPFSs), and which introduces a second tier of reporting requirements that incorporates a regime of disclosures that are substantially reduced in comparison to those required under full IFRS as adopted in Australia. We consider that the use of the reporting entity concept, as a basis for the application or otherwise of accounting standards in Australia, is not consistent with international practice, and it is now appropriate for the AASB to more fully align its approach to the application of Australian accounting standards with those used in international jurisdictions. We also consider that the practice of preparing "special purpose financial statements" that are then made available to the public is not consistent with the globally-accepted notion of "special purpose" financial statements, and that these would be general purpose financial statements in most jurisdictions.

We are not in favour of using *IFRS for SMEs* as the basis for reporting by Tier 2 entities, but do agree that the Board should maintain a watching brief on the take up of *IFRS for SMEs* by other jurisdictions as a basis for preparation of GPFSs by non-publicly accountable entities. If *IFRS for SMEs* were to become widely adopted we believe the Board should then reconsider whether it should be included as an option within the Australian differential reporting framework.

We support the use of "public accountability" as the determinant of for-profit entities that are required to apply Tier 1. While ideally we would like a principles-based approach to the determination of public accountability, we understand the difficulties in developing such an approach while maintaining consistency with the definition in International Financial Reporting Standards. We also consider that uncertainty in the application of the definition of "public accountability" is particularly undesirable, as it forms the basis for differentiation between Tier 1 and Tier 2 entities, and therefore we support the Board's approach of listing the types of entities that are deemed to be publicly accountable. However, we would recommend that the Board include clear rationale in the Basis for Conclusions for the inclusion of the different types of entities.

As indicated in Appendix A to this letter, we are generally in agreement with the extent of the disclosures required under the Reduced Disclosure Regime (RDR) proposed in the exposure draft and the principle applied in determining those disclosures; however, we have identified in Appendix B a number of disclosures which have been maintained under the RDR which we believe should not be required, and conversely have identified disclosure requirements that have been excluded from the RDR that we consider should be maintained. An example of the latter is the proposal to exclude AASB 7.19, which we believe results in a significant gap in terms of disclosures relating to defaults and breaches of loan agreements, disclosures which we consider would be particularly relevant to users of the financial statements of Tier 2 entities, particularly those for-profit non-publicly accountable entities in the private sector. We refer you to our specific comments on this matter, and on other excluded and retained disclosures, in Appendix B.

Should you wish to discuss the contents of this letter with us, please contact Tony Johnson at the above address or on (03) 9288 8647 or Peter Gerhardy on (08) 8417 2057.

Yours faithfully

Ernst & Young

Ernst & Young

Appendix A: Specific matters upon which the AASB has requested comment (ED 192, paragraph 46):

(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 do support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?

Ernst & Young supports the concept of differential reporting involving the introduction of a second tier of reporting requirements for certain entities. We agree with specifying the differential reporting requirements in terms of the three sectors identified in the Exposure Draft. In our view differential reporting should assist the AASB strike an appropriate balance between the costs of financial report preparation and the benefits that users of those reports derive.

We support the use of 'public accountability' as the basis for determining the reporting requirements to be applied by for-profit private sector entities preparing GPFSs. We do believe that there are difficulties with the IFRS definition of "public accountability" when applied in the Australian context. This matter is further discussed in our comments under Issue (c) below.

We agree that public accountability is not an appropriate basis for determining reporting requirements in the not-for-profit private sector, in that application of the concept in this sector is problematic since all entities in this sector could be considered to have public accountability. We agree that not-for-profit private sector entities should have the option of choosing to apply the Tier 2 reporting requirements. We also note that the recent proposals by the Treasury to amend reporting requirements for companies limited by guarantee will effectively introduce different reporting requirements for many such entities based on size and deductible gift recipient status.

We agree with the approach of requiring certain specified public sector entities to apply Tier 1, with all others having the option of applying Tier 2, subject to our comments under Issue (d) below.

(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 *IFRS for SMEs* compared with full IFRS?

We support the concept of a reduced disclosure regime (RDR) (with full IFRS recognition and measurement) as the basis for reporting by entities within Tier 2.

We are not in favour of using *IFRS for SMEs* as the basis of reporting by Tier 2 entities. The reasons for this are as outlined in our response to ITC 12 and are consistent with the reasons set out by the AASB in the Consultation Paper (section 5.10), including the following points:

- Australia has already mandated full IFRS recognition and measurement for all Australian entities preparing GPFSs. Any move to an alternative basis of recognition and measurement would impose a further costly conversion process for questionable benefit.
- The mobility benefits to accountants across entities and industries.

- The ongoing training costs of the accounting profession would increase if an alternative recognition and measurement regime existed.
- The ongoing cost of maintaining an alternative GAAP would need to be met.
- Comparability across entities and industry sectors would be diminished. It is noted that the *IFRS for SMEs* standard is to be updated by the IASB less frequently than IFRS and therefore users of the *IFRS for SMEs* standard would not receive immediate benefit from the latest improvements to full IFRS.

We agree with the view expressed in the Consultation Paper that should the *IFRS for SMEs* become widely adopted internationally and become generally accepted as an alternative GAAP for the preparation of GPFS, further consideration should be given to whether it would be in the interests of the Australian economy to include *IFRS for SMEs* within the Australian differential reporting framework. We encourage the AASB to maintain a watching brief on the status and level of adoption internationally of the *IFRS for SMEs*, and if warranted subsequently reconsider its appropriateness for inclusion within the framework.

(c) The definition of publicly 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 AASB's clarification in paragraph 26 of the exposure draft of the application of the definition of "public accountability" in the Australian context by providing additional examples of classes of entities having public accountability, in the sense intended by the IASB in its *IFRS for SMEs*. We believe this will assist in ensuring more consistent application of the concept in the Australian context. In our opinion any uncertainty or ambiguity in applying the definition of "public accountability" would be very undesirable, given that this definition forms the basis for the proposed differential reporting for for-profit entities. Ideally we would prefer a robust principles-based approach to the determination of public accountability. However, we are not convinced that such an approach would be operational or would provide the necessary clarity regarding the application of the differential reporting framework. For this reason we support the inclusion of the specific examples of entities included in paragraph 26, namely disclosing entities, cooperatives that issue debentures, registered management investment schemes, superannuation plans registered with APRA and Authorised Deposit-taking Institutions. We suggest that the AASB should give further consideration to whether this list should be expanded by considering whether broader public interest entities, such as those providing essential services, and those in monopoly or oligopoly markets which exercise significant market power, ought to be considered to have public accountability. We understand the difficulty in providing a robust definition of "public accountability" that might incorporate notions of "market dominance" or "essential services". However, we urge the Board to consider whether entities with such characteristics should be preparing GPFS in accordance with Tier 1 and, if so, to develop any guidance necessary to ensure that they are captured by the definition of "public accountability" to be applied in the Australian jurisdiction.

Further consideration should be given as to whether additional guidance is required on the application of the definition to those entities that hold assets in a fiduciary capacity for a broad group of outsiders but for which this is not their primary business. We consider that this is likely to be an area where differing interpretations of the concept are likely to emerge, and additional guidance would therefore be warranted. Indeed, we are already seeing interpretive issues relating to this matter emerging in the context of the application of the *IFRS for SMEs* standard in other jurisdictions. Entities will need to consider whether they hold and manage financial resources entrusted to them by those not involved in the management of the entity. In addition, the definition of "public accountability" includes the requirement that entities hold assets in a fiduciary capacity *for a broad group of outsiders*. However, as the term "broad group of outsiders" is not defined, it will be open to different interpretations. Paragraph BC59 of the basis for conclusions of the *IFRS for SMEs* clarifies this is a "broad group of clients, customers or members who are not involved in the management of the entities". Paragraph BC63 goes further to say "Public accountability ... refers to the accountability to those present and potential resource providers and others external to the entity who made economic decisions but are not in a position to demand reports tailored to meet their particular information needs." These paragraphs give a very wide definition of outsiders, and if read literally could include all creditors and shareholders, thereby meaning that very few entities would not be publicly accountable. In our view, the IASB did not intend this to be read as widely as this, and therefore unless additional and more specific guidance in relation to the meaning of the term is provided, judgment will be required to determine what is meant by 'outsiders'. Further, the requirement also specifies a 'broad' group of outsiders but this is similarly not defined. Therefore entities that hold assets in a fiduciary capacity for a small group of outsiders may not be publicly accountable. Management will need to apply judgment to the specific facts and circumstances to determine this. For example, in the case of a closed investment fund that has only three investors, this may not be a "broad" group. We urge the Board to provide further guidance on the application of the definition in the Australian context to avoid undesirable diversity arising in practice.

As noted above, it would be beneficial if the Board could develop a principles based approach for identifying those entities that are considered to have public accountability by virtue of holding assets in a fiduciary capacity. However, we understand the difficulty in developing such an approach and that therefore it will be necessary to specify by examples the types of entities that fall within the definition. We recommend that the Board make it clear in the Basis of Conclusions why the different types of entities have been specified as being included in the definition. For example, while the ED specifies that registered managed investment schemes have public accountability it is unclear exactly why this is the case. Is it because they are 'registered' (e.g., some wholesale funds may be registered despite the fact they have only a small number of institutional investors who may be able to demand tailored information), or does the fact that schemes must be registered if they have more than 20 members reflect what the Board considers to be a 'broad group', or is it because most schemes offered to 'retail' investors need to be registered, and the aim is to capture these, despite in the process capturing the others by default? The ED also identifies disclosing entities, which include registered schemes or other entities with Enhanced Disclosure securities held by more than 100 people - is this what is considered a 'broad group' instead?

Related to this, it would also be useful to the purpose of consistent application if the Board provided a list of factors that do not necessarily, by themselves, indicate public accountability. For instance, does the fact than an entity is required to hold a license or be registered to perform certain activities such as selling products to retail investors (e.g., AFSL holders, margin lending licensee) mean that they are publicly accountable?

The final part of the definition of public accountability is that the entity must hold assets in a fiduciary capacity *as one of its primary businesses*. The *IFRS for SMEs* standard is clear that some entities may hold assets in a fiduciary capacity for reasons that are incidental to its main business, such as travel and real estate agents, and this does not make them publicly accountable. However, judgment is still required to determine at what point holding assets becomes a "primary" business. For some entities, such as solicitors, holding assets for clients may occur in many transactions and may be an integral part of the service they offer but it is unclear whether this would be considered part of the primary business, therefore making the entity publicly accountable. Again, we suggest that diversity in the application of the framework based on differing interpretations of what constitutes a "primary business" would be undesirable, and suggest that the Board should provide clear guidance on the application of the concept in the final 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.

We agree with all the classes of public sector entities currently specified as being required to apply 'Tier 1' reporting requirements.

We consider that Government Business Enterprises (GBEs) should be designated within that group of public sector entities that should always be categorised as 'Tier 1', and therefore not be eligible to apply differential reporting. We believe that "for-profit" entities that are part of the public sector should be considered to be publicly accountable as per the application of the definition in the for-profit private sector. These entities are carrying on commercial activities, often in competition with the private sector, and given that they are publicly owned they should be treated as Tier 1 entities.

GBEs are often involved in the provision of essential services to the public and as such attract significant public interest. There is public interest in many GBEs on the grounds that they receive public funds, privileged access to public assets or enjoy tax concessions. Further, where such entities are in competition with private sector entities the extent of information available regarding them should not be less than that available for their private sector competitors. As these private sector entities may meet the definition of 'publicly accountable' and therefore not be eligible to apply differential reporting, we believe it would be appropriate to restrict the ability of public sector GBEs involved in such activities from also applying differential reporting.

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

We agree with the proposed clarification of the meaning of GPFSs and the associated exclusion of SPFSs from the ambit of Australian Accounting Standards. Clarifying the conditions that are required to be satisfied (paragraph 27) in order for financial statements to be GPFSs will greatly assist in the application of the concept as the basis for differential reporting. It also makes clear the focus of the standards issued by the AASB upon GPFSs, a focus which we consider to be appropriate and more in line with international practice. Australia has been somewhat unique in using the reporting entity concept as the basis for determining which entities prepare GPFSs (and which therefore are free to prepare SPFSs). While this concept has served us reasonably well to date, we consider the ambiguity and self-assessment involved in determining whether an entity is a "reporting entity" is not a sound basis for a financial reporting framework. It has only remained operational to date through the intervention of regulators and the profession, and we do not consider that it is an appropriate basis for determining the application of accounting standards in an "IFRS-based" system. We therefore support the shift in focus of differential reporting to GPFSs.

We do, however, believe that the current drafting of paragraphs 27 and 28 may lead to some confusion with respect to whether financial statements prepared by certain classes of entities would be classified as GPFSs. Specifically, for large proprietary companies which are 'grandfathered' under the *Corporations Act* from the requirement to lodge their financial statements, it is not clear that the two conditions specified in paragraph 27 necessary for financial statements to be GPFSs are satisfied for such companies. In particular, paragraph 27(i) requires that the financial statements 'are publicly available, whether under a legal mandate or voluntarily'. This first leg of the requirements would not be satisfied for large grandfathered proprietary companies which are exempt from the requirement to lodge their accounts with ASIC, and as such their accounts would not be 'publicly available'. Despite not satisfying paragraph 27, it would appear that such accounts are considered to be GPFSs by virtue of paragraph 28, which indicates that 'Financial statements held out as having been prepared in accordance with Australian

Accounting Standards ... are GPFSs.' We believe the apparent contradiction in the classification of such companies between these paragraphs is at a minimum confusing, and that the operation of the definition of GPFSs with respect to the financial statements of such companies should be clarified. They clearly fail to meet the criteria in paragraph 27(i) and it is not clear if paragraph 28 is intended to identify an additional group of GPFS preparers, or is simply an elaboration of the preparers caught by paragraph 27.

We do not object to the retention of the reporting entity concept as the underpinning concept for GPFS requirements and its continued use by the AASB as the basis for its own future deliberations. We do however find footnote 16 to the Consultation Paper confusing. It indicates that an example of the use of the reporting entity concept in the future would be "extending or limiting the types of economic entities that are required to prepare consolidated financial statements." We understand from paragraphs 33-34 of the ED that under the proposed framework the reporting entity concept is not to be used as the basis for application of any Australian Accounting Standards, including AASB 127, which deals specifically with the circumstances under which there is a requirement to prepare consolidated financial statements. (See also our comments under Issue (f) below regarding the consolidation exemption in AASB 127.)

(f) The extent 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.

In general we believe that the extent of the proposed disclosures under the RDR is appropriate, and that the extent of reduction in the disclosure burden of those entities currently preparing GPFSs that would be able to move from full IFRS disclosures to the RDR would generally represent a significant reduction. As discussed under Issue (j) below, those entities currently preparing SPFSs will likely experience an increase in the extent of disclosure required, which in some cases may be significant.

We do note that some of the disclosures that the ED proposes not be required under the RDR may in some circumstances provide relevant information for users, particularly if the items are significant. We therefore suggest inclusion of a 'general statement, indicating that while the shaded paragraphs are not applicable to a RDR report, if the matter is significant to the users' understanding of the financial position and financial performance, the entity should consider providing the relevant disclosures, in line with the general requirement of AASB 101 to disclose material items, a requirement which is not excluded under the RDR.

AASB 127, paragraph 10 – Consolidation Exemption
We note an apparent anomaly in the ED which we believe the Board should address before moving to issue a final standard on differential reporting. If there is a non-publicly accountable entity which is a parent and it applies Tier 2, then every subsidiary in that group that itself has subsidiaries will have to prepare consolidated accounts; (i.e., the AASB 127.10 exemption for parents that are wholly owned subsidiaries, etc will not be available to those subsidiaries). This is because one of the requirements for the exemption (paragraph 10(d)) is that there is a parent that prepares accounts 'that comply with International Financial Reporting Standards' (not Australian Accounting Standards) – which in this case would not exist.

At present this issue rarely arises for for-profit entities, as either the ultimate Australian parent is preparing financial statements that comply with International Financial Reporting Standards or the subsidiaries are often not reporting entities and therefore not applying AASB 127. However, if the RDR were introduced as outlined in the ED, the application paragraphs of the standards, which refer to reporting entities, will be removed, and the subsidiaries will now likely be preparing GPFSs. As currently worded, in order for the wholly-owned subsidiaries to qualify for the exemption the ultimate Australian parent would have to prepare Tier 1 (full IFRS) accounts and comply with IFRS.

On the presumption that this outcome was not the Board's intention, we suggest that some amendments need to be made either directly to paragraph 10(d), or if it is preferable to leave the reference to 'International Financial Reporting Standards', consideration should be given to the addition of a paragraph Aus10.2 that allows a Tier 2 subsidiary of a Tier 2 ultimate Australian parent to be exempt from consolidation if it meets the rest of the requirements for exemption in paragraph 10 and there is an Australian parent preparing consolidated accounts in accordance with Australian Accounting Standards. We suggest this latter approach is preferable as 'Australian Accounting Standards' encompass Tier 1 and Tier 2, and would therefore avoid the possibility of a 'Tier 1' subsidiary avoiding consolidation on the basis it has a Tier 2 parent with Tier 2 consolidated accounts (e.g., a listed group majority owned / controlled by a private group). Further, as Tier 1 for-profit entities will likely wish to be complying with IFRS, AASB 127.10(d) should not be altered in such a way that it is unclear what is required for IFRS compliance.

We also note that the consequential amendments do not mention AASB 127.Aus10.1 which currently requires the ultimate Australian parent to prepare consolidated accounts if either the parent or group are reporting entities. It is not clear whether this will be retained, and if so whether the reference to "reporting entities" will be deleted.

We further note that AASB 127.10(d) requires that the consolidated financial statements of a parent that comply with International Financial Reporting Standards, required for the subsidiaries to achieve the exemption, must be 'available for public use'. As such, Tier 2 subsidiaries of grandfathered large proprietary companies will also fail to meet the requirements for the exemption. We suggest that the Board address this anomaly by considering whether such entities should be scoped out of paragraph 10(d).

Finally, similar issues arise in relation to the exemptions contained in AASB 128.13 and AASB 131.2 for application of the equity method in accounting for investments in associates and application of proportionate consolidation and the equity method in accounting for interests in jointly controlled entities respectively. Considerations similar to those outlined above in relation to the exemption in AASB 127 will apply to these standards also.

ED paragraph 40(a) - Transition for entities preparing SPFSs

An issue related to that of the consolidation exemption discussed immediately above is the impact of the transitional provisions contained in paragraph 40(a) of the ED relating to entities currently preparing SPFSs and not applying the recognition and measurement requirements of full IFRS as adopted in Australia. Our understanding of the application of this paragraph is that those entities transitioning from SPFSs to Tier 2 GPFSs, which have not previously applied AASB 127 by virtue of not being reporting entities, will be required to apply AASB 1 in their adoption of the differential reporting framework. We believe, to the extent that those entities would have been able to avail themselves of the consolidation exemption in AASB 127.10 if they had been reporting entities and continue to be able to apply the exemption in Tier 2, they should be allowed to use the transitional relief afforded by paragraph 40(b). As the proposals stand such entities would fail to qualify for the transitional relief provided in paragraph 40(b) on the basis that they are not currently using full recognition and measurement (and are currently relying on not being a reporting entity to obtain consolidation relief). We suggest that the intention should be that if such entities have applied full recognition and measurement in the past in their *individual* financial statements and qualify for the consolidation exemption under the new requirements of the RDR (see discussion above), then they should also be exempted from applying AASB 1 on transition to Tier 2 for their individual financial statements.

(g) Any 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.

See Appendix B for our detailed comments on specific disclosure requirements of the RDR.

(h) Transitional provisions for entities applying Tier 1 and Tier 2 for the first time and moving between Tiers.

We generally agree with the transitional provisions proposed in the Exposure Draft. We do however suggest that for clarity the transitional provisions should be presented in two separate parts: (1) those that deal with transitioning from the current regime to the proposed differential reporting regime, and (2) those concerned with transitioning within the differential reporting regime. The issues faced by entities under the two circumstances are different and therefore warrant separate treatment in the standard.

We also note that paragraph 40(e) assumes that all for-profit private sector entities transitioning from Tier 2 to Tier 1 wish to claim full IFRS compliance, and as such requires those entities to apply AASB 1 on transition. We question whether there may be some entities that would not require or desire full IFRS compliance (whilst claiming compliance with Australian Accounting Standards) which could be relieved from the burden of applying AASB 1 on transition to Tier 1. Further, paragraph 40(e) gives the impression that a not-for-profit entity can be IFRS compliant simply be applying AASB 1. This is unlikely to be the case because of the Aus paragraphs contained in Australian Accounting Standards with which such entities must comply.

See also our comments regarding transition and paragraph 40(a) of the ED under Issue (f) above.

(i) Whether there are there 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 or other issues arising in the Australian environment which may affect the implementation of the proposals in the consultation paper.

(j) Whether, overall, the proposals would result in reducing the costs of preparing GPFSs that would remain useful to users?

As noted in Section 11.1 of the Consultation Paper, there are many entities that currently prepare GPFS under full IFRS which would benefit by being able to adopt the reduced disclosure regime available to Tier 2 entities under the proposals. For example, large proprietary companies which are not grandfathered and not able to take advantage of ASIC class order relief from account preparation. The costs incurred by such entities in preparing their financial reports will be reduced to the extent that they do not need to prepare and disclose information under the proposals that they currently include under reporting entity requirements. Given the basis for determining which entities may apply differential reporting (as outlined and discussed under Issue (a) above) we do not believe that users will be unduly disadvantaged by such entities preparing their GPFSs under differential reporting (e.g., for a non-publicly accountable entity in the private sector such reduced disclosures would presumably require disclosure of information likely to be generally useful to users of GPFSs of such entities).

On the other hand, as also recognised in Section 11.1 of the Consultation Paper, some entities that under the existing reporting requirements prepare and lodge SPFSs with ASIC, will likely experience an increased reporting burden, in the form of more extensive disclosure requirements under the proposed differential reporting regime; e.g., large proprietary companies which currently identify themselves as non-reporting entities. While such corporate entities currently apply the recognition and measurement requirements of IFRS in their stand-alone financial statements, and are required to meet the disclosure requirements of AASB 101, AASB 107 and AASB 108, the extent of any additional disclosures provided by such entities will vary according to what is regarded as necessary to provide a true and fair view. In practice this may often mean very few additional disclosures are provided. For such entities the move to the provision of GPFSs, even under Tier 2, will likely represent a considerable increase in the extent of disclosure, and therefore the cost of its provision.

We agree that in the absence of differential reporting, a requirement for such entities to produce GPFSs (on the basis, as discussed under Issue (k) below, that the current system based on the reporting entity concept will change) would require such entities to apply full IFRS (including all disclosure requirements), which would be significantly more costly than the proposed shift to the Tier 2 requirements. We strongly encourage those who set the financial reporting requirements for different sectors and types of entity in Australia, to consider the needs of users of financial information in their determination as to "who" should have to prepare general purpose financial reports or financial reports in accordance with Australian Accounting Standards.

(k) Whether the proposals are in the best interests of the Australian economy.

We are of the view that on balance the proposals are in the best interests of the Australian economy. Australia is in a unique position having required most entities to move, at a minimum, to full IFRS recognition and measurement requirements. Ernst & Young agrees that the Australian 'reporting entity' concept needs revising. The subjectivity involved in determining whether an entity is a reporting entity has resulted in varying interpretations and inconsistent applications of the concept. The *IFRS for SMEs* is not currently a widely used and internationally accepted basis for preparation of GPFSs. We believe that the benefits to the Australian economy of a single set of accounting recognition and measurement rules broadly applicable across all sectors and all entities outweighs any benefits that may flow from adopting differing recognition and measurement rules for different types of entities.

As noted above the adoption of an alternative differential reporting system of the type proposed in the Consultation Paper and Exposure Draft would lead to increased international comparability for all GPFSs prepared by Australian entities. A reduced disclosure regime will be beneficial on cost-benefit grounds. At present significant costs are incurred by some entities in applying full IFRS, which may outweigh the benefits of doing so. This is consistent with the IASB position, although they address this issue through the *IFRS for SMEs* standard, rather than on the basis proposed in the Exposure Draft. The appropriateness (or otherwise) of the IASB's system is addressed under Issue (b) above.

We believe that a system based on introducing a second tier of reporting requirements based on full IFRS recognition and measurement with reduced specified disclosures represents the most appropriate basis for a differential reporting system at this time. The reasons for this view are elaborated on under our responses to the previous issues above.

Other matters

In addition to the matters raised in response to the questions in the ED, we have the following general comments on the background contained in the Exposure Draft:

- Paragraph 5 states that for-profit entities complying with Tier 1 would simultaneously comply with IFRS. This would only be the case if they make an explicit and unreserved statement of compliance with IFRS and applied IFRS 1 in the first period in which they did so.
- Paragraph 24 contains a definition of "reporting entity". Given the IASB's recent release of its ED on the Reporting Entity, we do not believe the proposed standard on differential reporting should define the term "reporting entity". The definition is no longer needed for the application of Australian Accounting Standards
- Paragraph 44, which outlines consequential amendments to Australian Accounting Standards, does not refer to the consequential amendments required in AASB 127 relating to the consolidation exemption in paragraphs 10 and Aus10.1 of that standard. This matter is further discussed under Issue (f) above.
- We consider it is unclear in paragraph 40 whether an existing for-profit reporting entity that has not claimed compliance with IFRS is required to apply AASB 1 in adopting Tier 1 of the new differential reporting framework. There seems to be a presumption they would already be complying with IFRS, which is not necessarily the case if they did not make an explicit and unreserved statement of compliance with IFRS and apply IFRS 1 in the first period in which they made the statement.

Ernst & Young

Appendix B: Response to ED 192, paragraph 46(g) - Comments on particular disclosure requirements:

(i) **Particular disclosure requirements that have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion**

Reference	Comment
AASB 7.6 and others	The RDR proposes to exclude paragraph 6 and the need to make disclosures by class, an exclusion with which we agree. However, a number of remaining paragraphs in AASB 7, such as paragraph 13, retain the requirement to make specific disclosures 'for each class of such financial assets'. We suggest removing all similar references for the sake of consistency and clarity.
AASB 7.7	This paragraph is arguably the 'overarching' requirement of the standard, with the remaining paragraphs of the standard outlining what must be disclose to meet this overall requirement. Leaving this paragraph at the beginning of the financial instruments section without further guidance theoretically requires disclosure of much of the information that the proposal removes in order to comply with this paragraph. The approach in the *IFRS for SMEs* standard is to make this paragraph less prominent by moving it to a later part of the section in the standard (paragraph 11.42), and by providing a specific example of the type of disclosure information for SMEs/Tier 2 entities. We suggest a similar change for the RDR, to ensure appropriate emphasis of the requirement in the context of the RDR.
AASB 7.12A	The most onerous disclosure requirements for reclassification of financial assets (sub-paragraphs (b) and (e)) have been removed; however, we feel that on a cost/benefit trade-off for the remaining requirements, sub-paragraph (d) should also be excluded (i.e., shaded).
AASB 7.16	It is proposed to retain under the RDR the requirement under this paragraph to disclose a reconciliation of changes in an allowance for credit losses account, where such an account is used to record impairments of a financial asset rather than directly reducing the carrying amount of the asset. Such a disclosure is not required under *IFRS for SMEs*. Therefore its inclusion in the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR. No explanation for this is provided in the Exposure Draft; it is however noted that the *AASB Staff Analysis: Draft Proposed Disclosures under RDR* posted on the AASB website in December 2009 noted the view that 'The benefits of disclosing this information outweighs the cost to preparers and users of the financial statements and is a key (and mandatory) disclosure proposed under the ED *Financial Instruments: Amortised Cost and Impairment ...*' As all disclosures are mandatory under full IFRS we do not believe that this provides a satisfactory justification for violating the

Reference	Comment
	general principle of only including disclosures required under *IFRS for SMEs* unless they arise from recognition and measurement differences. Further, in our view using an allowance account rather than writing down the carrying value of the asset directly already provides additional information, and a reconciliation of this account does not provide particularly relevant information (especially when not provided by class) compared to the impairment gain/loss in the income statement. We therefore suggest this disclosure requirement should be excluded from the RDR.
AASB 7.17	While we recognise that the disclosures required by this paragraph relating to compound financial instruments with multiple embedded derivatives relate to a recognition and measurement difference between full IFRS and *IFRS for SMEs*, we do not consider that this paragraph adds particularly useful information, and suggest it should be removed on a cost benefit basis.
AASB 7.18-19	The proposed retention of paragraph 18 but removal of paragraph 19 leaves a key gap in terms of the disclosures relating to defaults and breaches that we believe are necessary, and requires additional disclosures that in our view could be removed. We support the *IFRS for SMEs* approach (paragraph 11.47), which has combined these paragraphs into a redrafted paragraph that requires disclosure of both defaults and breaches of terms that were not remedied at the reporting date. The current RDR approach: • Requires disclosure of defaults during the period that have already been remedied at reporting date - we do not consider this particularly decision-useful information; • Does not require disclosure of breaches of loan agreement terms (i.e., other than defaults) even if they have not been remedied at reporting date. This requirement should be retained, particularly given this would cover covenant breaches, which provides important information about loans that may be callable by the lender prior to maturity because of these breaches.
AASB 7.23(d)	The full requirements of this sub-paragraph are retained in the RDR; that is, there is a requirement to disclose for cash flow hedges the amount reclassified from other comprehensive income to profit or loss included in each line item in the statement of comprehensive income. This is not consistent with the corresponding disclosure requirement of *IFRS for SMEs* (paragraph 12.29(d)), which requires only the total amount reclassified to be disclosed. While the additional disclosure may not be considered particularly onerous, we suggest it should be amended to be consistent with the extent of disclosure required by *IFRS for SMEs*.
AASB 7.27, 27A and 27B	Paragraph 27 requires disclosure of the methods and assumptions applied in determining fair value. We would support removal of this requirement, which in general we find to be poorly done by

Reference	Comment
	entities required to make the disclosure, and support replacing it by retaining key disclosures in paragraphs 27A and 27B (see below) which present more relevant and reliable information. We presume these latter requirements were not included in *IFRS for SMEs* due to the overlapping development periods. We believe that paragraph 27A, containing disclosures relating to the fair value hierarchy, and paragraphs 27B(a) and 27B(d) present particularly relevant information that should be retained in the RDR. Most entities that hold financial instruments measured at fair value should also be able to determine the source of the inputs to the valuation, and provide these disclosures. We recommend however that the onerous disclosure requirements of paragraph 27B(c) and 27B(e) should be excluded from the RDR. Paragraph 27B(b) on significant transfers between Levels 1 and 2 could in our view also be excluded on a cost benefit basis.
AASB 101.Aus16.1	Currently only the first part of this paragraph is excluded from the RDR (i.e., shaded). We anticipate that this is a drafting error. We suggest that the entire paragraph should be excluded from the RDR, particularly since the second part that is currently not excluded refers to paragraph 16, which is itself excluded.
AASB 101. RDRAus16.1	This RDRAus paragraph is not required as AASB 127 dictates when consolidated financial statements are required and when separate financial statements are allowed to be prepared. While it is possible to prepare consolidated financial statements that comply with IFRS and parent individual financial statements that do not, the opposite is only possible if the parent meets the requirements for exemption from consolidation in AASB 127.10. Therefore, we recommend not including this paragraph as it might mislead preparers and users that a parent's separate financial statements can comply with IFRS when its consolidated financial statements do not.
AASB 107.36	It is proposed to retain under the RDR the requirement to disclose the total amount of taxes paid where tax cash flows are allocated over more than one activity. Such a disclosure is not required under *IFRS for SMEs*. Therefore its inclusion in the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR. No explanation for this is provided in the Exposure Draft; it is however noted that the *AASB Staff Analysis: Draft Proposed Disclosures under RDR* posted on the AASB website in December 2009 noted 'Staff recommend that the RDR excludes the disclosure requirement in paragraph 36 on the basis of cost-benefit considerations.' No justification has been provided for the change of view leading to inclusion of paragraph 36 in the RDR. Given that the disclosure is not required by *IFRS for SMEs* and does not arise from recognition and measurement differences we do not believe its inclusion in the RDR has been suitably justified.

Reference	Comment
AASB 117.31(b) and 47(a)	The RDR retains the disclosure, in respect of finance leases in the financial statements of lessees and lessors, of the future minimum lease payments for specified time periods contained in AASB 117.31(b) and AASB 117.47(a), respectively. However, we note that the RDR proposes to eliminate the maturity analysis for non-derivative financial liabilities contained in AASB 7.39(a). We do not believe that the disclosure of the maturity analysis of minimum lease payments under finance leases by lessees (which is only one class of liability) is any more relevant to users of Tier 2 GPFSs than a maturity analysis of an entity's financial liabilities (such as creditors, loans and borrowings). Similarly, the RDR proposes to eliminate the disclosures required by AASB 7.37 and AASB 7.40. We do not believe that the disclosure of the maturity analysis of minimum lease payments receivable under finance leases by lessors (which is only one class of asset) is any more relevant to users of Tier 2 GPFSs than maturity and credit risk analyses of an entity's financial assets. Consequently, as the proposed disclosures in respect of finance leases are more onerous for both lessees and lessors than for other non-derivative financial assets and liabilities, we suggest removing the disclosure requirements under AASB 117.31(b) and AASB 117.47(a) from the RDR. We acknowledge that since obligations and receivables arising under operating leases are not recognised in the statement of financial position, it is appropriate that the maturity analysis of the minimum lease payments for operating leases for both lessees and lessors be retained as proposed in the RDR.
AASB 117.31, 35, 47 and 56	It is proposed that many of the requirements contained in AASB 7 be removed under the RDR. For the sake of clarity and to ensure internal consistency we suggest that the phrase 'in addition to meeting the requirements in AASB 7' be deleted from each of paragraphs AASB 117.31, 35, 47 and 56 of the RDR.
AASB 118.35(c)	It is proposed to retain under the RDR the requirement to disclose the amount of revenue arising from exchanges of goods or services in each significant category of revenue. Such a disclosure is not required under *IFRS for SMEs*. Therefore its inclusion in the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR. No explanation for this is provided in the Exposure Draft; it is however noted that the *AASB Staff Analysis: Draft Proposed Disclosures under RDR* posted on the AASB website in December 2009 noted that the omission of paragraph 35 (c) '... does not reflect a recognition or measurement difference between the standards ... the staff considers that omitting the requirement will not deny users information vital for decision making. For cost-benefit reasons, the staff recommends omitting paragraph 35(c)

Reference	Comment
	disclosure from the RDR.' No justification has been provided for the change of view leading to inclusion of paragraph 35(c) in the RDR. Given that the disclosure is not required by *IFRS for SMEs* and does not arise from recognition and measurement differences we do not believe its inclusion in the RDR has been suitably justified.
AASB 119.30(c)(ii)	It is proposed to retain under the RDR the requirement to disclose the basis used to determine the surplus or deficit in a multi-employer plan to the extent it may affect future contributions. Such a disclosure is not required under *IFRS for SMEs*. Therefore its inclusion in the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR.
AASB 119.120A(c)	The text from this paragraph proposed to be retained in the RDR does not make sense. It would appear that either some additional text needs to be retained (or added), or that the text 'showing separately, if applicable' needs to be excluded; i.e., shaded. (*IFRS for SMEs* requires only that 'benefits paid and all other changes' be separately disclosed in the reconciliation.)
AASB 119.120A(h)	We suggest that the disclosure for defined benefit plans required here be limited to 'the total amount recognised in other comprehensive income'. Alternatively, but not our preferred view, the full text of the paragraph could be retained. As it stands, removing (shading) only part (ii) results in only part of the effect on OCI being disclosed.
AASB 119.120A(i)	We suggest the Board consider excluding (shading) on cost benefit grounds this requirement to disclose the cumulative amount of actuarial gains and losses recognised in OCI. We believe the incremental benefit of such disclosure to be minimal.
AASB 119.120A(j)	We suggest the Board consider excluding (shading) on cost benefit grounds this requirement to disclose the percentage or amount that each major category of plan assets constitutes of the fair value of the total plan assets. We believe the incremental benefit of such disclosure to be minimal.
AASB 119.124(b)	This paragraph states that AASB 124 requires disclosure about post-employment benefits for key management personnel. However, it is proposed that AASB 124.17(b) that requires this disclosure will not be included in the RDR. As such, we suggest that for consistency this paragraph should also be excluded (i.e., shaded).
AASB 119.131	This paragraph states that 'When required by AASB 124 an entity discloses information about other long-term employee benefits for key management personnel.' However, it is proposed that AASB 124.17(c) that requires this disclosure will not be included in the RDR. As such, we suggest that for consistency this final sentence of the paragraph should also be excluded (i.e., shaded).
AASB 124.Aus13.1	We note that this paragraph is an Australian specific disclosure

Reference	Comment
	requirement where parent entities are incorporated outside Australia. Such a disclosure is not required in *IFRS for SMEs* (or in full IFRS). Therefore its inclusion in the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR. No explanation for this is provided in the Exposure Draft; it is however noted that the *AASB Staff Analysis: Draft Proposed Disclosures under RDR* posted on the AASB website in December 2009 recommended inclusion of paragraph Aus13.1 '... as it is relevant, useful and not onerous for Tier 2 entities.' Given that the disclosure is not required by *IFRS for SMEs* and does not arise from recognition and measurement differences we do not believe its inclusion in the RDR has been suitably justified. The justification provided in the *Staff Analysis* referred to above could equally be applied to a significant number of disclosures that have been excluded from the RDR, and as such is not sufficient in our view to warrant violation of the general principle for determining disclosures to be included in the RDR.
AASB 133	We are concerned that the significant disclosures relating to earnings per share which have not been excluded (shaded) under the RDR may be taken as implying that Tier 2 entities must make such disclosures relating to EPS. We are unclear why AASB 133, like AASB 8, has not been excluded in its entirety from the RDR, given that it applies to entities that would be included in the definition of public accountability, and therefore will not apply to Tier 2 entities. If the rationale is that non-publicly accountable entities may choose to voluntarily disclose EPS, and as such by virtue of AASB 133.Aus1.1(c) and AASB 133.3 would need to apply the requirements of the standard, we are not clear on why a similar rationale for the inclusion of AASB 8 in the RDR has not been applied (given that AASB 8.3 would require application of the standard if 'segment information', so labelled, is voluntarily disclosed). We suggest that the Board address this apparent inconsistency of treatment of these two standards within the RDR.
AASB 137.84-RDR84.1	We understand that in combination the retained disclosures in AASB 137 paragraph 84 and the additional disclosures in RDR84.1 result in the same disclosure relating to each class of provisions as required by *IFRS for SMEs*, paragraph 21.14. However, we suggest that it would be clearer to simply replace the current requirements in paragraphs 84 and RDR84.1 with the text from *IFRS for SMEs*, paragraph 21.14 (i.e., shade in full paragraph 84 of AASB 137 and replace the current paragraph RDR84.1 with *IFRS for SMEs*, paragraph 21.14).
AASB 140.76(f)	For investment properties measured using the Cost Model, the RDR proposes exclusion of the disclosure requirement in AASB 140.79(d)(vii) relating to transfers to and from inventory and owner occupied property. However, the RDR retains the identical

Reference	Comment
	disclosures for investment properties measured using the Fair Value model (AASB 140.76(f)). We are not aware of a reasonable basis for this inconsistency. Consequently, we consider it appropriate that the disclosure required by AASB 140.76(f) be also excluded from the RDR.
AASB 140.78	The exclusion (shading) of the initial introductory section of this paragraph, while retaining sub-paragraphs (a) to (d), is unclear. We believe this to be a drafting error and consider it appropriate that paragraph 78 of AASB 140 be excluded (i.e., shaded) in its entirety.
AASB 140.79(e)	The exclusion (shading) of the introductory section of this paragraph, while retaining sub-paragraphs (i) to (iv), is unclear. We believe this to be a drafting error and consider it appropriate that paragraph 79(e) of AASB 140 be excluded (i.e., shaded) in its entirety.

(ii) Particular disclosure requirements that have been excluded from the RDR that you consider should be retained, and your reasons for retention.

Reference	Comment
AASB 2.RDR46.1	For equity settled share based payment arrangements this paragraph requires that where a valuation methodology is used to measure the fair value of goods or services received or the value of the equity instruments granted, the valuation method and the reason for choosing it are to be disclosed. We do not believe the reason for choosing a valuation method to be particularly decision useful information, and suggest that disclosure of the key assumptions used in the valuation method would provide more useful information. We do not believe disclosure of these inputs would be onerous for Tier 2 entities, since they will have been determined for the valuation process, and as such their disclosure can be justified on cost benefit grounds.
AASB 7.10	It is proposed to remove under the RDR the requirement to make disclosures regarding financial liabilities at fair value through profit or loss. While few entities make such designations, and we expect that even fewer of those will be Tier 2, we believe that if there are entities with issued debt at fair value through profit and loss, the information required by paragraph 10 should be provided by these entities. Retaining the requirement is likely to have no impact on the majority of Tier 2 entities to which it will not apply, but for those where it does, the amount of change in fair value (particularly gains) that arose from their own credit risk should be disclosed, particularly given the counter-intuitive nature of the relationship; i.e., that entities recognise a gain in the income statement as their credit risk or credit rating deteriorates.

Reference	Comment
AASB 7.39	In removing the liquidity risk disclosure requirements of paragraph 39, there is a risk that key information about the maturity of significant financial liabilities may be omitted. While we support removing this contractual maturity analysis, information about significant loans should be made. We note that the *IFRS for SMEs* approach to paragraph 7 (see comment in table (i) above) makes this requirement explicit and we therefore recommend this approach.
AASB 108.28(h)	It is proposed to remove under the RDR the requirement to make disclosure regarding the circumstances and conditions which make retrospective application of an accounting policy upon initial application of an Australian Accounting Standard impracticable. A similar, although not identical disclosure, is required by *IFRS for SMEs* paragraph 10.13(d). Therefore exclusion of disclosure relating to this matter from the RDR would appear to be a violation of the principle used to determine which disclosures should be required under the RDR. No explanation for this is provided in the Exposure Draft; it is however noted that the *AASB Staff Analysis: Draft Proposed Disclosures under RDR* posted on the AASB website in December 2009 noted 'In relation to similar wording in paragraph 28(h), staff think the full IFRS wording is suitable because its wording is more precise than the *IFRS for SMEs*.' No justification has been provided for the change of view leading to exclusion of paragraph 28(h) from the RDR. Given that similar disclosure is required by *IFRS for SMEs* and does not arise from recognition and measurement differences we do not believe its exclusion from the RDR has been suitably justified. We also note that similar disclosure in relation to voluntary changes in accounting policies required by AASB 108.29(e) has been retained in the RDR, which would seem inconsistent with the exclusion of paragraph 28(h).
AASB 110.19-20	While we recognise that the requirements of these paragraphs to update disclosures about conditions that existed at the end of the reporting period are not included in the *IFRS for SMEs*, in our view such disclosures would provide useful information to the users of Tier 2 financial statements and would not be unduly costly to prepare. We therefore believe these paragraphs should be retained in the RDR.
AASB 112.82	It is proposed to remove from the RDR the requirement to disclose the amount of the deferred tax asset and the evidence supporting its recognition under the circumstances outlined in this paragraph. While we recognise that the *IFRS for SMEs* does not include a requirement to disclose this information, we believe such disclosure would provide useful information to the users of Tier 2 financial statements and would not be unduly costly to prepare. We therefore suggest this paragraph should be retained in the RDR.

Reference	Comment
AASB 112.88	It is proposed to remove under the RDR the reference in this paragraph to the requirement to make disclosure regarding any tax-related contingent liabilities and contingent assets in accordance with AASB 137. However, it is not proposed to exclude (i.e., shade) AASB 137.86, which is therefore required under the RDR. It therefore seems inconsistent to not refer to the disclosure of tax-related contingent liabilities and contingent assets under the RDR. Also, significant effects of changes in current and deferred tax assets and liabilities as a result of changes in tax rates or tax laws are not covered by disclosure requirements of other standards. We believe that this disclosure provides useful information to users, if the resulting contingent asset or liability is significant. Therefore, we suggest this disclosure requirement be retained under the RDR.
AASB 119.23	While the proposal to exclude disclosure of employee benefits expense from the RDR is consistent with the lack of such a required disclosure in the *IFRS for SMEs*, we believe that such disclosure is important in demonstrating how an entity is managing its employee costs. As such we believe this should be disclosed irrespective of whether an entity chooses to classify expenses by nature or function. Further, the ED proposes disclosure of superannuation costs (AASB 119, paragraphs 46 and 120A(g)). Disclosure of these costs but not other employee benefit costs appears anomalous. Where expenses are classified by nature material employee benefits expense would be disclosed under the requirements of AASB 101. To ensure this information is available whether expenses are classified by nature or function we support retention of this paragraph in the RDR.
AASB 124.26	While the proposal to exclude disclosure of the details of transactions and related outstanding balances relating to transactions with governments and government related entities from the RDR is consistent with the lack of such a required disclosure in the *IFRS for SME* (which we suspect is due to the overlapping development periods of the amendments to AASB 124 and the *IFRS for SMEs*), we believe that such disclosure is important in that these requirements already significantly reduce the related party disclosures of for-profit public sector entities. Removing (i.e., shading) this paragraph will result in for-profit public sector entities not being subject to any disclosure of related party transactions.
AASB 128.39	This paragraph, which has been excluded (shaded) under the RDR, requires the investor's share of the associate's changes in other comprehensive income to be recognised by the investor in other comprehensive income. As such, this paragraph does not appear to deal with disclosure *per se*, but rather indicates where to present that share of income. Its exclusion (shading) may be taken to imply that the investor does not need to take up its share of an associate's other comprehensive income. We do not believe this is what is intended. In addition AASB 101.82(h) requires this amount

Reference	Comment
	to be disclosed separately in the statement of comprehensive income, and is not excluded (shaded) under the RDR, suggesting the exclusion of AASB 128.39 is not appropriate. As such we believe the exclusion of AASB 128.39 will cause confusion and this paragraph should be retained under the RDR.
AASB 140.75(f)(i)	We note that the RDR retains the disclosure of each significant category of revenue required by AASB 118.35(b). As a consequence, we consider it appropriate that the RDR retains disclosure of the amount recognised in profit or loss for rental income from investment property as required by AASB 140.75(f)(i).
AASB 1052.15-19	The exclusion (i.e., shading) of these paragraphs relating to disaggregated disclosures by government departments should in our view be retained on cost benefit grounds as they supply important information on the activities of such entities and are not onerous to prepare. Given that we expect most entities in the scope of this standard would qualify to adopt the RDR, the exclusion of all its disclosures effectively makes them redundant in their entirety.

(iii) Other disclosure requirements requiring amendment or clarification:

Reference	Comment
AASB 138.RDR118.1	Reference in this paragraph to 'paragraph 73(e)' should be to 'paragraph 118(e)'.
Appendix B - Standards excluded and applicable unamended	Currently AASB 8 is listed under the heading of 'AASB Standards applicable to Tier 2 without amendment'. However the commentary under section (c) states 'AASB 8 *Operating Segments* has been excluded from the RDR ...' We presume that the inclusion of AASB 8 under this heading in Appendix B of the ED is a drafting error, and that it should be removed from this section and placed under the heading of 'AASB Standards excluded from the RDR'.